



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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE  
FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2005

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Current Quarter Ended 31/12/2005 RM'000</b>	<b>Corresponding Quarter Ended 31/12/2004 RM'000</b>	<b>Current Year to date Ended 31/12/2005 RM'000</b>	<b>Corresponding Year to date Ended 31/12/2004 RM'000</b>
Revenue	167,854	120,710	568,976	493,900
Operating expenses	(146,640)	(123,685)	(520,338)	(457,559)
Other operating income	10,930	5,887	25,405	13,078
Profit from operations	32,144	2,912	74,043	49,419
Finance cost	(13,663)	(4,769)	(34,188)	(15,786)
Profit/(Loss) before taxation	18,481	(1,857)	39,855	33,633
Taxation	(6,680)	2,425	(17,876)	644
Net profit for the period	11,801	568	21,979	34,277
Minority Interest	288	-	344	-
Net profit attributable	12,089	568	22,323	34,277
Profit per share (sen):				
(a) Basic	2.70	0.13 *	4.99	7.77 *
(b) Fully diluted	2.70	0.13 *	4.99	7.74 *

\* 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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE  
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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>As at end of Current Quarter 30/12/2005 RM'000</b>	<b>(Audited) As at Preceding Financial Year end 31/12/2004 RM'000</b>
Property, plant and equipment	850,149	691,858
Deferred expenditure	10,858	10,182
Goodwill on consolidation	54,948	57,918
Intangible assets	15,393	-
<b>Current Assets</b>		
Inventories	68,532	53,554
Debtors	107,441	80,053
Tax Recoverable	10,427	10,664
Cash and Cash Equivalents	372,291	288,517
	<b>558,691</b>	<b>432,788</b>
<b>Current Liabilities</b>		
Creditors	149,201	96,694
Short Term Borrowings	121,610	14,560
Deferred Income	3,944	4,368
	<b>274,755</b>	<b>115,622</b>
Net Current Assets	283,936	317,166
Net Assets Employed	<b>1,215,284</b>	<b>1,077,124</b>
Share Capital	223,463	148,969
Reserves	412,553	474,485
Shareholders' Funds	<b>636,016</b>	<b>623,454</b>
Minority Interests	12,957	-
Deferred Income	3,615	8,372
<b>Non-Current Liabilities</b>		
Guaranteed Convertible Bonds Due 2009	504,095	380,000
Long Term Borrowings	-	24,039
Deferred Tax Liabilities	58,601	41,259
Total Capital Employed	<b>1,215,284</b>	<b>1,077,124</b>
Net Assets Per Share (RM)	<b>1.4521</b>	<b>1.3950 *</b>

\* 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 31/12/2005 RM'000</b>	<b>Corresponding Year To Date Ended 31/12/2004 RM'000</b>
<b>Operating Activities</b>		
Profit Before Taxation	39,855	33,633
Adjustments for non-cash flow items:		
Depreciation and amortisation expenses	113,215	95,941
Finance cost (net of interest income)	23,780	9,088
(Gain)/Loss on buy back of unsecured convertible bonds	(4,988)	-
Amortisation of deferred income	(4,134)	(1,493)
Others	(554)	(108)
Operating Profit Before Changes In Working Capital	167,174	137,061
Net change in current assets	(41,015)	(9,595)
Tax paid	(296)	(179)
Net change in current liabilities	(3,494)	(35,647)
Net Cash Flows From Operating Activities	122,369	91,640
<b>Investing Activities</b>		
Additions to property, plant and equipment	(214,500)	(87,644)
Acquisition of a subsidiary company	-	(48,834)
Others	13,936	2,973
Net Cash Flows Used In Investing Activities	(200,564)	(133,505)
<b>Financing Activities</b>		
Proceeds from issue of unsecured convertible bonds	188,905	380,000
Proceeds from short and long term borrowings	120,000	38,000
Consideration for buy back of unsecured convertible bonds	(60,364)	-
Repayment of short and long term borrowings	(35,412)	(60,929)
Dividends paid	(35,754)	(26,386)
Others	(15,722)	(9,314)
Net Cash Flows From Financing Activities	161,653	321,371
Net Change in Cash & Cash Equivalents	83,458	279,506
Cash And Cash Equivalents At Beginning Of Period	287,337	7,648
Effect of exchange rate differences	(114)	183
	287,223	7,831
Cash And Cash Equivalents At End Of Period	370,681	287,337

(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 31 December 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)	-	-
Equity component of Guaranteed Convertible Bond	-	22,844	2,785	25,629
Exchange Fluctuation Reserve	-	329	-	329
Dividend paid	-	-	(35,754)	(35,754)
Net profit for the financial year to date	-	-	22,323	22,323
Balance at end of period	<u>223,463</u>	<u>150,126</u>	<u>262,427</u>	<u>636,016</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 31 December 2004</b>				
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
Dividend 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>

**(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)**



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE  
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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;
- (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; and
- (iv) during the fourth quarter, the Company repurchased and cancelled a total of US\$16.968 million principal amount of its US\$100 million 2% 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 2005. An interim dividend of 6%, tax exempt, amounting to RM13,407,767 in respect of ordinary shares in the current financial year was paid by the Company on 22 November 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 31 December 2005</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>Consolidated RM'000</b>
Revenue	142,673	25,181	167,854
Profit/(Loss) before taxation	19,150	(669)	18,481
<b>Current Year To Date Ended 31 December 2005</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>Consolidated RM'000</b>
Revenue	487,164	81,812	568,976
Profit/(Loss) before taxation	48,586	(8,731)	39,855

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.

