



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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE  
SECOND FINANCIAL QUARTER ENDED 30 JUNE 2007

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Current Quarter Ended 30/06/2007 RM'000</b>	<b>Corresponding Quarter Ended 30/06/2006 RM'000</b>	<b>Current Year to date Ended 30/06/2007 RM'000</b>	<b>Corresponding Year to date Ended 30/06/2006 RM'000</b>
Revenue	161,097	172,782	308,069	342,823
Operating expenses	(151,258)	(161,788)	(297,062)	(310,101)
Other operating income	17,480	17,521	29,913	32,924
Finance cost	(4,861)	(7,471)	(11,051)	(15,861)
Profit before taxation	22,458	21,044	29,869	49,785
Taxation	5,141	(5,433)	232	(12,317)
<b>Profit for the period</b>	<b>27,599</b>	<b>15,611</b>	<b>30,101</b>	<b>37,468</b>
<b>Attributable to:</b>				
Equity holders of the parent	27,945	16,118	30,768	38,328
Minority interest	(346)	(507)	(667)	(860)
	<b>27,599</b>	<b>15,611</b>	<b>30,101</b>	<b>37,468</b>
Earnings per share (sen)				
(a) Basic	5.93	3.61	6.53	8.58
(b) Diluted	5.74	3.41	6.40	7.71

**(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> December 2006)**



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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>As at end of Current Quarter 30/06/2007 RM'000</b>	<b>(Restated) As at Preceding Financial Year end 31/12/2006 RM'000</b>
<b>Assets</b>		
<i>Non-Current Assets</i>		
Property, Plant and Equipment	891,352	889,726
Prepaid Interest in Leased Land	14,212	14,296
Deferred Expenditure	5,563	11,130
Goodwill on Consolidation	54,947	54,947
Intangible Assets	15,393	15,393
Deferred Tax Assets	813	397
Total Non-current Assets	982,280	985,889
<i>Current Assets</i>		
Inventories	82,644	74,893
Trade and Other Receivables	113,191	96,721
Tax Recoverable	-	35
Cash and Cash Equivalents	89,620	112,298
Total Current Assets	285,455	283,947
<b>Total Assets</b>	<b>1,267,735</b>	<b>1,269,836</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 2006)



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CONDENSED CONSOLIDATED BALANCE SHEETS – CONTINUED

	As at end of Current Quarter 30/06/2007 RM'000	(Restated) As at Preceding Financial Year end 31/12/2006 RM'000
<b>Equity and Liabilities</b>		
<i>Capital and Reserves</i>		
Share Capital	235,721	223,463
Reserves	545,978	507,135
Equity Attributable To Equity Holders of the Parent	781,699	730,598
Minority Interests	6,423	11,706
<b>Total Equity</b>	<b>788,122</b>	<b>742,304</b>
<i>Non-Current Liabilities</i>		
Guaranteed Convertible Bonds Due 2009	41,324	58,453
Long Term Borrowings	271,156	52,931
Deferred Income	1,866	1,929
	314,346	113,313
<i>Current Liabilities</i>		
Trade and Other Payables	133,939	113,746
Short Term Borrowings	30,877	850
Guaranteed Convertible Bonds Due 2009	-	297,721
Current Portion of Deferred Income	410	1,902
Current Tax Payable	41	-
	165,267	414,219
<b>Total Liabilities</b>	<b>479,613</b>	<b>527,532</b>
<b>Total Equity and Liabilities</b>	<b>1,267,735</b>	<b>1,269,836</b>
Net Assets per ordinary share attributable to equity holders of the parent (RM)	1.6581	1.6347

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31<sup>st</sup> December 2006)



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Current Year To Date Ended 30/06/2007 RM'000</b>	<b>Corresponding Year To Date Ended 30/06/2006 RM'000</b>
<b>Operating Activities</b>		
Profit Before Taxation	29,869	49,785
Adjustments for non-cash flow items:		
Depreciation and amortisation expenses (net of amortization income)	60,645	60,234
Finance cost (net of interest income)	9,392	11,186
Others	(11,490)	(19,706)
Operating Profit Before Changes In Working Capital	88,416	101,499
Net change in current assets	(42,430)	(5,677)
Tax refund/(paid)	(125)	10,770
Net change in current liabilities	(19,664)	(23,988)
Net Cash Flows From Operating Activities	26,197	82,604
<b>Investing Activities</b>		
Additions to property, plant and equipment	(20,979)	(102,766)
Others	1,802	5,303
Net Cash Flows Used In Investing Activities	(19,177)	(97,463)
<b>Financing Activities</b>		
Proceeds from short and long term borrowings	247,366	-
Issuance of shares	45,600	-
Dividend paid	-	(22,346)
Repayment of short and long term borrowings	-	(60,000)
Consideration for buy-back and early redemption of Guaranteed Convertible Bonds due 2009	(316,813)	(70,313)
Others	(8,427)	(11,144)
Net Cash Flows Used In Financing Activities	(32,274)	(163,803)
Net Change in Cash & Cash Equivalents	(25,254)	(178,662)
Cash And Cash Equivalents At Beginning Of Period	111,448	370,336
Effect of exchange rate differences	550	(371)
	111,998	369,965
Cash And Cash Equivalents At End Of Period	86,744	191,303

