Unisem (M) Berhad (183314-V)

ANNUAL REPORT 2018

AWARDS &
RECOGNITION

IDP Supplier Excellence Award 2017 from Qorvo

Supplier of the Year Award for Outstanding Assembly & Test Performance during 2017 from Power Integrations

2017 Supplier Excellence Award Best in Class - Subcon Services from Qorvo

Award from United Monolithic Semiconductor for Best Support and Services

2017 Best Supplier Award for Excellence Manufacturing from Skyworks Solutions Inc.

Special Recognition by the Sustainability Business Awards Malaysia 2018 in Business Responsibility and Ethics category

2018 3-star Honorary Certificate by Chengdu High-Tech Zone Management Committee on Labor Relations and Harmony

Best Employer 2018 Award from Kumpulan Wang Simpanan Pekerja Negeri Perak



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COMPANY **PROFILE**

Unisem (M) Berhad ("Unisem") is a global provider of semiconductor assembly and test services for many of the world's most successful electronics companies. Unisem offers an integrated suite of packaging and test services such as wafer bumping, wafer probing, wafer grinding, a wide range of leadframe and substrate IC packaging, wafer level CSP and RF, analog, digital and mixed-signal test services. Our turnkey services include design, assembly, test, failure analysis, and electrical and thermal characterization.

With approximately 7,800 employees worldwide, Unisem has 3 semiconductor packaging and testing facilities located in Ipoh, Perak, Malaysia, Chengdu, People's Republic of China (China), and Batam, Indonesia and 2 wafer bumping facilities in Ipoh, Perak, Malaysia and Chengdu, China. The company is headquartered in Kuala Lumpur, Malaysia.

Unisem group has a customer base comprising primarily fabless companies (75%) and integrated device manufacturers (25%). About 47% of Unisem group's sales are to customers in North America, 17% to Europe and 36% to Asia.

Unisem is listed on the Main Market of Bursa Malaysia since 1998. The securities of the Company are Shariah-compliant. Unisem is also a constituent of the FTSE Bursa Malaysia Mid 70 Index (FBM70) and the FTSE4Good Bursa Malaysia Index (F4GBM).

UNISEM GROUP

UNISEM (M) BERHAD (the "Company")

IPOH, MALAYSIA

- commenced operations in 1992
- 3,900 employees
- total built-up area of 570,000 square feet
- provide full turnkey solutions; packaging capability includes all types of copper leadframe and laminate based packages, modules, wafer level CSP, flip chip and pre-molded MIS based packaging
- fully certified with ISO 9001:2015, ISO 14001:2015, IATF 16949:2016, and ANSI/ESD S20.20-2014, Certificate of Green Partner (Sony), Samsung ECO Partner, RBA VAP

UNISEM ADVANCED TECHNOLOGIES SDN BHD ("UAT")

IPOH, MALAYSIA

- commenced operations in 2006
- 340 employees
- total built-up area of 37,000 square feet
- cleanroom : Class 100, 1,000 and 10,000
- offers a wide range of lead free bumping services for wafer sizes of 100, 150, 200 and 300mm diameter. Services include gold bumps, copper pillar bumps and solder bumps (electroplated & ball drop) as well as pad redistribution and re-passivation.
- fully certified with various Quality and Environmental Standards such as ISO 9001:2015, IATF 16949:2016, ISO 14001:2015 and ANSI/ESD S20.20-2014, Certificate of Green Partner (Sony), Samsung ECO Partner, RBA VAP

UNISEM CHENGDU CO., LTD. ("Unisem Chengdu")

CHENGDU, PR CHINA

- commenced operations in 2006
- 2000 employees
- total built-up area of about 620,000 square feet
- provides full turnkey solutions; packaging capability includes a wide range of advanced leadframe and substrate packages, leadless packages, modules, MEMs, wafer level CSP and flip chip
- offers a wide range of bumping services for wafer size of 200 mm diameter. Services include copper pillar bumps and solder bumps as well as pad redistribution and re-passivation.
- fully certified with ISO 9001:2015, ISO 14001:2015, IATF 16949:2016 and ANSI/ESD-S20.20-2014, Certificate of Green Partner (Sony), OHSAS 18001: 2007 and Samsung ECO-Partner

PT. UNISEM

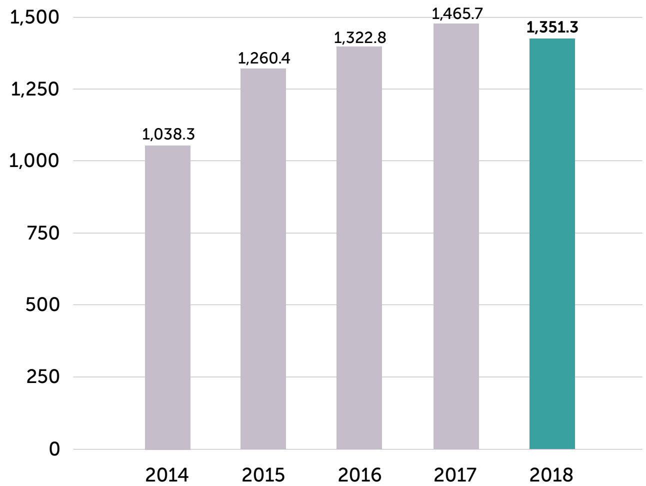
BATAM, INDONESIA

- commenced operations in 1991
- 1600 employees
- total built-up area of 409,000 square feet
- provide full turnkey solutions; IC packaging capability includes all types of leadframe and laminate based packages, leadless packages and modules.
- center of excellence for automotive IC's
- fully certified with ISO 9001:2015, ISO 14001:2015 and IATF 16949:2016, Certificate of Green Partner (Sony)

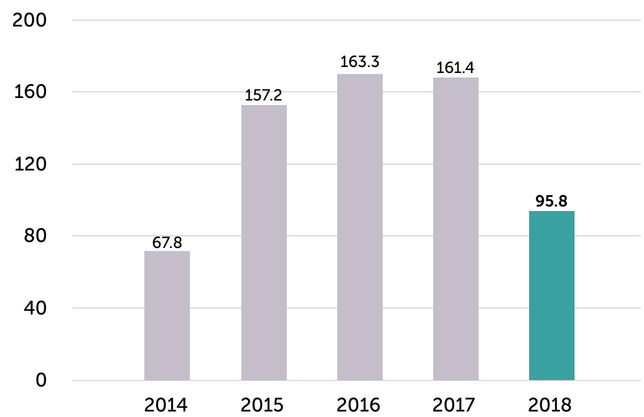
FIVE-YEAR
FINANCIAL HIGHLIGHTS

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Highlights from Consolidated Income Statements for the year ended 31 December					
Revenue	1,038,279	1,260,425	1,322,780	1,465,727	**1,351,276**
EBITDA	258,509	355,621	356,812	345,830	**273,831**
Profit before taxation	84,519	173,105	187,158	180,779	**111,063**
Profit after taxation	67,750	157,248	163,343	161,404	**95,833**
Highlights from Consolidated Statements of Financial Position As of 31 December					
Property, Plant and Equipment	1,109,554	1,177,693	1,128,975	1,099,138	**1,094,094**
Current Assets	345,944	485,520	632,624	724,509	**690,882**
Non-Current Assets	28,504	27,537	24,565	21,414	**18,617**
Total Assets	**1,484,002**	**1,690,750**	**1,786,164**	**1,845,061**	**1,803,593**
Current Liabilities	370,971	278,241	303,207	320,360	**294,371**
Deferred Tax Liabilities	2,904	3,896	8,326	4,877	**10,994**
Other Non-Current Liabilities	77,958	52,467	55,623	57,081	**60,101**
Total Liabilities	**451,833**	**334,604**	**367,156**	**382,318**	**365,466**
Share Capital	337,115	366,915	366,915	595,367	**595,367**
Treasury Shares	-	-	-	-	**(15,888)**
Reserves	688,137	984,930	1,046,738	860,078	**851,351**
Non-controlling Interests	6,917	4,301	5,355	7,298	**7,297**
Shareholders' Equity	**1,032,169**	**1,356,146**	**1,419,008**	**1,462,743**	**1,438,127**
Key Financial Ratios					
EBITDA margin	25%	28%	27%	24%	**20%**
Net earnings per share - Basic (sen)	10.15	22.04	22.12	21.73	**13.13**
Net dividend per share (sen)	6.00	10.00	11.00	11.00	**7.50**
Debt / Equity ratio	0.25	0.08	0.04	0.03	**0.05**
Net assets per share (RM)	1.52	1.84	1.93	1.98	**1.97**

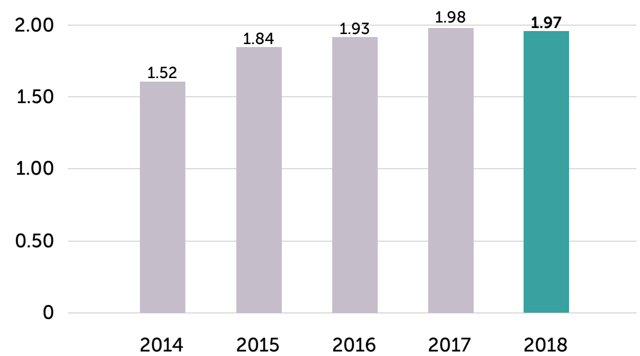
REVENUE
(RM'million)



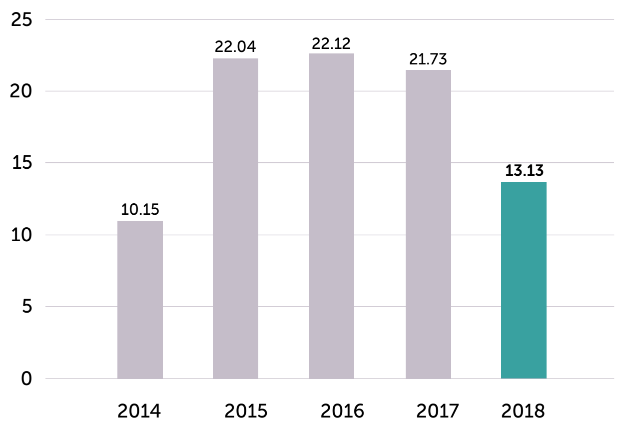
PROFIT AFTER TAXATION
(RM'million)



NET ASSETS PER SHARE
(RM)



NET EARNINGS PER SHARE
(Sen)



CHAIRMAN'S LETTER
TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the 30th Annual Report and the Audited Consolidated Financial Statements of Unisem (M) Berhad and its subsidiaries for the financial year ended 31 December 2018.

JOHN CHIA SIN TET
Chairman

FINANCIAL PERFORMANCE

2018 was a challenging year at Unisem due to a slowdown in the smartphone segment and the depreciating USD/MYR exchange rate. In spite of the challenges the Group generated revenue of RM1.35 billion, EBITDA of RM273.8 million and a net profit of RM95.8million.

The financial position of the Group remains strong. As at 31 December, 2018, the Group had cash and cash equivalents amounting to RM344.1 million as compared to RM348.7 million in FY2017. Total bank borrowings of the Group increased from RM44.9 million in FY2017 to RM73.6 million in FY2018. We invested approximately RM172.0 million in capital expenditure for the Group during the year mainly to increase capacity for packaging, testing and wafer bumping and to enhance reliability and productivity at our various facilities.

THE VOLUNTARY TAKE-OVER OFFER

In September 2018, Huatian Electronics Group (HK) Limited and Huatian Technology (Malaysia) Sdn Bhd ("HT Malaysia") and Mr John Chia Sin Tet, Mr Alexander Chia Jhet-Wern, Jayvest Holdings Sdn Bhd and SCQ Industries Sdn Bhd (collectively referred to as "Joint Offerors") began the process of a voluntary conditional takeover offer to acquire all the issued shares in the Company, not already held by the Joint Offerors ("VGO").

The VGO was successfully completed in January 2019. The total valid acceptances received by HT Malaysia was 428,553,254 Shares, representing approximately 58.94% of the issued share capital of Unisem (excluding treasury shares). Mr John Chia (together with the Malaysian Offerors) currently holds approximately 24.28% of shareholding interest in Unisem.

The Tianshui Huatian Technology Co. Ltd ("TSHT") group of companies, which has a significant presence in the semiconductor industry in the People's Republic of China, is amongst the largest outsourced semiconductor assembly and test players worldwide. As TSHT has considerable resources and technology, I am of the view that it is in the position to contribute positively to the growth of the Unisem Group.

On 30 January 2019, Mr Xiao Zhiyi, Mr Cui Weibing and Mr Wu Shutao were appointed to the Board pursuant to the VGO.

PROSPECTS AND OUTLOOK

The outlook for the years ahead remains challenging. The current trade war, protectionist policies and tariffs imposed by the USA on imports from China, the European Union, and other countries and the retaliatory measures taken will eventually have the effect of reducing global trade. Whilst the Group is not currently experiencing significant effects of these measures, any protracted impasse would bring about adverse impact on our operations.

Barring a protracted trade war and a consequential deterioration in global trade, the directors expect the performance of the Group to remain satisfactory for the next financial year. We will continue to exercise capex discipline and further tighten cost control measures to enhance productivity to stay competitive in a constantly changing environment.