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 RM167.854 million and net profit of RM12.089 million for the current quarter ended 31 December 2005. These represent a corresponding quarterly growth of 39.1% in revenue and an increase in net profit of RM11.521 million. The increase in revenue and net profit was mainly due to increase in sales volume.

For the current financial year ended 31 December 2005, the Group recorded a revenue of RM568.976 million and net profit of RM22.323 million. These represent a corresponding increase of 15.2 % in revenue and a decrease in net profit of RM11.954 million. The increase in revenue was mainly due to increase in sales volume, as well as additional revenue contribution from Unisem (Europe) Limited. The net profit for the current financial year was comparatively lower as there was a write-back of an overprovision of taxation of approximately RM11 million recognised in prior year, higher deferred taxation, net losses consolidated from Unisem (Europe) Limited and higher finance cost arising from the issuance of the US\$50 million 3% Guaranteed Convertible Bonds Due 2009 on 4 Feb 2005.



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**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 ("PBT") of RM18.481 million for the fourth quarter ended 31 December 2005. This represents a decrease of RM1.745 million as compared to the PBT of RM20.226 million for the immediate preceding quarter ended 30 September 2005. The current quarter PBT was comparatively lower as there was a higher unrealised foreign exchange gain arising from the revaluation of the US\$100 million 2% and US\$50 million 3% Guaranteed Convertible Bonds Due 2009 (the "Bonds") in the previous quarter, whereas during the current quarter, there were unrealised foreign exchange losses recognised in relation to the Bonds. The lower PBT was also attributable to the higher interest charges arising from the fair valuation of the Bonds. However, this impact was partially offset by the recognition of a gain on the repurchase and cancellation of US\$16.968 million principal amount of its US\$100 million 2% Guaranteed Convertible Bonds Due 2009 during the current quarter.

**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 8.6% in revenue, a record quarterly revenue, in the quarter under review. The Board expects continued strength in the Group's business due to strong market demand. This is in line with the trend in the semiconductor industry and bodes well for the Group's prospects in the next 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 31/12/2005 RM'000	Current Year To Date Ended 31/12/2005 RM'000
Income tax payable		
- Current	(564)	(982)
- Overprovision in prior years	448	448
Transfer (to)/from deferred taxation	(6,564)	(17,342)
Total	<u>(6,680)</u>	<u>(17,876)</u>

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.



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**19. Particulars of purchase or disposal of quoted securities**

There are no purchases or disposals of quoted securities by the Group as at 27 February 2006.

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

There are no outstanding corporate proposals announced but not completed as at 27 February 2006.

**(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:

	<b>Approved utilisation for the proceeds RM'000</b>	<b>Utilisation of proceeds as at 31/12/2005 RM'000</b>	<b>Unutilised balance as at 31/12/2005 RM'000</b>
Capital expenditure	500,000	284,121	215,879
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>346,541</b>	<b>223,459</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>		
Bank Overdraft (Secured)	£245	1,610*
- denominated in Pound Sterling ("£")		
Short Term Loan (Unsecured)		120,000
		121,610
<u>Long Term Borrowings – denominated in USD</u>		
Guaranteed Convertible Bonds due 2009 (Unsecured)	USD134,496	504,095
<b>Total</b>		<b>625,705</b>

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

During the current quarter, the Group obtained a RM120 million Syndicated Islamic Corporate Financing Facility (the "Facility") for the purpose of expanding its SLP (Small Leadless Packages) assembly and final test capacity. The Facility, which is structured based on the Syariah principle of Bai' Al-Inah, was drawn down in December 2005 and will be repaid by 12 equal monthly installments commencing January 2006.





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**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 recognised until the transaction occurs.

As at 31 December 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	22,200 =====	83,608 =====

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 10% (or 5 sen per share) tax-exempt for the financial year ended 31 December 2005 (10% (or 5 sen per share) tax-exempt for the financial year ended 31 December 2004). The proposed final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on a date to be announced.

**25. Earnings per ordinary share**

Earnings per share for the current quarter of 2.70 sen and year to date of 4.99 sen was calculated by dividing the Group's net profit for the current quarter and year to date amounting to RM12.089 million and RM22.323 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 Secretaries

DATED : 27 February 2006