(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 2006)



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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 & 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, 2007</b>							
Balance at beginning of year	223,463	144,987	(3,316)	284,613	649,747	11,706	661,453
Prior year adjustment – Effect of adopting revised FRS 112	-	-	-	80,851	80,851	-	80,851
Restated Balance	223,463	144,987	(3,316)	365,464	730,598	11,706	742,304
Currency translation differences	-	-	(1,773)	-	(1,773)	13	(1,760)
Net profit for the financial year to date	-	-	-	30,768	30,768	(667)	30,101
Total recognised income and expenses for the financial year to date	-	-	(1,773)	30,768	28,995	(654)	28,341
Issuance of shares	12,258	33,342	-	-	45,600	-	45,600
Adjustment due to increase in equity in subsidiary company	-	-	-	-	-	(4,629)	(4,629)
Buy-back of Guaranteed Convertible Bonds due 2009	-	(16,322)	-	(7,172)	(23,494)	-	(23,494)
<b>Balance at end of period</b>	<b>235,721</b>	<b>162,007</b>	<b>(5,089)</b>	<b>389,060</b>	<b>781,699</b>	<b>6,423</b>	<b>788,122</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 2006)



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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY – CONTINUED

	← Attributable to Equity Holders of the Parent →						Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium & Capital Reserves RM'000	Reserve attributable to Revenue RM'000	Retained Earnings RM'000	Subtotal RM'000			
<b>Corresponding 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>Restated 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 2006)



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**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 2006.

The Group has adopted FRS 117 'Leases' and FRS 124 'Related Party Disclosures' which are applicable for annual periods commencing on or after 1 October, 2006.

On 15 June, 2007, the MASB has issued a total of 10 revised Financial Reporting Standards ("FRS"). The revised FRSs will be applicable for annual periods commencing on or after 1 July, 2007.

In the current quarter, the Group has opted for an early adoption of the revised FRS 112 'Income Taxes' and details of the change in the basis of calculating deferred taxation is explained in Note 19.

Certain comparative figures in respect of the Group's consolidated financial statements for year ended 31 December 2006 have therefore been restated to reflect the relevant retrospective adjustments.

**1. Balance Sheet**

<b>Impact to prior year ended 31 December 2006</b>	<b>As previously stated RM'000</b>	<b>FRS 112 Adjustment RM'000</b>	<b>FRS 117 Adjustment RM'000</b>	<b>As restated RM'000</b>
Property, Plant and Equipment	904,022	-	(14,296)	889,726
Prepaid Interest in Leased Land	-	-	14,296	14,296
Deferred Tax Liabilities	(80,851)	80,851	-	-
Reserves	426,284	80,851	-	507,135
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Net assets per ordinary share	1.4538	0.1809	-	1.6347

**2. Income Statement**

The early adoption of FRS 112 has resulted in the following profit impact to the current quarter under review:

**Current Quarter Ended**

<b>30 June 2007</b>	<b>RM'000</b>
Reversal of deferred tax expense recognised in quarter ended 31 March, 2007	4,817
Recognition of deferred tax asset	416
<b>Total profit impact</b>	<b>5,233</b>



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The early adoption of FRS 112 has resulted in no provision for deferred taxation expense being necessary for the current quarter and year to date ended 30 June 2007. The amount of deferred taxation expense recognized for the corresponding quarter and year to date ended 30 June 2006 amounted to RM4.978 million and RM11.698 million 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 cyclical nature 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**

During the current quarter under review, the Group has reviewed the useful lives and residual values used for the purposes of depreciation calculation for its major class of plant and machinery in accordance with FRS 116 'Property, Plant and Equipment'. These changes in accounting estimates are applied prospectively.

	<b>Previous Estimate</b>	<b>Revised Estimate</b>
	%	%
<b>Changes in residual values</b>		
Major class of plant and machinery	0	10

As a result of this revision, the depreciation expense of property, plant and equipment has decreased by RM6.0 million and RM11.8 million for the quarter and year to date respectively.

**Changes in useful lives**

One of the subsidiary company has revised the useful lives of its plant and machinery from 8 years to 10 years. The revision in useful lives has resulted in a decrease in depreciation expense of property, plant and equipment amounting to RM547,000 and RM1.12 million for the quarter and year to date respectively.

**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 early redemption (at the option of the bondholders) of US\$67.412 million principal amount of the 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;
- (ii) the repurchase and cancellation of US\$6 million principal amount of the 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% CB"); and





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- (iii) the issuance of 24,516,124 new shares pursuant to the conversion of US\$12 million principal amount of the 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.

7. **Dividend Paid**

No dividend was paid in respect of the current financial year to date.