Over the years we have attained considerable technical depth in the business, developed a diversified portfolio of customers and a range of products and services across our facilities/plants in the region. These attributes coupled with prudent financial management will enable us to navigate through temporary market gyrations.

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

SUSTAINABILITY INITIATIVES

Our sustainability initiatives strengthened in 2018. We enhanced our commitment by integrating economic, environmental and social ("EES") considerations into our strategic decisions and day-to-day operations, guided by Responsible Business Alliance ("RBA") Code of Conduct and other international guidelines and best practices. This year, we have taken another step to improve the disclosure on our progress and improvements in managing EES matters by preparing our Sustainability Statement according to the Global Reporting Initiative Sustainability Reporting Standard ("GRI - Standard") Core option, in addition to expanding the scope to include our operations in Chengdu, China.

In recognition of our efforts in this area I am pleased to report that Unisem (M) Berhad was given a special recognition by the Sustainable Business Award 2018 under Business Responsibility & Ethics category. This will serve as an impetus for Unisem to strive further and excel in our practices.

I am also proud to note that the Company has been included in the FTSE4Good Bursa Malaysia Index since December 2015. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. There are 56 constituents on the FTSE4Good Bursa Malaysia Index[1] as at 28 February 2019.

FINAL DIVIDEND

I am pleased to report that the Board of Directors is recommending a tax-exempt final dividend of 3 sen per share of approximately RM21.81 million. This is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

This final dividend is in addition to the two tax-exempt interim dividends of 2.5 sen and 2 sen respectively paid during the financial year.

ACKNOWLEDGEMENT

Mr Yen Woon @ Low Sau Chee who has served as non-independent non-executive director since 1991, will not be offering himself for re-election and will retire at the conclusion of the coming AGM. On behalf of the Board I wish to thank him for the many years of service and immense contribution to Unisem.

I would like to express my gratitude to all our customers, suppliers, the governmental authorities, and our bankers for their assistance and support; to all our employees for their efforts, dedication and loyalty; and to my fellow colleagues on the Board for their counsel and support throughout the year. I also like to thank our shareholders for their continued support and confidence in the Board and management of Unisem.

JOHN CHIA SIN TET
Chairman
Unisem (M) Berhad

1 http://www.bursamalaysia.com/market/sustainability/ftse4good-bursa-malaysia-index/overview

MANAGEMENT DISCUSSION & ANALYSIS

1. BUSINESS OBJECTIVES AND STRATEGIES

Unisem (M) Berhad and its group of subsidiaries ("Group") is principally involved in the manufacture of semiconductor devices and offers an integrated suite of assembly and test services which include:

- Advanced packaging and leadframe packaging services by providing advanced integrated circuit (IC) packaging technology such as wafer bump, redistribution layer design and fabrication, flip chip interconnect, wafer level chip-scale packaging (WLCSP), and a wide range of leadframe and substrate IC packages.
- Test services by providing wafer probe and final testing on a wide range of test equipment covering the major test platforms such as radio frequency, analog, digital and mixed-signal. We also offer test-related services such as reliability testing, thermal and electrical characterization, dry pack, and tape and reel.
- Our turnkey services include design, assembly, test, failure analysis, warehousing and drop-ship services.

The Group has 3 semiconductor packaging and testing facilities located in Ipoh, Perak, Malaysia, Chengdu, People's Republic of China (China), and Batam, Indonesia and 2 wafer bumping facilities in Ipoh, Perak, Malaysia and Chengdu, China.

2. BUSINESS SEGMENT

The Group only operates in a single business segment of manufacturing of semiconductor devices and other related services.

The resource allocation and assessment of performance are mainly based on geographical segments by location of customers, namely Asia, Europe and United States of America.

For additional information, please refer to Note 4 'Segment Information' under the Notes to the financial statements.

3. OPERATIONS REVIEW

Financial Results

The Group achieved revenue of RM1.35 billion in the financial year ended 31 December 2018 (FY2018), a decrease of 8% against RM1.47 billion recorded in the financial year ended 31 December 2017 (FY2017) as a consequence of the depreciation of the USD/MYR exchange rate. The packaging/testing services volumes have decreased by 1% with average selling prices decreasing by 5% whilst wafer bumping volumes have decreased by 22% with the average selling prices decreasing by 7%.

Net profit has decreased to RM95.8 million in FY2018, a decrease of 41% compared to RM161.4 million in FY2017 due to lower margins achieved as a consequence of the depreciation of USD currency, product mix changes as well as lower sales volume.

The following factors have, however, mitigated the reduction of the net profit impact contributed by the aforementioned:

a) Foreign currency exchange gain of RM9.0 million in FY2018 as compared to RM10.3 million foreign currency exchange loss in FY2017; and

b) Reduction on depreciation of property, plant and equipment by RM2.0 million due to certain property, plant and equipment being fully depreciated;

c) Decrease in taxation expense by RM4.1 million mainly due to lower taxable profits.

Liquidity and Capital Resources

As at 31 December 2018, the Group has cash and cash equivalents amounting to RM344.1 million as compared to RM348.7 million in FY2017. The Group has unutilized banking facilities amounting to RM165.2 million as compared to RM80.1 million in FY2017.

The Group's bank borrowings have increased from RM44.9 million in FY2017 to RM73.6 million in FY2018. The increase in bank borrowings and the unutilized banking facilities was mainly attributable to the capital expenditure for the expansion of the wafer bumping capacity and capability.

Capital expenditure is largely driven by the demand for our services, primarily to increase the packaging, testing and wafer bumping capacity, to replace production equipment from time to time and to expand our facilities and service offerings. Generally, the Group will spend approximately 30% to 40% of the EBITDA generated on capital expenditure. The Group's capital expenditure for FY2018 amounted to RM172.0 million.

4. OPERATIONAL AND FINANCIAL RISKS

The key risks surrounding the Group and the accompanying strategies to manage these risks are outlined below:

Risk Category	Nature of Risks	Description	Risk management approach
Operational risk	Volatility in the political spectrum	The political health of Malaysia and the countries where the Group is operating in is critical to the business performance and in its strategy radar. A change in political rule may lead to unfavourable changes being made to government policies such as taxation, import duties and tariffs. If left unmonitored, these risks may bring detrimental impact to the Group.	The management had taken appropriate measures to closely monitor the regulatory developments by attending dialogues, training programs, via circulars from the regulatory bodies which advise of changes / latest developments.
	External economic pressures	Pressures from aggressive trade wars between global superpowers may have a ripple effect that disrupt Unisem's business operations and revenue. As a global player, Unisem is susceptible to economic risks such as protectionist tariff policies, predatory pricing and trade sanctions that can impede some of its operations in several regions.	As a mitigating action to minimise the external economic pressures affecting the Group, the Group had continuous implementation of cost control by Objective, Target and Programs (EMP) under ISO 14001:2004 throughout the business cycle. The Group will continue to diversify and expand the customer base to different geographic region.
	Reliance on skilled personnel	Unisem takes pride in its highly skilled Directors, key management and technical personnel who have been contributing to its continued success over the years. Nonetheless, the risk of brain drain and employee turnover may affect its operations across all business units.	To ensure the Group's ability to manage its operations with minimal disruptions, the Group had undertaken a review of its human resource strategy such as grooming its personnel and compensation package for all key functions.

Risk Category	Nature of Risks	Description	Risk management approach
	Established customer base	Any reduction or cessation in orders from major customers where there is high dependency may significantly bring adverse impact to the Group's business and profitability.	In order to ensure that the Group is able to retain and attract its existing customer base which makes up a significant portion of the revenue, the Group continuously practices cost reduction and mechanization to improve competitiveness, invest in new technologies and share the roadmap with key / potential customers.
	Unpredictability nature of the semiconductor industry	Common issues arise on both the demand and supply chain where its volatility will result in either an over or under supply. Despite having in place measures to manage shortage or risk of inventories being obsolete, there is difficulty in gauging the potential adverse impact of the volatile nature of the demand and supply side.	The Group periodically reviews the forecast volume and the material ageing status with customers on slow moving materials. Customers are requested to buyback non-moving materials and to approve purchase of materials if order quantity/usage exceeds 6 months forecast.

The Group's financial risks are set out in Note 27 under the Notes to the financial statements.

5. PROSPECTS AND OUTLOOK

The World Semiconductor Trade Statistics (WSTS) organization projected a moderate annual worldwide semiconductor sales growth of 2.6 percent for 2019. In 2019 optoelectronics and sensors will show their market stability and achieve higher growth at 6.8 and 5.1 percent, respectively, than discrete semiconductors and integrated circuits, according to the European Semiconductor Industry Association, reporting the WSTS figures.

The current trade war, protectionist policies and tariffs imposed by the USA on imports from China, the European Union, and other countries and the retaliatory measures taken will eventually have the effect of reducing global trade. Any protracted impasse would bring about adverse impact on our operations.

Barring a protracted trade war and a consequential deterioration in global trade, the directors expect the performance of the Group to remain satisfactory for the next financial year.

SUSTAINABILITY REPORT

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SUSTAINABILITY
REPORT

ABOUT THE SUSTAINABILITY REPORT

Holding steadfast to our Vision of being a leading global multinational company, and a model corporate citizen in the communities in which we operate – we present our second Sustainability Report ("SR" or "report") to our stakeholders.

Unisem is familiar in the practice of sustainability reporting. In prior years, we have prepared comprehensive narratives, illustrating our measures on numerous sustainability-related issues, including business growth, labour rights, management of workplace safety, and monitoring our environmental impact.

Furthermore, we have been a constituent of FTSE4Good Bursa Malaysia Index since December 2015, and aligned our practices with guidance from the Responsible Business Alliance ("RBA") Code of Conduct since 2013. Our efforts were recognised as we were awarded the Malaysia 2018 Sustainable Business Award for Business Responsibility & Ethics.

Nonetheless, our sustainability journey is that of continuous improvement, as we seek to strengthen our business and to bring value to our stakeholders.

BASIS OF PREPARATION

Reporting Period

This report is prepared for the financial year ("FY") 2018, which represents the reporting period of 1 January 2018 to 31 December 2018, unless otherwise stated.

Reporting Boundary

We are pleased to inform that we have successfully expanded the geographical scope of FY 2018's Report to include our operations in Chengdu, People's Republic of China. Therefore, the information in this report covers the following entities and locations. For more information on the services provided by our operations, please refer to page 2 - 3 of our Annual Report.

Name of entity	Location of operations
Unisem (M) Berhad*	Ipoh, Malaysia
Unisem Advanced Technologies Sdn Bhd ("UAT")*	Ipoh, Malaysia
Unisem Chengdu Co., Ltd. ("Unisem Chengdu")	Chengdu, People's Republic of China ("PRC")

* hereinafter, collectively referred to as "Unisem Ipoh"

Policies, processes, programmes and the governance structure discussed in the Sustainability Report apply group-wide, unless specific reference is made to Unisem Ipoh and/ or Unisem Chengdu. Reported retrospective data has been updated to include information from Unisem Chengdu.

This year, we have not reported on the sustainability performance of external parties out of our organisational boundary and management control. To do so, we would require pervasive effort, such as specified resource planning and structured reporting collaborations with these parties. Thus, we will maintain this scope development as one of our longer-term reporting goals.

Reporting Enhancement For FY 2019 - FY 2020

In the next two years, we aim to extend our reporting scope to our operations in Batam, Indonesia. By doing so, we'd be able to report on overall sustainability performance and information at Group-level.

Basis Of Reporting

Responsible Business Alliance ("RBA")

Since 2013, we have voluntarily adopted the RBA Code of Conduct ("RBA Code of Conduct") in our business practices. The RBA Code of Conduct details industry standards for responsible and ethical business. The standards are categorised into five sections: Labour, Health and Safety, Environmental, Ethics and establishment of Management Systems (to enable implementation of good business practice in relation to the other sections).

These provisions reference international standards and guides, including the Universal Declaration of Human Rights, ILO International Labour Standards from the International Labour Organization, OECD Guidelines for Multinational Enterprises from the Organisation for Economic Co-operation and Development, and ISO and SA standards from the International Organization for Standardization.

Therefore, this Report has been prepared to demonstrate our alignment with the RBA Code of Conduct.

SUSTAINABILITY REPORT

GRI Standards

We are proud of our next reporting accomplishment, which is preparation of this report in accordance with the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") of Core Option. The GRI Content Index can be found on pages 70 to 77.

Bursa's Listing Requirements

Finally, we have prepared this report in a manner as prescribed by Bursa Malaysia Securities Berhad ("Bursa"), in compliance with the Main Market Listing Requirements issued by Bursa. The preparation of the report, including stakeholder prioritisation and engagement, materiality assessment and selection of reporting indicators, are guided by Bursa' Sustainability Toolkits.

We aim to align our disclosure with recognised national and international reporting practices, standards and guidelines to facilitate comparability and quality of the information and data we report.

SUSTAINABILITY GOVERNANCE

Unisem's Board of Directors (the "Board"), through the Board Sustainability Committee ("SC"), is responsible to oversee the process of integrating sustainability practices into Unisem's daily operations, including setting strategic sustainability direction, the purpose and values of Unisem.

The Board Sustainability Committee is chaired by the SC Chairman. The SC is responsible for monitoring the implementation of sustainability-related policies, measures and actions in achieving Unisem's sustainability milestones and goals, including overseeing the preparation of the Sustainability Report and recommending the approach to manage material matters for approval by the Board.

The Board Sustainability Committee is supported by the Group Chief Operating Officer ("GCOO"), who leads the Sustainability Working Committees ("SWCs"). The SWCs, chaired by the sites' Chief Operating Officers ("COOs"), consist of the RBA Working Committees ("RBA WCs") and Business Development Groups ("BDGs"). A SWC is implemented in each of our three operating facilities in Malaysia, PRC and Indonesia. The SWC provides oversight and monitors the daily operations, ranging from conflict-free mineral sourcing to ensuring a safe working environment for employees. The diagram beside illustrates our governance structure for sustainability.

Diagram 1: Sustainability governance structure

As part of our adoption of the RBA Code of Conduct, each working committee under the RBA WC is responsible for managing and monitoring the five sections stipulated in the RBA Code of Conduct: Labour, Ethics, Health and Safety, Environmental and Management Systems Divisions. Each working committee oversees, implements and communicates Unisem's policies, controls and internal systems on specific aspects of our economic, environmental and social responsibility, as detailed below.

Working Committee/ Group	Responsibilities
Labour Working Committee	Monitoring and ensuring the following aspects of labour rights are upheld: • Freely chosen employment • Child labour avoidance • Working hours • Wages and benefits • Humane treatment • Non-discrimination • Freedom of association
Ethics Working Committee	Overseeing the systems and tools in place to ensure: • Privacy is upheld • Protection of identity and non-retaliation • Business integrity/appropriate disclosure of information is in place • Responsible sourcing of minerals • Fair business conduct, including in advertising and competition • Intellectual property is protected and respected
Health and Safety Working Committee	Overseeing the health and safety of the working environment: • Chemical/Protective Personal Equipment ("PPE") management • Hazard Identification, Risk Assessment and Risk Control • Emergency response testing • Permit/test report • Accident complaint investigation • Workplace inspection/ Audit • Machinery/work instruction • Exposure to radiation/X-ray monitoring
Environmental Working Committee	Monitoring and ensuring the following aspects of environment management are upheld: • Management of chemical substances and chemical control • Waste management • Emergency response drills and procedures • Legal requirements, measurement and monitoring of waste and chemical substances • Environmental Management System, to ensure it is in accordance with ISO14001:2015 standard
Management Systems Working Committee	Overseeing the systems and controls in place that support the tasks of the other committees: • Monitor updates in applicable laws, regulations and customer requirements, including requirements of the RBA Code of Conduct • Establish and periodically assess objectives, targets and improvement programmes for social and environmental performance • Communicate policies and practices at Unisem • Conduct self-assessments, including internal audits

Working Committee/ Group	Responsibilities
Business Development Group	Implements the Group's and site's business strategy by: • Attracting new customers • Expanding business with existing customers • Achieving annual revenue and business growth plans and objectives • Managing Regional Sales, Marketing, Technical Program Management (TPM), as well as site • Customer Service organisations • Research and development programmes

Table 2: Roles and responsibilities of the Working Committee / Group

STAKEHOLDER INCLUSIVITY

Stakeholder Prioritisation

Fostering strong and long-term relationships with our stakeholders have always been the culture at Unisem. We believe that our business and operational success is dependent on the important relationships we cultivate. Dedicated channels for regular engagement are established to understand stakeholders' expectations and areas of interest which influence their decisions towards us. Stakeholders' feedback is gathered through these formal and informal channels, reviewed and considered in our business decisions, where applicable.

Using the Bursa Stakeholder Prioritisation Toolkit, the SWC expanded the stakeholder prioritisation exercise to Unisem Chengdu. The key stakeholder groups identified in the exercise closely align with stakeholder groups we interact with regularly. Below, we summarise our engagement platforms with the identified key stakeholder groups.

Stakeholder Group	Engagement Approach	Sustainability Concerns
Shareholders	• Annual general meetings • Quarterly announcements • Ad-hoc meetings	• Continuous business growth, including new market penetration
Directors*	• Quarterly and ad-hoc Board and Board Committee meetings	• Continuous business and operational improvement • Financial risk and company compliance to laws and regulations • Financial results • Interests of stakeholders and shareholders • Continuous investment in research and development • Environmental matters

Stakeholder Group	Engagement Approach	Sustainability Concerns
Senior Management*	• Management meetings • Ad-hoc meetings	• Ensure safe and humane working environment • Ensure customer requirements are met, including security of customer data • Management of the supply chain, including eliminating conflict minerals • Adherence to RoHs, REACH and environmental regulations • Ensure talent retention by providing competitive compensation and benefit packages for employees, and ensuring human rights of all employees are respected • Proper management and disposal of hazardous waste • Management of energy efficiency and investment in research and development
Employee*	• Annual Employee Climate Survey • Quarterly forums held by the site COO with employees on financial and operational updates at Unisem Ipoh • 'Open-door' practices to provide feedback • Annual performance evaluation sessions	• Safe and humane working environment • Nurturing culture, including provision of learning and development opportunities • Ensure competitive compensation and benefit packages for employees, and human rights of all employees are respected • Proper management and disposal of hazardous waste
Customers*	• Quarterly business reviews • Annual customer satisfaction surveys • Ad-hoc meetings and social audits	• Quality assurance and reliable products and services • Competitive pricing and on-time delivery • RBA compliant operations at Unisem, as well as compliance with local and international regulations (i.e. RoHS and REACH) • Safe, humane working environment, respect human rights • New products development projects
Suppliers/ Contractors*	• Annual supplier audits • Supplier briefings • Conduct of Self-Assessment Questionnaires • Ad-hoc tender exercises and meetings • Email communications	• Fair tender practices • Competitive prices • Business continuity • Quality materials/parts/services

Stakeholder Group	Engagement Approach	Sustainability Concerns
In-house Union*	• Monthly formalised union meetings • Ad-hoc meetings	• Industrial harmony between Management and employee • Employee's rights and Unisem's responsibility in providing welfare to employee • Resolving misunderstanding and grievances • Maintaining high level of productivity, efficiency and discipline
Law enforcers/ regulators	• Annual air quality and waste disposal reports, workplace incident reports • Quarterly announcements • Ad-hoc report submissions as and when requested by regulators	• Adherence to relevant laws and regulations • Corporate governance and compliances
Ministry/ local council	• Annual council meetings	• Support towards local communities, including contributions on community matters • Administrative management on foreign workers
Financial Institutions	• Ad-hoc focus group discussions	• Business continuity opportunities
Rating agencies/ analysts	• Quarterly credit reports and analyst briefings	• Business continuity, transparency and fair financial reporting
Local communities	• On-going grievance channels and volunteering programmes	• Noise monitoring and contributions towards local communities, such as volunteering projects and donations, health, safety and environmental management

* Direct and indirect engagement in FY 2018 for development of the Materiality Matrix. Additional stakeholder group engaged in FY 2018: In-house Union

Table 3: Modes of engagement with stakeholders

Stakeholder Engagement

In view of continuously improving our sustainability exercise and reporting, we expanded our stakeholder engagement to include key stakeholder representatives at our operations in Chengdu, and engage additional stakeholder representatives in Ipoh.

Stakeholder representatives were selected from key stakeholder groups and directly engaged via survey forms, where they rated the level of importance of our relevant sustainability matters to them.

This year, we directly engaged representatives from some of our key stakeholder groups: Directors, Senior Management, Employees, Suppliers and Contractors, and In-house Union. Customers were engaged indirectly, by considering feedback provided at formal engagement platforms. Feedback from this exercise will be used as input for our materiality assessment, described below.

Results of the stakeholder engagement exercise is consolidated by the SWC and presented to the Board Sustainability Committee for endorsement. Subsequently, this is presented to the Board for their endorsement and acknowledgement.

Reporting enhancement for FY 2019 - FY 2020

In the next reporting cycle, we aim to improve our stakeholder engagement exercise by increasing the number of stakeholder representatives and stakeholder groups we directly engage with.

MATERIALITY ASSESSMENT

Sustainability Matters

The list of sustainability matters have been reviewed by the SWC this year and deemed still relevant. Review was undertaken due to the reporting scope expansion and changes our operations and geopolitical environment, as discussed in the MD&A section.

Our matters are reflective of our sustainability-related risks and opportunities. They were reviewed against our risks and opportunities for our business, stakeholders' feedback, focus areas of reporters in our industry, our policies and external regulatory guidelines, and sector-specific information from internationally credible sustainability framework and reporting guidelines, such as the RBA and the GRI Standards, and Sustainability Accounting Standards Board ("SASB").

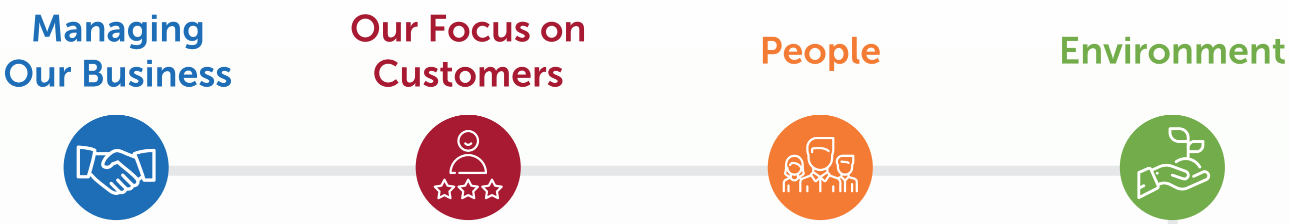
Sustainability Impact Assessment

Prior to forming the Materiality Matrix, the SWC utilised the Materiality Assessment Toolkit by Bursa to perform the risk assessment exercise, considering the impact and likelihood of sustainability matters on Unisem Ipoh and Unisem Chengdu, based on financial, regulatory, reputational and customer satisfaction considerations.

Materiality Matrix

The incorporation of stakeholder feedback and results of the sustainability impact assessment from Unisem Chengdu has updated the outcome of our Materiality Matrix, leading us to identify top six most material matters.

Ranking higher than the others, these matters demonstrate the highest importance to our business and greatest influence of stakeholders' decisions, categorised across our four main themes: Managing Our Business, Our Focus on Customers, People and Environment. The other nine matters are still of high importance, and are continuously monitored and reported. Below, we illustrate the outcome of our Materiality Matrix.



Our Six Most Material Matters

1. Customer Satisfaction
2. Occupational Health and Safety
3. Growing the Business
4. Technology and Innovation
5. Employee Welfare
6. Effluents and Waste Management

Materiality Matrix

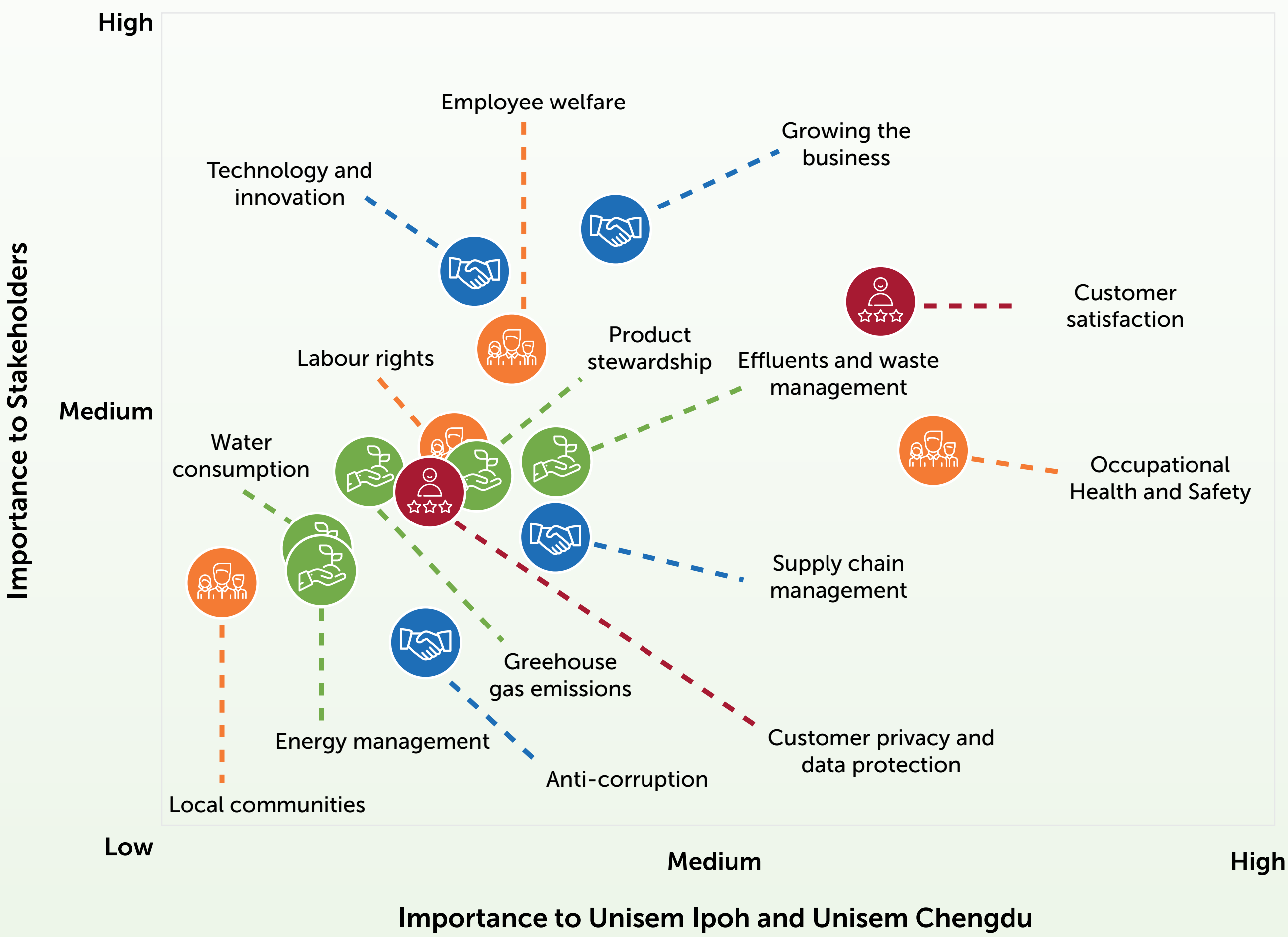


Diagram 2: Materiality Matrix

Our Sustainability Matters					
1	Customer satisfaction	6	Effluents and waste management	11	Greenhouse gas emissions
2	Occupational health and safety	7	Labour rights	12	Water consumption
3	Growing the business	8	Product stewardship	13	Energy management
4	Technology and innovation	9	Supply chain management	14	Anti-corruption
5	Employee welfare	10	Customer privacy and data protection	15	Local communities