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

<b>Current Quarter Ended 30 June 2007</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>Consolidated RM'000</b>
Revenue	147,917	13,180	161,097
Profit before taxation	24,070	(1,612)	22,458
<b>Current Year To Date Ended 30 June 2007</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>Consolidated RM'000</b>
Revenue	285,329	22,740	308,069
Profit before taxation	35,522	(5,653)	29,869

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 revenue of RM161.097 million and net profit (before Minority Interest) of RM27.599 million for the current quarter ended 30 June 2007. These represent a corresponding quarterly decrease of 6.8% in revenue and increase in net profit of 76.8%. The decline in revenue was mainly due to lower average selling prices affected by the weakening of the US Dollar against the Malaysian Ringgit. The improvement in net profit was attributable to recognition of other operating income by its China subsidiary, the reversal of deferred taxation expenses due to early adoption of revised FRS112 'Income Taxes' and lower interest expenses.



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For the current financial year ended 30 June 2007, the Group recorded revenue of RM308.069 million and net profit (before Minority Interest) of RM30.101 million. These represent corresponding decrease of 10.1% and 19.7% in revenue and net profit respectively. The decline in revenue was mainly due to lower average selling prices affected by the weakening of the US Dollar against the Malaysian Ringgit. The decrease in net profit was attributable to lower revenue achieved, lower foreign exchange gains and higher losses incurred by its European subsidiary. However, the decrease in net profit has been partly offset by the recognition of other operating income by its China subsidiary and impact of the reversal of deferred taxation expenses upon early adoption of revised FRS 112.

**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 RM22.458 million for the second quarter ended 30 June 2007. This represents an increase in PBT of 203.1% as compared to the PBT of RM7.410 million for the immediate preceding quarter ended 31 March 2007. The significant increase in PBT was mainly due to recognition of other operating income by its China subsidiary, higher sales revenue achieved, lower operating losses from its European subsidiary and lower interest expenses in the quarter under review

**15. *Where the audit report of the company's preceding annual financial statements was qualified, disclosure of the qualification and current status of the matter(s) giving rise to the qualification for the current quarter and financial year to date***

The company's preceding annual financial statements did not have any audit qualification.

**16. *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 Directors expect the Group's revenue and earnings in the third quarter to improve significantly from the previous quarter and that the business of the Group for the remaining period to the end of the financial year would remain satisfactory.

**17. *A statement of the board of directors' opinion as to whether the revenue or profit estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document are likely to be achieved***

Not applicable. The Company had not announced or disclosed in a public document any revenue or profit estimates.

**18. (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 received by the Group (if any) and steps taken to recover the shortfall;***

Not applicable

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	<b>Current Quarter Ended 30/06/2007 RM'000</b>	<b>Current Year To Date Ended 30/06/2007 RM'000</b>
Income tax payable - current	92	184
Transfer (to)/from deferred taxation	(5,233)	(416)
Total	<u>(5,141)</u>	<u>(232)</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.

As mentioned in Note 1, the Company has opted for an early adoption of FRS 112 'Income Taxes'. The revised FRS 112 has changed the basis of the calculation of deferred tax by allowing reinvestment allowances be treated as part of the tax base of qualifying assets acquired. This has resulted in deferred tax assets being recognized in respect of reinvestment allowances to the extent that it is probable that future taxable profits will be available against which the reinvestment allowances can be utilized.

**20. 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.

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

There are no purchases or disposals of quoted securities by the Group as at 2 August 2007.

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

On 20 April 2007, the Company entered into a sale and purchase agreement ("SPA") to acquire the entire issued and paid-up capital of Advanced Interconnect Technologies Ltd ("AIT") for a cash consideration of USD70.25 million.

On 1 June 2007, the Company obtained approval from Bank Negara Malaysia in respect of the acquisition.

The Company also obtained approval from its shareholders for the acquisition at the EGM held on 20 June 2007.

On 18 July 2007, the Company announced that it had successfully acquired 99.9683% of the issued and paid-up share capital of AIT in accordance with the terms of the SPA. The SPA has become unconditional as all conditions precedent have been met.

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

As at 30 June 2007 there are no unutilised proceeds raised from corporate proposal.



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**23. 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>		
Revolving Credit (Unsecured)	-	28,000
Bank Overdraft (Secured)	£421	2,877
<u>Long Term Borrowings</u>		
Long Term Loan (Unsecured)	-	215,934
Long Term Loan (Secured)	USD16,000	55,222
Guaranteed Convertible Bonds due 2009 (Unsecured)	USD11,978	41,324
Total		<u>343,357</u>

**24. 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 2007, 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	4,100	14,135
	=====	=====

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.

**25. 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.

**26. Dividend**

The Directors do not recommend any dividend for the current financial quarter ended 30 June 2007. (Nil for the financial quarter ended 30 June 2006).



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**27. *Earnings per share***

The basic earnings per share for the current quarter of 5.93 sen and financial year to date of 6.53 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 RM27.945 million and RM30.768 million by the weighted average number of ordinary shares in issue of 471,441,680.

The diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The guaranteed convertible bonds is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate interest expense less the tax effect.

BY ORDER OF THE BOARD

**CHUA HENG FATT** (MACS 00264)

**CHIN HOCK YEE** (LS 8922)

Company Secretary

DATED : 2 August, 2007