Table 4: List of Unisem's sustainability matters

Reporting enhancement for FY 2019 – FY 2020

As part of our plan to extend the reporting scope in the near future, the materiality matrix will be updated to include considerations from operations in Batam.

In the future, we aim to move towards concise annual reporting. In doing so, we will upload unchanging information on our corporate website. This will include our Sustainability Governance Structure, the methodology and outcome of the Stakeholder Engagement and Materiality Assessment process, alongside other corporate information.

IMPACT ON THE SDGS

Set by the United Nations General Assembly ("UN"), the UN Sustainable Development Goals ("SDGs") are a set of 17 Goals with respective targets to be achieved by 2030, with the broad aim to create a better world. We acknowledge that our business is able to contribute to the SDGs. Below, we illustrate the way Unisem's Mission and our six (6) most material matters relate to the SDGs.

SUSTAINABILITY MATTERS	UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS	UNISEM'S MISSION
Customer Satisfaction	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	1, 6
Occupational Health & Safety	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH	2, 6
Growing the Business	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY INNOVATION AND INFRASTRUCTURE	3, 4, 5, 6
Technology & Innovation	9 INDUSTRY INNOVATION AND INFRASTRUCTURE	1, 6
Employee Welfare	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH	2, 6
Effluents & Waste Management	3 GOOD HEALTH AND WELL-BEING; 6 CLEAN WATER AND SANITATION; 14 LIFE BELOW WATER; 15 LIFE ON LAND	5, 6

Legend - Unisem's Mission

1. Provide total customer satisfaction
2. Be a caring company and employer of choice
3. Generate profits and accelerate growth
4. Develop long term win-win partnership with our business associates
5. Adhere to good corporate governance and support environmental, social and economical development of the Community
6. Uphold and live our core value

Diagram 3: SDG Mapping to Unisem's Sustainability Matters and Mission

VALUE CREATION MODEL

We understand the outcome our business generates and how it depends on our resources to achieve value. As illustrated in the diagram below, our input draws from various resources, such as our financial stability, our plants, patents and technology, our skilled workforce, and the strength of relationships with our stakeholders. In utilising our resources, our business activities are based on the fundamentals of our Mission and Core Values. The way in which we manage our resources to create value for our business and stakeholders through our business activities and initiatives is communicated across the four themes in the next section: Managing Our Business, Our Focus on Customers, People and Environment.

INPUT

Financial Resources

Our financial capital depends on our **equity** and funds generated from **investment** and **operations**.

Our Plants and Technology Innovation

Our machinery and technology process serve to improve operational efficiency without compromising quality. Supporting plant operations are a team of skilled and experienced professionals who pursue projects along our Technology Road Map.

Natural Capital

Our direct materials and water is a natural capital and our company's critical enabler across our manufacturing platforms and key operations.

Human Capital

Our talent base are highy skilled professionals and technical personnel. Our operations depend on the capabilities and competencies of our all our employees, including human resource and finance staff, **software engineers, system architects, chip design engineers and developers.**

Social and Relationship Capital

An integral resource of our operations are the **relationships we foster with our stakeholders,** including our customers, shareholders, employees, suppliers, regulators, industry partners and the community.

MISSION

Provide total customer satisfaction

Be a caring company and employer of choice

Generate profits and accelerate growth

Develop long term win-win partnership
with our business associates

Adhere to good corporate governance and
support environmental, social and economical
development of the community

Uphold and live our core values

CORE VALUES

Teamwork

Commitment

Trust

Proactive

Caring

RBA WORKING COMMITTEES & MANAGEMENT SYSTEMS

MANAGING OUR BUSINESS

PEOPLE

OUR FOCUS ON CUSTOMERS

ENVIRONMENT

Enforcement of Sustainable Initiatives

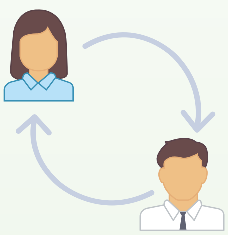
Performance Monitoring & Future Orientation

OUTCOME HIGHLIGHTS

89% Satisfied key customers

-7.8% Annual movement in revenue

Achieved project completion targets of the Technology Road Map



86.8% of employees received a minimum of 6 hours of training

50% of total scheduled waste is recycled
Compliant with effluent regulations

Diagram 4: Value creation model

SUSTAINABILITY
PERFORMANCE HIGHLIGHTS

89%
satisfied key customers

1.69
injury frequency rate for industrial accidents

-7.8% MYR
annual movement of revenue

Achieved
project completion targets of the Technology Road Map

86.8%
of employees received a mnimum of 6 hours of training

Compliant
with effluents regulations

50%
total scheduled waste recycled

Top 6 Sustainability Matters	KPI	2018 Target	2018 Performance	Status
Customer Satisfaction	Satisfied key customers rate	80%	89%	Achieved
Occupational Health and Safety	Injury frequency rate for industrial accidents	<2.00	1.69	Achieved
Growing the Business	Revenue growth	To achieve revenue growth	-7.8%	Challenging
Technology and Innovation	Technology growth and development as per Technology Road Map	To achieve target project completion dates	Achieved targeted dates	On track
Employee Welfare	Average training hours per employee	60% of employees received a minimum of 6 hours of training per year	86.8%	Achieved
Effluents and Waste Management	Compliance with regulatory standards	Compliance	Complied	Achieved
	Total scheduled (hazardous) waste recycling rate	50%	50%	Achieved

LEGEND: Achieved On track Challenging

Diagram 5: Sustainability performance highlights

MANAGING OUR BUSINESS

At Unisem, we strive to create long-term value for our stakeholders by delivering innovative products and services. We are constantly improving our capabilities in technological development, supply chain practices, and accelerate growth to be recognised as a leading global multinational company. The transparency of our corporate culture is key to combat against ethical or security breaches. These initiatives earn the satisfaction and trust of our customers, giving us a competitive edge in the industry. We constantly engage and align our efforts with our customers' expectations to proactively build, nurture and strengthen our relationship with them. The partnerships we established over the years and potential business collaborations allow for an effective transfer of knowledge and optimum utilisation of resources.

GROWING THE BUSINESS

KPI	To achieve revenue growth		
Target	On-going growth of revenue		
Performance	+5.0% in 2016	+10.8% in 2017	-7.8% in 2018

Table 5: To achieve revenue growth - KPI, Target and Performance for Unisem Group

We currently operate in three locations: Ipoh, Malaysia; Chengdu, China; and Batam, Indonesia, serving international customers from the United States of America, Europe and Asia. Our portfolio offers full turnkey solutions, packaging capability, including all types of leadframe based packages, leadless packages, modules, wafer level CSP, flip chip and MIS based packaging.

The nature of our operating environment possesses an array of risks and opportunities with the potential to affect the ability to grow our business positively each year. Discussed in detail in the Management Discussion and Analysis ("MD&A") section of our Annual Report ("AR") (refer to page 9 - 11), some risks and opportunities that impact our business, amongst others, are the highly competitive environment of the industry, quick turnaround of technology developments, our dependency on a highly experienced and skilled workforce and our major customers, as well as our exposure to geopolitical risks.

In FY 2018, Unisem Group recorded a total revenue of RM 1.35 billion, a decrease of 7.8%, against the revenue of RM 1.47 billion generated in FY 2017. The decrease in revenue is primarily attributable to the strengthening of the Malaysian Ringgit ("MYR") against the United States Dollar ("USD"), which began at the start of the financial year. In addition, demands for product mix varied this year, affecting our revenue generated. For a detailed discussion on changes in our operating environment and business growth, please refer to the Management Discussion & Analysis on page 9 - 11.

Below is a breakdown of revenue by customers' region. Customers in the United States of America and Asia contributed higher than those in Europe due to the larger customer pool.

Unisem Group	Revenue generated by customers' region (RM '000)		
	2016	2017	2018
United States of America	532,635	661,095	635,066
Europe	195,254	208,044	223,247
Asia	594,891	596,588	492,963
Total Group Revenue	1,322,780	1,465,727	1,351,276

Table 6: Revenue generated by customers' region for Unisem Group

Long-term business growth requires the balance of economic, environment and social risks and opportunities. Therefore, we will continue to focus on driving manufacturing excellence, growing sales and improving resource efficiency, while investing in safety, increasing the skillsets of our people, and giving back to the community.

For more information on the Group's growth, please refer to the Chairman's Letter to Shareholders (page 6 - 8), the Management Discussion & Analysis (page 9 - 11) and the Financial Statements (page 111 - 183) in this Annual Report.

TECHNOLOGY AND INNOVATION

KPI	Technology growth and development as per Unisem Group Technology Road Map
Target	To achieve target completion dates of our projects as per Technology Road Map
Performance	Refer to Table 9 for progress of our projects as per our Technology Road Map

Table 7: Technology growth and development as per Technology Road Map – KPI, Target and Performance for Unisem Group

In keeping up with the dynamic market demands for technology and design solutions, we will continuously invest in resources to support and spur innovation.

Dedicated Research and Development ("R&D") team

Part of our technical and skilled workforce is our R&D team, who supports us in our operational advancement. Headed by a Senior Vice-President, assisted by a Senior manager and ten full-time employed engineers, the team has an average of 11.4 years of relevant experience. The R&D team manages and monitors Unisem Group's Technology Road Map ("Road Map"), which fortifies our strategic directions to remain competitive in the market and provide customer solutions.

Annual investment in R&D

Annually, the Group budgets for R&D expenditure, a decision by those charged with governance that ensures financial resource allocation promotes innovation. In 2018, we made a total investment of RM8.8 million.

	Unisem Group research and development expenditure 2016	2017	2018
Unisem Group Research and development expenditure (RM '000)	8,683	8,401	8,847
Research and development expenditure as a percentage of Unisem Group revenue (%)	1%	1%	1%

Table 8: Research and development expenditure for Unisem Group

Our Key technology achievements

Fostering team work with our customers and suppliers, we work closely with them to complete noteworthy achievements in the areas of industrial development.

Key projects achieved, in collaboration with customers:

1. We have collaborated with one of our customers to have big Metal Lid Module LGA for high power management product; package size up to 23x18mm. This package solution drives assembly process flow simplification, high assembly ASP and excellent product performance. This is currently running in volume production. A series of products with higher power are in its engineering phase now.

2. Another key achievement is our collaboration with a customer and supplier to develop an ultra-thin SLP package, with an additional package footprint reduction with the invention of routable lead frame capability.

Aside from the collaborative projects, Unisem's R&D team has completed significant projects during the year. These efforts drive our competitive edge, and move us towards embracing 'Industry 4.0' – a promotion of factory automation and smart manufacturing.

Key projects and R&D achievements during the year:

1. X4MIS 0.3mm max package thickness for mobile application – internal & customer qualification completed. Current status is technology readiness, pending customer for actual product introduction.

2. Enhanced Air Cavity Package in MIS for high frequency RF application is completed and currently in volume production.

3. Thin WLCSP Capability for mobile application. Technology readiness completed. Pending for customer product introduction.

4. A total of seven new processes/materials were qualified in 2018. To date, Unisem has obtained 18 patents with another three patents in progress.

5. Implementation of AOI (Automatic Optical Inspection) for 2nd & 3rd Optical inspection for critical product to replace human dependence visual inspection. This not only reduces the risk of human induced error, but also reduces operator resources by automated the process as well as cycle time. This automation is also part of the effort as Industry 4.0, and quality enhancement toward automotive excellence.

Our R&D awards and recognitions

These achievements draw the attention of our customers and awarding bodies. We are pleased to report on recent awards we have received:

1. Business award on Intel Metal Lid Module LGA package, which introduced 3D solder paste printing process on 2nd pass reflow. This process has better assembly yield & faster throughput than other players in our industry.

2. Recognition from one of our major customers, Skyworks Solutions Inc., on introducing MIS package as one of the alternate EMI Shielded solution for high RF module application.

Technology Road Map

The R&D team works closely with customers as well as material and equipment suppliers in establishing its package and process roadmap. The roadmap is reviewed annually to ensure its relevance and ability to meet the dynamic demands of the industry.

Projects	Descriptions	Challenges	Target for Production Readiness[1]	Completion Date
Fan-out Wafer Level Packages	As an alternative of Fan-In WLP, Laminate Substrate Based Flip chip and System in Package ("SiP") integration, as well as driving for higher package functionality, better product performance & competitive cost	• High Capex investment • Cost competitive • Technical challenges e.g. carrier warpage	2018	Deferred to Q3'19 due to some unsolved technical challenges.
Power SLP	A high power product requirement	• Relative high lead frame cost • Package sawing with thick lead fame material	End 2017	Completed - Commenced production in small volume
Super Thick Module SLP	SLP integrated with thick inductor for higher power rating	• New mold equipment investment • Technical challenges such as mold void, incomplete mold & thick package sawing	2018	Completed - Commenced production
Super High Thermal Epoxy	Higher thermal dissipation for better product performance	• High material cost • Narrow process window e.g. epoxy fast dry off • High modulus, thus it is not appropriate for long term reliability test.	2018	Completed - Commenced production
Thin WLCSP	Align with handheld market need for thinner profile product	• New equipment investment • Technical challenges e.g. warpage, crack die	2018	Completed internal qualification. Able to support for any customer engineering/qualification. Pending for customer product introduction.
12" Wafer Bumping	Establish the capability for wafer bumping on 12" wafer size. The objective is to align with customers' technology roadmap and demands. With this capability, wider range of business opportunity is available for current as well as new customers.	• High Capex investment • Cost competitive • Technical challenges e.g. automation handling	2019	On progress for completion by 2019

Projects	Descriptions	Challenges	Target for Production Readiness[1]	Completion Date
Package Level EMI Shielding*	Establish capability of package level EMI shielding, a requirement especially for RF devices due to upcoming sub-5G / 5G & IoT.	• High Capex investment • High maintenance cost • Single tool	Quarter 2 of 2019	Equipment on-going delivery. Installation, setup and buyoff to be completed by end of Q1 2019. Shall be ready for customer product design by Q2 2019.
MIS with Wettable Flank*	To get ready MIS package into one of the key automotive requirement – Wettable Flank.	• Higher MIS frame cost • Technical challenges is etching depth control, package sawing burr at the etched dimples.	Quarter 3 of 2019	Internal assessment is in progress. The outcome of the test vehicle is positive, but requires fine tuning and repeatability run. To be ready for customer product design by Q3 of 2019.
High Thermal Conductive DAF*	For assembly design rules & reliability enhancement e.g. die / paddle size ratio, consistent BLT, better MSL etc.	• High material cost • Temperature cycling test performance due to high material modulus	Quarter 3 of 2019	Testing results are inconsistent. Currently being assessed by an alternate supplier.
008004 passive*	With the trend of package miniaturisation, smaller passive components are required.	• High material cost i.e. passive & solder paste. • New equipment is requires • Technical challenges are high risk of SMT defects e.g. tombstone, solder bridge	2019	Project is currently under review for further analysis/ research and assessment of internal capabilities.

Table 9: Unisem Group Technology Road Map

[1] As reported in Unisem's 2017's Sustainability Statement, Annual Report 2017.

* New projects commenced in 2018.

SUPPLY CHAIN MANAGEMENT

Unisem interacts with a multitude of suppliers across any array of countries, supplying the Group direct materials, tools and machines, logistics and packaging services, and non-production office materials and other services.

Managing the integrity of the supply chain is a challenging task which involves rigorous controls, and close engagement with suppliers and contractors. We believe in fostering long-term and robust relationships with suppliers and contractors to collaborate in overcoming any risks of non-compliance, as well as any labour, health and safety, environmental and ethical violations.

Applying our policies and the RBA Code of Conduct in our supply chain

Our resolution to practice ethical partnerships is stipulated in Unisem COE and Group CSR Policy. We emphasise that we will engage with suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy.

Our close alignment with the RBA Code of Conduct enables us to engage our suppliers and contractors in a manner which is standardised across members of the industry.

Key direct material suppliers and service providers are required to comply with the provisions of the RBA Code of Conduct by signing a Letter of Conformance. These suppliers are also updated annually on the latest RBA requirements, and briefed regularly on the RBA Code of Conduct and Unisem COE. Annually, the Business Ethics letter is sent to these suppliers. With other suppliers, we practice continuous engagement as guided by Unisem COE and the RBA Code of Conduct to encourage good practice.

Supplier Audits

Key direct material suppliers and service providers are assessed for risks across the EES spectrum by utilising assessment tools from RBA. As part of our due diligence process, all key direct material suppliers are required to complete the RBA Self-Assessment Questionnaire ("SAQ"). The results of the questionnaire identify high-risk areas and potential gaps against the RBA Code of Conduct, including both social and environmental issues. This is part of our effort to integrate our suppliers within our Environmental Management System ("EMS").

In addition, the supply chain team from Unisem Ipoh performs on-site audits on key direct material suppliers for Unisem Ipoh and Unisem Chengdu. Our shared key direct material suppliers comprise 25 suppliers, covering 85% of our total direct material spending. We have implemented plans to audit 80% of our shared key direct material suppliers over a period of two years (2017 and 2018), as shown below:

Year	Target	Performance
2016	Perform 6 key direct material suppliers audit	Completed 6 audits
2017	Perform 8 key direct material suppliers audit	Completed 9 audits
2018	Perform 8 key direct material suppliers audit	Completed 9 audits

Table 10: Supplier audit plan (2016 – 2018) for Unisem Ipoh and Unisem Chengdu

Following the completion of our targeted supplier audits, we will commence a new audit plan in 2019, where we will complete 10 audits of our key direct material suppliers by 2020.

On-site audits are carried out using the RBA Validated Audit Program ("VAP") Operations Manual 6.0 ("VAP Manual"). The VAP Manual is based on the five sections of the RBA Code of Conduct, shown below. Therefore these audits enable us to assess key direct material suppliers against pertinent environmental and social risks.

Diagram 6: Five sections of the RBA Code of Conduct

All key direct material suppliers will be audited periodically based on their levels of conformance and overall performance in line with RBA and Unisem's requirements. Our aim is to assist our suppliers in closing compliance gaps, which will enable them to better their practices against internationally-recognised environmental and social considerations.

Audit findings are shared with suppliers upon completion of the site visit, and corrective actions are agreed upon and implemented. The suppliers will reply with corrective actions within seven working days upon issuance of the audit report. Implementation of said corrective actions will be verified by the Unisem audit team before the audit is closed. Below, we summarise the key corrective actions raised based on our supplier audit performed in 2018.

RBA Category	Summary of key corrective actions
Labour	• Establish adequate policies and procedures to ensure workers are not required to pay fees, excessive fees, and deposits or incur debt as part of the employment. • Passports were held by employer to prevent document loss. However the supplier needs to review this approach to ensure passports are only held by the foreign workers. • Review Human Resource policy to prohibit deduction workers' pay due to disciplinary reasons • Any deductions of pay must receive approval from the relevant authority. • Revise the job application form to omit request for discrimatory information, such as sex, age, gender, religion, marital status, etc.
Occupational safety and health	• Conduct risk assessments to identify workplace hazards, with the aim of minimising health and safety impacts for pregnant and nursing women • Do not block access to emergency exits and fire extinguishers, and regularly inspect first aid and spill kits. • Ensure all employees are trained on emergency drills, including those on rotating and night shifts. • Provide personal protective equipment ("PPE") to site visitors, where needed.
Environmental	• Establish audit plan to for hazardous waste vendors. • Use clear signage to properly identify waste disposal areas.
Management Systems	• Establish management review of the implementation status of the RBA Code of Conduct, as well as internal audit plans to check compliance status. • Update the legal register to ensure operations are compliance with latest laws and regulations • Regularly identify and implement performance objectives and targets

Table 11: Summary of key corrective actions from supplier audits performed in 2018 for Unisem Ipoh and Unisem Chengdu

Compliance Gap Closure

Following the issuance of corrective actions plans for supplier audits performed in 2018, 77% of supplier audits and implementation of respective corrective action plans, have been completed by the end of the year. The remaining corrective actions will be completed in the following year, as the audits were primarily performed in the months of November and December, and the suppliers require a reasonable time frame to implement the corrective action plans and to respond. When issues raised require immediate attention, the implementation of corrective actions are critical and suppliers must implement them within a very short time frame.

Based on the assessments performed on key direct material suppliers (SAQ, VAP and supplier audits), no key direct material supplier at Unisem Ipoh and Unisem Chengdu present risks of infringing employees' rights to freedom of association and collective bargaining, risks of child labour practices, nor risks of forced or compulsory labour.

New Supplier Screenings

As part of our quality and process improvement steps, our sourcing team seeks new suppliers to meet the needs of our clients and of our own. New suppliers undergo a stringent due diligence process, conducted by the Quality Assurance/Procurement Department.

Cross functional team members from the Quality Assurance, Procurement, Engineering and Technology departments will conduct on-site audits per the RBA SAQ framework for all new direct material suppliers. This practice is standardized across all Unisem sites. Refer to page 40 for further information on Unisem's application of RBA and its Code of Conduct.

Conflict-free Minerals

Unisem's Group Policy on Conflict Minerals upholds our commitment to prohibit suppliers from sourcing conflict minerals and to work with our suppliers to identify the metals sourced from conflict minerals in the supply chain. These metals are tin, tantalum, tungsten and gold.

Our Conflict Mineral Policy[1] is available on our website.

In support of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict- Affected and High- Risk Areas, Unisem exercises due diligence on suppliers of products containing these metals to determine whether they are sourced from the Democratic Republic of the Congo ("DRC"), or any adjoining country, and if those metals directly or indirectly financed or benefited armed groups that are perpetrators of human rights abuse in the DRC or an adjoining countries. As part of our due diligence process, Unisem utilises the Responsible Minerals Initiative ("RMI") Conflict Mineral Reporting Template ("CMRT") as a data tool to report and review the smelter list in our supply chain. In addition, we communicate our Policy on Conflict Minerals to suppliers, obtain a written confirmation as part of the due diligence program, and require suppliers to complete the RMI Conflict Mineral Reporting Template.

None of our supplied materials are sourced from conflict areas, and the smelters in the supply chain are listed in the Conflict Free Smelter Program ("CFSP") compliant smelter list.

Fair Procurement Practices

Our Group Procurement Policy and tender procedures guide the business conduct of our employees to ensure all suppliers are treated fairly and in the best interest of Unisem, void of collusion and price fixing. Our Policy seeks to upkeep confidentiality and avoid conflicts of interest in transactions with our suppliers.

Local suppliers based in Malaysia and Chengdu, account for 24% of Unisem Ipoh and Chengdu's direct material spending in 2018, as illustrated below.

	Proportion of direct material spending on local suppliers (%)		
	Unisem Ipoh	Unisem Chengdu	Total
Local suppliers	29.9%	20.3%	25.8%

Table 12: Proportion of direct material spending on local suppliers, by site of operations

We are restricted in our ability to source a majority of our direct material supplies from local countries. This is in part due to the suitability of natural resources in our countries of operations. Nonetheless, most of our contractors are local and we contribute actively to our local community. Our support towards the local community is further described on page 53.

[1] https://www.unisemgroup.com/wp-content/uploads/2016/05/Conflict-Free.pdf

ANTI-CORRUPTION

All of our business transactions and operational practice are overseen by firm controls and standards that emphasise ethical practices, of which we are committed to. This will strengthen trust and goodwill in relationships with our stakeholders, including our customers, suppliers, shareholders, employees, regulators and other key stakeholders. Our Group Unisem Code of Ethics ("COE")[2] and Anti-Corruption and Bribery Policy ("Policy")[3] communicates our zero tolerance policy towards all form of bribery, corruption, fraud, extortion or embezzlement (covering promising, offering, giving or accepting any bribes). The COE and Policy are publically available at our corporate website, and annually communicated to all employees. In 2018, 3,349 employees at Unisem Ipoh, 86% of total employees at Ipoh, have received training on anti-corruption via our annual COE briefings. Employees who could not attend the training as they were on leave, are encouraged to access the Unisem COE.

Further to our internal policies, we uphold all laws relevant to countering bribery and corruption in the countries we operate. We remain bound by the laws of Malaysia, including the Malaysian Anti-Corruption Commission Act 2009, in respect of our conduct both at home and abroad. In addition, Unisem does not make charitable contributions to political parties, while employees are permitted to make personal political contributions. Further details are available in our Policy.

In FY 2018, no staff have been disciplined or dismissed, no contracts with business partners terminated, nor have any public cases been brought against Unisem and its employees due to non-compliance with our Anti-Corruption and Bribery Policy and relevant laws and regulations against acts of corruption. Hence, no fines, penalties or settlements were imposed or made during the year.

2 https://www.unisemgroup.com/wp-content/uploads/2016/05/Code-of-Ethics.pdf

3 https://www.unisemgroup.com/wp-content/uploads/2016/04/Anti-corruption_WebsiteVersion.pdf

OUR FOCUS ON CUSTOMERS

The focus on our customers, includes the management of the quality of our products and services, and conducting proactive and regular engagement with suppliers. We also need to manage our social and environmental risks, which we continuously communicate to our customers, as well as provide information on our approach towards the Responsible Business Alliance ("RBA") management.

CUSTOMER SATISFACTION

KPI	Satisfaction of key customers		
Target	To achieve 80% of satisfied key customers		
Performance	88% in 2016	89% in 2017	89% in 2018

Table 13: Customer Satisfaction - KPI, Target and Performance for Unisem Ipoh and Unisem Chengdu

Our customer base comprises primarily fabless companies and integrated device manufacturers in the United States of America, Europe and Asia. We are committed to providing quality services to our customers, as promoted by our Quality and Environmental Policies. Operations in Ipoh and Chengdu are ISO 14001:2015 and IATF 16949:2016, underscoring the rigorous process and controls implemented to promote quality and customer satisfaction.

Maintaining Customer Satisfaction

Customer satisfaction is closely monitored by dedicated members of Quality Assurance and Marketing teams, where feedback from customers are reviewed and shared with Senior Management. This includes our internal target of 80% satisfied key customers. We place emphasis on customer survey data to evaluate past performance, and to identify future focus areas - promoting our sustainable business growth.

Across the years, we have performed well against our targets. We pride ourselves in paying attention and responding to our customers' needs. An integral part of our efforts is feedback channels that promote two-way engagement and foster loyalty in key relationships.

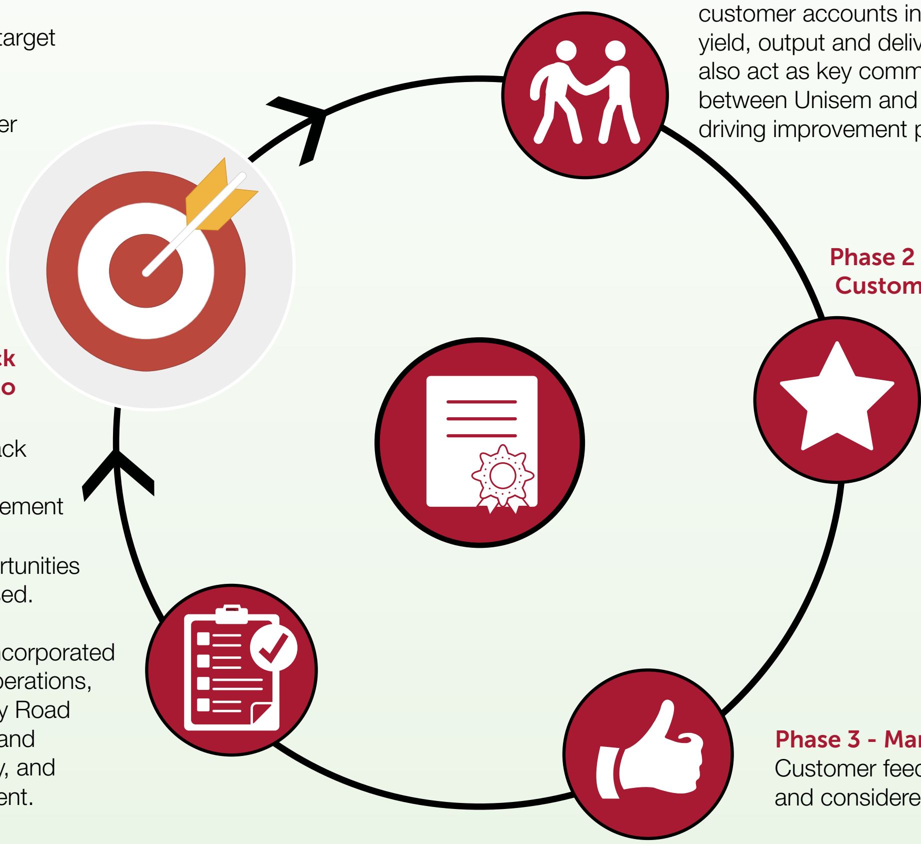
Modes of Assessing Customer Satisfaction	Frequency	Details
Balanced scorecard	Quarterly	Approximately 80% of key customers evaluated their satisfaction on Unisem's services using balanced scorecard. There is no general satisfaction target set due to the different targets defined by each key customer.
Customer satisfaction survey	Yearly	Unisem provides its own survey form to around 20% of its key customers who do not use balanced scorecard.
Quarterly Business Review (QBR)	Quarterly	Quality Business Review ("QBR") is conducted by the key customers so that key customers can give feedback to Unisem.
Annual visits to customers' premises	Annually	Top management, technology and marketing teams visit key customers located in the United States of America, Europe and Asia to strengthen customer relationships and align technology road maps

Table 14: Unisem Group's modes of assessing customer satisfaction

Responding accordingly to customers' feedback is a process central to enhancing our performance and improving customer satisfaction in our services. A structured process promotes proactive management and response to customers:

Phase 1 - Key account managers

Key account managers are tasked to oversee key customer accounts in all aspects, from quality, yield, output and delivery performance. They also act as key communication touch points between Unisem and its customers, and in driving improvement plans.



Phase 2 - Assess Customer Satisfaction

Various platforms are used to gather and analyse customer satisfaction scores; Balanced scorecard, Customer satisfaction survey, Quarterly Business Review (QBR), Annual visits to customers' sites.

Phase 3 - Management

Customer feedback is routinely reviewed and considered by Management.

Phase 4 - Feedback is translated into action plans

Customers' feedback are developed into appropriate improvement plans that address improvement opportunities in the areas assessed.

Feedback is also incorporated in other areas of operations, such as Technology Road Maps, operational and investment strategy, and supplier management.

Goal achieved

- Achieve internal target on % of satisfied customers
- Effective customer engagement
- Implementation of closed-cycled process

Diagram 7: Process to respond to customers' feedback at Unisem Group

SUSTAINABILITY REPORT

Since 1995, our customers have acknowledged the quality of our services, as we have been awarded with Supplier of the Year / Outstanding Supplier Award by various international customers. Please refer to the inner cover of the Annual Report for our awards and recognitions from suppliers. Unisem acts on the belief that customer satisfaction leads to stronger long-term relationships. Therefore, we will continue to meet and exceed our customers' needs in the present and future.

RBA Management

Meeting the requirements outlined in the RBA Code of Conduct is integral to our customer relationships. As part of our commitment to adhere to the RBA Code of Conduct, Unisem COE is applied across the Group. Furthermore we perform internal audits and third-party assessments on our operations, as guided by RBA audit plans and the Code of Conduct.

The RBA WCs assess the Group's facilities on risks relating to labour issues, human rights issues and corruption issues. In addition, all facilities at Unisem are required to be assessed for the RBA Self-Assessment Questionnaire ("SAQ") every year to identify social, environmental, safety and ethical risks and implement improvement plans or to update responses. After the assessments are completed, any required corrective action plans are put in place. Every 2 years, Unisem Ipoh undergoes the RBA Validated Audit Process (VAP), performed by a third party auditor appointed by RBA, following the initial VAP in November 2014. The findings were communicated to the respective departments and corrective action plans were put in place.

Unisem Chengdu is scheduled to undergo VAP in 2019. Further information on our VAP and SAQ scores in available under Labour Rights on pages 48 - 50.

Unisem RBA WCs' representatives also participate in public workshops and forums, which includes discussions on topics related to labour, society, environment, and other matters highlighted by the RBA. One of the events attended this year is the RBA Outreach Meeting in Guangzhou, China.

Lean operations

In embracing the pursuit of operational excellence in our business, we have implemented Kaizen initiatives across all our manufacturing sites. Kaizen focuses on increasing productivity by applying various Lean tools and techniques, Plan-Do-Check-Act ("PDCA") techniques, Design Of Experiment, Technical Excellence, Poka Yoke, RCA (Root Cause Analysis) tools to eliminate non value added processes and activities.

To further enhance effectiveness, Unisem practice teamwork to encourage high levels of cross functional employee engagement on the shop-floor in continuous improvement activities. This employee engagement activity has been very successful in developing a positive workplace culture and enhancing employees' competencies to meet the highly competitive demands of a fast pace business environment.

Incentives are given out annually to all employees for participating in Kaizen, Technical Excellence projects and Lean Big Win initiatives. These initiatives provide a platform for employees to demonstrate innovative thinking and problem solving capabilities.

CUSTOMER PRIVACY AND DATA PROTECTION

Unisem is committed to safeguarding customer proprietary information as we understand that failure to do so will lose customer trust and confidence. In addition to direct financial consequences such as penalties and fines, breach of customer privacy may pose a risk to reputation as well as customer loyalty and satisfaction.

Our information security management ensures the confidentiality and integrity of customer proprietary information. As part of this effort, we have established the "IT Acceptable Use Policy" that places emphasis on the appropriate handling of confidential and proprietary information.

Below are the key internal controls in place to protect customer privacy and data.

Key internal controls implemented by Unisem to protect customer privacy and data
To protect the confidentiality of proprietary information, all employees are required to comply with the Unisem Code of Business Conduct and sign a Non-Disclosure Agreement
Ensuring secured scrap unit disposal of defective products to be in line with internal scrap procedures
Securing all computers, laptops and workstations with password-protected screensaver, anti-virus software, Security Endpoint Protection Software and firewall
Creating a confidential relationship between Unisem and its contractors, suppliers and service providers with the signing of Non-Disclosure Agreements
Attending trainings to enhance skillset on data protection and security

Our close monitoring of our processes and procedures have allows us to successfully implement and manage secure systems. Therefore, Unisem has not received substantiated complaints from outside parties, and regulatory bodies to date. Nor have there been any identified leaks, thefts, or losses of customer data.

PEOPLE

Unisem's sustainable growth is dependent on the diversified skills and experiences of our employees. They are our pride, and their achievements lead to our sustainability accomplishments and business growth. We endeavor to provide our employees with a comfortable and productive working environment while prioritising their wellbeing. For the betterment of their time with us, we ensure health and safety measures are enforced in accordance with labour standards as set by regulators. Diversity and equal opportunity are advocated within the Company, as we believe enhancing inclusiveness will allow us to achieve an equitable society. We also strive to meet the needs of an advancing economy through community development.

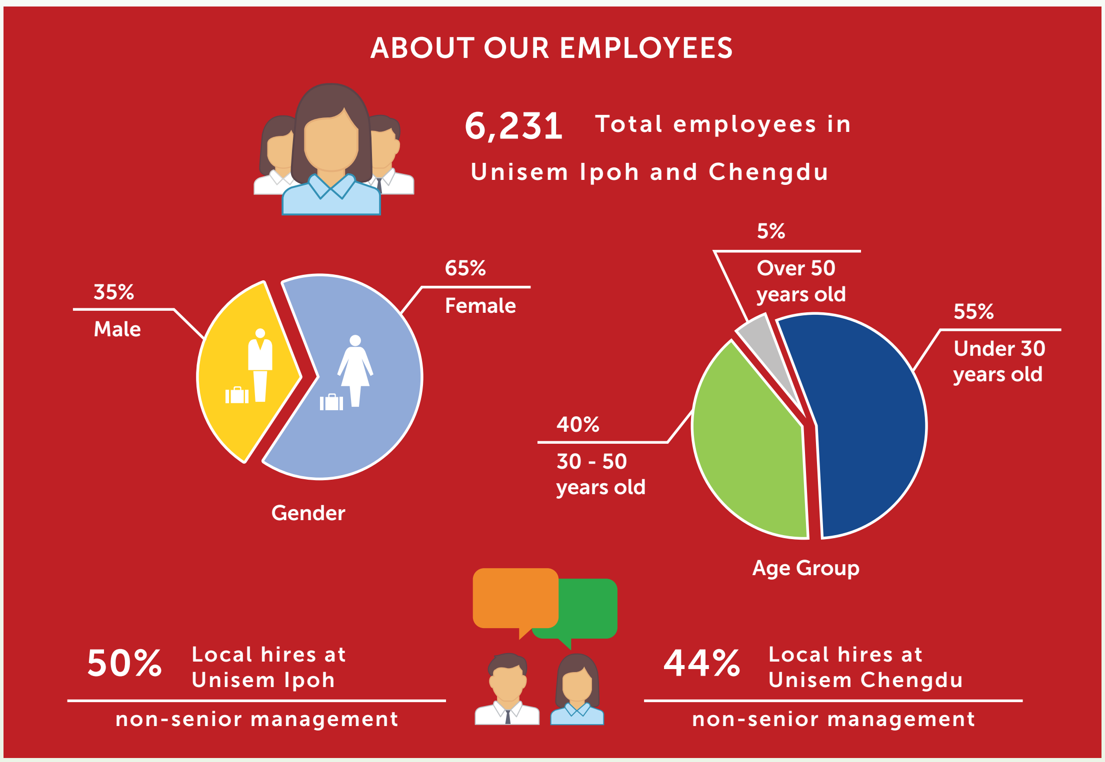


Diagram 8: Employee statistics at Unisem Ipoh and Unisem Chengdu

EMPLOYEE WELFARE

Caring for our employees' needs and welfare

We reach out to our employees to ensure their career development grows in tandem with the industry and our business, and that we are able to support their lifestyle needs. We focus on listening to our employees and improving our response year on year. Below, we summarise our provisions:

COMPENSATION AND BENEFITS

Unisem's compensation and benefits are based on industry benchmarks and annual reviews. At Unisem Ipoh, collective bargaining agreements are reviewed with our in-house union every three years. As part of the review, salary scales are benchmarked against employees' views, other companies in the area and multinational companies.

Benefits Required by Law

- Adherence to minimum wage
- Provision of annual leave, maternity leave, sick leave, compassion leave, etc.
- Contribution to funds, as required (i.e. pension funds, medical insurance fund, housing provident fund)

Insurance / Medical Coverage

- Social insurance
- Personal accident insurance coverage
- Child delivery subsidies
- Medical benefits for outpatient, specialist and hospitalisation

FACILITIES & PRIVILEGES

At Unisem Ipoh, employees are entitled to a salary advance of up to 35% of their annual/monthly salary during festive periods. Flexible working hours are also made available to support a health work-life balance, especially for parents who need to drop off and pick up their kids from school.

Facilities

- A 24-hour canteen
- A mini sundry shop operated by Koperasi Pekerja-Pekerja Unisem (M) Berhad at Unisem Ipoh
- Hostels for operators who do not have homes near Ipoh and Chengdu
- An accessible library
- Gated parking spaces for employee's safety
- In-house clinic with full-time industrial nurses at Unisem Ipoh

For employees with special needs

- Dedicated parking spaces for our special needs employees (those with disabilities) and pregnant women
- Dedicated rest area for female workers at Unisem Ipoh
- A dedicated lactation room for breastfeeding mothers

SPORTS & RECREATION

List of Activities / Events Organised in 2018

- Dam Haji competition
- Chinese New Year charity visit
- Congkak competition
- Ping Pong competition
- Star walk
- Flower arrangement competition
- Hari Raya charity visit
- Parent-child campaign
- Charity runs
- Merdeka ride
- Fishing competition
- Badminton tournament
- Football league
- Bowling competition
- Futsal competition
- Annual dinner

Diagram 9: Summary of employee welfare provisions at Unisem Ipoh and Unisem Chengdu

Employee Learning and Talent Development

KPI	Average training hours per employee[4]	
Target	60% of employees have minimum 6 hours training per year	
Performance	76.9% in 2017	86.8% in 2018

Table 15: Average training hours per employee - KPI, target and performance for Unisem Ipoh and Unisem Chengdu

Our talented workforce provides us with a strong pillar of strength and driver for continuous business growth. Investments in people development initiatives are fundamentally important to maintaining innovative and highly motivated workplace environment.

Unisem runs a comprehensive and continuous training programme, which targets on the different requirements of each job specification and career development needs, we seek to build technical skillset, discipline, compliance to standard operating procedures, and soft skills needed in team work and leadership.

The Training Department closely monitors the annual training hours per employee, including operators, and non-operators. In 2017, we began monitoring the minimum hours of training per employee each year, against the target of minimum 6 hours of training. The performance indicators reported below refer to employee category called non-operators.

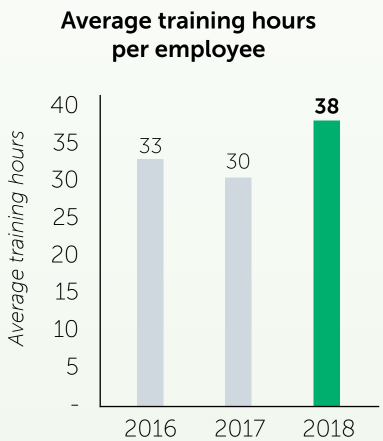


Chart 1: Average training hours per employee - Unisem Ipoh and Unisem Chengdu

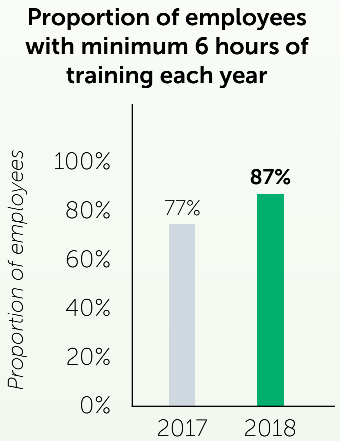


Chart 2: Proportion (%) of employees with minimum 6 hours of training each year - Unisem Ipoh and Unisem Chengdu

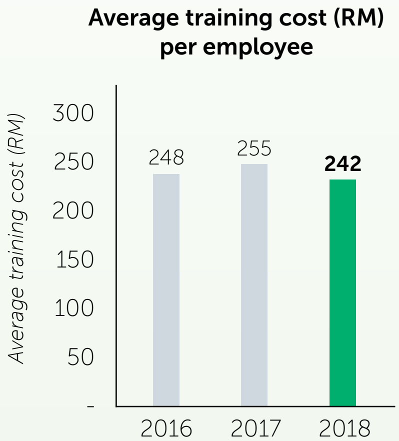


Chart 3: Average training cost (RM) per employee - Unisem Ipoh and Unisem Chengdu

[4] The performance indicator excludes operators.

Detailed description of training conducted are provided below. Training takes the form of on-the-job training and a series of development programmes. Manufacturing operators are formally certified in-house and must be re-certified every 6 months. Other trainings such as firefighting, first aid, evacuation drill and code of ethic are also provided to all employees.

Types of Training Programmes	Description of Training
New Employee Program	To familiarise new employees with all aspects of the business, including operations, strategies and expectations. This programme also includes quality, environmental, health and safety awareness as well as our expectations for ethical conduct.
Quality Courses	Focusing on the need to build quality and reliable products and subsequently on-time delivery to customers
Technical Courses	Keeping abreast with the latest, state-of-the-art equipment and methodologies
Safety and Health	Complying with legal and occupational regulation and workplace safety and health
Environmental	Heightening awareness and caring for the environment to make our surroundings a better place to live-in
Ethics, Anti-Corruption & Disciplinary	Educating employees on our code of ethics, anti-corruption and disciplinary measures
Soft Skills - Motivational/ Leadership/Supervisory	Development of leadership skills and personal effectiveness of our staff to better manage the complex and diverse people management challenges
Statistical - Design of Experiment, Statistical Process Control, Six Sigma, etc.	Performing statistical techniques and analysis to promote engineering excellence in process and product development for engineering staff
Team Building	To reinforce the strong teamwork culture, relationship building, and to build a positive work environment
IT Courses - Network Security, Programming	Continuous enhancement of IT security platforms and systems
Special Requirements (e.g. RBA / TS16949 / ISO14001 / OSHA / GST / X-Ray etc.)	Catering to the needs of customers, regulatory agency/government and international standards

Table 16: Types of training programmes at Unisem Ipoh and Unisem Chengdu

As we focus on practical and soft skill training, we acknowledge the importance of peer to peer feedback and performance reviews. During the performance evaluation sessions, managers and their team members meet at least once a year to review and clarify their performance results, determine the training and development gaps and discuss career aspirations and plans.

Managers are also required to engage with their subordinates constantly and have a continuous one-on-one feedback sessions to ensure that all levels of employee in the organisation stay motivated and aligned towards a common goal.

Employee Learning and Talent Development

Diagram 10: Methods of employee communication

Unisem's strict policy on non-retaliation has contributed to creating a safe working environment for all employees to provide feedback with regards to grievances, complaints and whistleblowing. This has further enhance our ability to listen to the "Voice of Employees". We utilise three primary engagement platforms: Ethics Hotline, Employee Climate Survey, and our policy of 'Open Door'.

Unisem Group's Ethics Hotline

The Ethics Hotline is available to internal and external parties, including employees, customers and suppliers, to report inappropriate or unethical behaviour, and workplace grievance. All feedback is investigated via a structured internal process, and there shall not be any retaliation against all whistleblowers in good faith. In addition, whistleblowers identities shall not be disclosed to maintain confidentiality. Below, we summarise our cases received. All cases reported below have been investigated and closed as per procedure without consequential action on suspected parties.

	No. of cases	
Types of cases	**2017**	**2018**
Workplace grievances from employees	20	14
Whistleblowing from employees	1	1
Whistleblowing from external parties	0	0

Table 17: Number of workplace grievance and whistleblowing cases at Unisem Ipoh and Unisem Chengdu

	Cases in 2018	
Types of cases	**Description of cases**	**Actions taken by Management**
Workplace grievances from employees	Poor handling of employees at workplace	Human Resource Department conducted a thorough investigation of the matter, including interviewing parties involved. The conclusion was shared with parties involved, who accepted the explanations.
Whistleblowing from employees	Poor handling of employees at workplace	Investigation conducted, as per relevant policies, procedures and regulations. Interview employee and superior to seek clarification. Counselling to both parties and case was closed.

Table 18: Description of workplace grievance and whistleblowing cases at Unisem Ipoh and Unisem Chengdu, and Management's response

Employee Climate Survey ("Survey")

This Survey is performed with the aim of increasing our awareness of employees' needs and concerns at the workplace. Employees from each employee category are engaged through a structured channel on a range of topics, including management, job satisfaction and development, and communication.

Feedback is then analysed and discussed with the management team to derive appropriate action plans that address employees' concerns. The action plans are executed immediately or over a period of time, as deemed appropriate. Following that, a summary of the Employee Climate Survey outcome and action plans is communicated to employees via the appropriate communication channels.

	Employee Climate Survey	
	Unisem Ipoh	Unisem Chengdu
Frequency of survey	Annually	Bi-annually
Population surveyed	5% of each employee category (Operator, Non-Executives and Executives) are surveyed	
Topics surveyed on	Leadership by management; overall job satisfaction, including compensation, benefits and facilities; and career development, and effective top-down communication	

Table 19: Description of Employee Climate Survey at Unisem Ipoh and Unisem Chengdu

Results of our Employee Climate Survey in 2018 are summarised below. Since last year, employees' suggestion to improve facilities in the plant (i.e. rest area, toilet, company bus) has been addressed by Management. Hence it did not appear as an area for improvement in the 2018 Employee Climate Survey.

Areas employees are satisfied with	Employees' identified areas for improvement
• Increment of salary and timely payment • Knowledge learned in the working place • Benefits and good facilities • Caring management • Workplace culture (friendliness of people, recognition in the workplace)	• Controlled maximum overtime • Strict discipline control • To improve canteen food variety • To provide more softskill training (e.g. teambuilding and leadership) • To review transportation facility for workers

Table 20: Summary of feedback from 2018 Employee Climate Survey at Unisem Ipoh and Unisem Chengdu

Employee Retention

Closely monitoring employee retention rates allows us to better understand our demographics of our external environment, industry challenges and gauge the level of outreach of our efforts.

Challenges faced at Unisem Ipoh and Unisem Chengdu vary greatly. As our operations consists of both highly skilled (i.e. engineers) and operational labour (i.e. operators). Therein lies the challenge of varying needs and backgrounds, as well as career interests.

Turnover rates at Unisem Ipoh is primarily attributable to the completion of contracts with our foreign workforce, who do not intend to renew the contract as they have decided to return home. At Unisem Chengdu, we observe a higher turnover rate – a common trend across all Chinese industrial sites and in the semiconductor industry in China, primarily due to stiff competition for workers between industries.

KPI	Annual turnover rate			
Target	Unisem Ipoh	Annual turnover rate below 25%		
	Unisem Chengdu	Annual turnover rate below 45%		
Performance	Unisem Ipoh	18.9% in 2016	21.0% in 2017	21.7% in 2018
	Unisem Chengdu	41.3% in 2016	44.2% in 2017	58.9% in 2018

Table 21: Turnover rate – KPI, target and performance at Unisem Ipoh and Unisem Chengdu

Unisem continues to proactively manage turnover rates at both sites. At Unisem Chengdu, Unisem Group's Management has deployed action plans to reduce the turnover rate. In seeking to compete with surrounding companies, Management will continue to aggressively review employees' compensation and benefits against local offerings; and enhance work environment and culture. Training modules will be rolled out in 2019 for employees in managerial and supervisory roles. These trainings will focus on building culture, analysing and overcoming situational issues at work.

Our focus on employee satisfaction and business continuity, coupled with aggressive recruitment strategies to attract skilled and talented human capital will continue to be core to supporting our business human resource needs. In engaging employees we will always strive to provide for and meet their career interests and ambitions.

LABOUR RIGHTS

"We Care We Can" is our corporate tag line. It underlines one our fundamental beliefs and Core Values - that respect for all employees and their human rights is integral for workplace harmony and boosting sustainable business growth.

Upholding Human Rights

We acknowledge the basic human rights, and are committed to upholding and respecting the human rights of all employees, as understood by the international community. These commitments are embedded in Unisem COE[5] and Group CSR Policy[6], which have been closely aligned to the RBA Code of Conduct. Furthermore, we comply with relevant laws and regulations in all our regions of operations. Below, we summarise our key commitments to human rights at Unisem.

5 https://www.unisemgroup.com/wp-content/uploads/2016/05/Code-of-Ethics.pdf
6 https://www.unisemgroup.com/wp-content/uploads/2016/01/CSR-Policy-Jun-2014.pdf

We Care We Can

Unisem respects all labour rights

Occupational safety and health

The safety and health of all employees is at the core priority of our operations at Unisem. Our Safety and Health Policy communicates our commitments to upholding this right.

Freely chosen labour

Use of forced, bonded or indentured labour, involuntary prison labour, slavery or trafficking of persons are **prohibited at all times.**

There is no unreasonable restriction of employees' freedom of movement. Unisem does not withhold employees' original government-issued identification, travel documents or education certificates. All workers are given employment letters which clearly convey the conditions of employment in a language they understand.

Child labour avoidance

All forms of child labour is prohibited. The term "child" refers to any person under the age of 15 (or the age where the law of the country permits).

Freedom of association

Unisem respects the rights of employees to associate freely, to decide whether they wish to join labour unions or not, and to seek representation in accordance with relevant laws and regulations in the regions we operate.

Unions are accessible to workers at each site of operations at Unisem.

Humane treatment and non-discrimination

Unisem **does not engage in discrimination** based on race, color, age, gender sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affliation, union membership, covered veteran status, protected genetic information or marital statis in hiring and employment practices such as wages, promotions, rewards, and access to training. **There shall be no harsh and inhumane treatment.**

Foreign workforce

As and when necessary, Unisem hires foreign workers to meet its operation requirements. **No foreign workers are required to pay any fees and levy related to their employment** other than expenses for lodging and transportation costs.

All foregin workers are made aware and provided with information on the minimum mandatory fees allowable as per RBA requirement in their own language.

Working hours, wages and benefits

Compensations paid to employees shall **comply with all applicable wage laws,** including those relating to minimum wages, overtime hours and legally mandated benefits, and paid in a timely manner.

The overtime hours are within the guidelines and labour laws of the home country.

Diagram 11: Key commitments to upholding labour rights at Unisem Group

Protecting Our Operations

RBA guided risk assessments are performed on our operations in all regions we operate. The assessments are available in two methods: responding to the SAQ assessment, and conducting VAP on all our operations. Developed by the RBA, these assess companies for potential social, environmental and ethical risks. Below, we disclose our current complement and scheduled SAQ and VAP performance.

Location	SAQ Performed in 2018	SAQ Score*	VAP Performed in 2018	VAP Score*	Level of Risk?
Malaysia	Completed	91.3	Completed in Sept 2018	151.6	Low
China	Completed	94.2	Scheduled in 2019	Scheduled in 2019	Low

* SAQ full score is 100, and VAP full score is 200

Table 22: SAQ and VAP results for Unisem Ipoh and Unisem Chengdu

Based on the assessments performed, operations at Unisem Ipoh and Unisem Chengdu do not present risks of infringing employees' rights to freedom of association and collective bargaining, risks of child labour practices, nor risks of forced or compulsory labour.

As at 2018, there have been no incidences of human rights violations nor violations of labour standards at Unisem Group.

OCCUPATIONAL HEALTH AND SAFETY

Ensuring workplace environment that prioritises the safety and health of our employees and site visitors is of utmost importance to the Group. Safety culture is incorporated seamlessly into daily operations, supporting employee and third party confidence and morale when working at Unisem.

Health And Safety Management Systems

Our codes and policies communicate our commitment towards the importance of managing a safe workplace. Our Safety and Health Policy, Unisem COE and Group CSR Policy is available to all employees and stakeholders on our website[7].

Our management systems are implemented based on local requirements and recognised international standards, and apply to all our employees and stakeholders who visit our sites. Unisem Chengdu's operations are currently OHSAS18001:2007 certified. Whereas, Unisem Ipoh's operations aim to be ISO 45001:2018 certified by 2019. Furthermore, Unisem Ipoh achieved the highest level (5 - excellent) of implementation of the Systematic Occupational Health Enhancement Level Programme ("SOHELP") in 2016. SOHELP is designed by the Department of Occupational Safety and Health Malaysia ("DOSH") to help industries comply with relevant regulations pertaining to occupational health particularly in the field of chemical management, ergonomic issues and hearing protection.

Tasked with daily monitoring and implementation of action plans and initiatives are the site Safety and Health Committees ("Committees"). The committees are headed by the senior manager of the respective Facility Departments, who reports to the Management on key information and indicators. Members of the Facility department are dedicated to their tasks and focus on its improvement opportunities year on year.

[7] https://www.unisemgroup.com/company-info/corporate-social-responsibility/

Ensuring Workplace Safety

KPI	Injury frequency rate for industrial accidents		
Target	Injury frequency rate for industrial accidents below 2 accidents per million hours worked[8]		
Performance	1.78 in 2016	1.75 in 2017	1.69 in 2018

Table 23: Injury frequency rate for industrial accidents - KPI, target and performance for Unisem Ipoh and Unisem Chengdu

	2016	2017	2018
Fatality rate	0	0	0

Table 24: Fatality rate for Unisem Ipoh and Unisem Chengdu

Management closely monitors a set of key performance indicators related to occupational health and safety, as a measure of our workplace safety standards. Work-related accidents are categorised as 'major' and 'minor' work-related accidents. Major work-related accidents are defined as accidents which cause employees to be on medical leave for more than four days. Classifying accidents as such enables the team to more accurately identify potential areas of concern. The number of major and minor work-related accidents in the last three years is shown below:

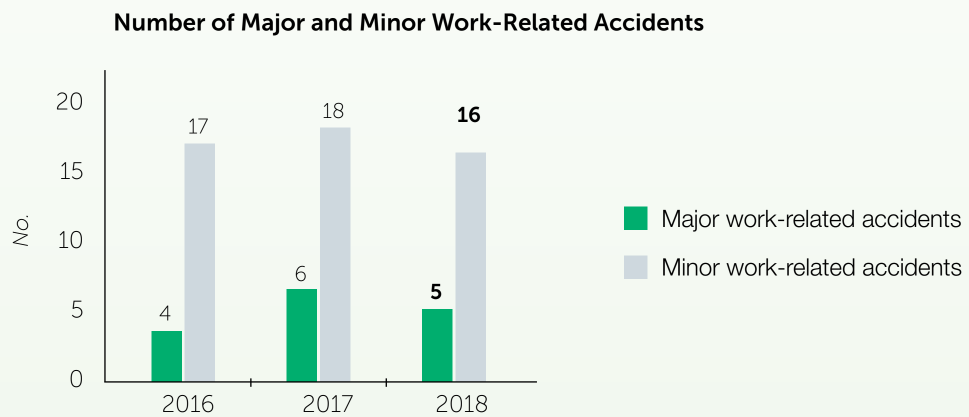


Chart 4: Number of major and minor work-related accidents at Unisem Ipoh and Unisem Chengdu

The reported number of work-related accidents has decreased against previous years as Management continues to emphasise safety awareness via safety trainings, briefings and placing safety signs. Reported incidents primarily result in physical injuries, a majority of which are minor accidents. These accidents usually occur as a result of trip and fall cases, causing employees to be away from work for a short period of time. There were no recorded incidents of work-related ill health or cases with high-consequence injury in the reporting period.

8 Injury frequency rate is calculated as [total no. of work related accidents/ total no. of man-hours worked) * 1,000,000], as in line with definition by the Malaysian Department of Occupational Safety and Health (DOSH)

Continuous incident management is practiced throughout the sites, as led by the Committees and Facility departments, with the aim to minimise safety risk and reduce workplace hazards. The team is led by an experienced senior manager with collective experience in understanding Unisem's operations and relevant safety requirements. Other trained personnel who partake in the regular safety processes include the Radiation Protection Officer, and certified medical officers.

In managing work-related safety risks, the following areas are assessed: on-site chemical and personal protective equipment management and storage, risk assessment of sites, investigating reported incidents and complaints, machinery and work instruction and inspection, annual internal and third-party safety audits (i.e. visits by local safety regulators, and RBA VAP and SAQ), and radiation protection emphasis. Findings are reported to the site COO and Management at upcoming meetings, and action plans are prepared to address areas for improvement.

Incident reporting is a key element of the safety process. Employees are informed of incident reporting platforms, and encouraged to report any potentially unsafe act or workplace condition, including near-miss cases. Incident reporting systems are detailed below:

Incident Reporting Process

Occurence of incident or near-miss

Reporter shall complete the required form for the designated safety officer to collect. Should an injury be a result of the incident, the designated medical officer shall complete the report.

Designated safety officer and investigation team shall undergo an investigation

Corrective action plan shall be identified and implemented

Case should be closed within 7 days and findings shared at upcoming safety briefings and Safety Committee meetings, as well as with site COO.

Diagram 12: Incident reporting process at Unisem Ipoh and Unisem Chengdu

Health And Safety Training

Training is used as engagement platforms to communicate our health and safety culture to all employees. Annual training schedules are prepared and reviewed year on year by the sites' Facility Departments. These are tailored to meet the requirements of specific types of work, and its associated health and safety risks. The team considers any operational, industry and regulatory changes, and updates employees on the health and safety performance of the organisation. In addition, emergency response exercises and evacuation drills are conducted annually with all shift workers in order to increase awareness on safety and health measures to take should an incident occur.

Most training programmes are conducted annually. Employees who have attended trainings are then responsible to disseminate and apply the knowledge and skills learned with other employees in the areas and departments where they operate. Types of trainings conducted include the following:

Types of training
Fire ERT
Gas ERT
First Aid
Chemical Spillage
Fire Warden
Forklift
Safety hazard training (electrical / boiler/ Pressure Vessel/ noise/ machine/ ergonomic/ HIRARC, etc.)

Promoting workplace health

Part of safety prevention is the promotion of occupational health, and considerations towards a healthy lifestyle. It also serves to raise morale and encourage balancing priorities from home and from work.

Work-related health is managed by providing employees with access to healthcare. Regular health screenings are provided for employees each year. Furthermore, employees are provided access to medical treatments from panel clinics, and various health and safety talks are held each month. Operations at Unisem Chengdu are located in close proximity to medical facilities. Whereas Unisem Ipoh provides an in-house 24-hour clinic with fulltime industrial nurses and a panel of visiting doctors to provide medical consultation and treatment for its employees.

Some health talks held during the year include:

Types of health talks
Mammogram/Pap Smear Campaign
Blood Screening Test
Free eye fungus screening
Ipoh Specialist Hospital of Healthy Life Style Campaign
Health Week Promotion Health Products

LOCAL COMMUNITIES

Giving back to our local communities and national development is part of our Vision and Core Values. Unisem strives to support local organisations and institutions areas of health and welfare, education, culture, recreation and civic activities.

Vision
To be leading global multinational company providing comprehensive turnkey assembly and test services for the evolving needs of our customers, **and a model corporate citizen in the communities in which we operate**

Core Value - Caring
We recognise our **social obligations to our stakeholders and the society and we contribute positively to our communities and environment**

Our objectives are three-fold:

1. Be recognised as a responsible corporate citizen that reinvests in the society and communities it operates in;
2. Promote recognition and awareness of the less fortunate in the community; and
3. Support programmes that promote the well-being of the community in general and for our employees living in the community.

Supporting Local and National Economic Development

We provide employment and career development opportunities to the local communities where we operate. In Ipoh, Malaysia, we are one of the largest private sector employers. This is a testament to our employee focus, which encourages local employment and retention through our supportive work lifestyle.

Proportion of local hires in Senior Management and Non-Senior Management roles

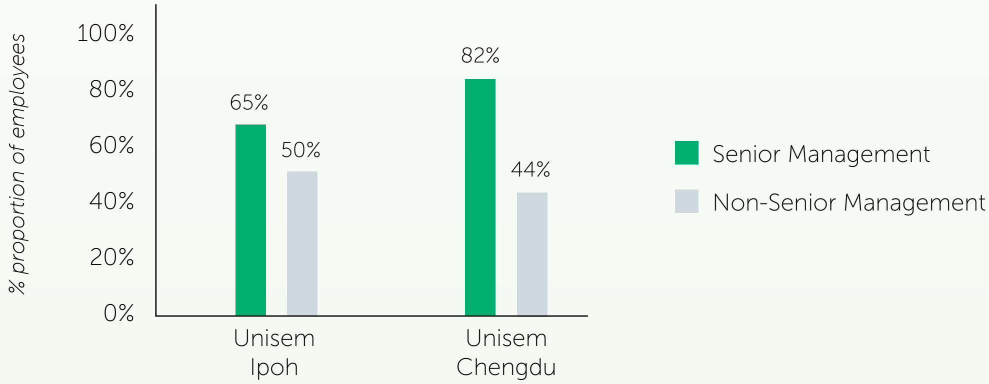


Chart 5: Proportion (%) of local hires at Unisem Ipoh and Unisem Chengdu for Senior Management and Non-Senior Management roles

Annually, Unisem Ipoh trains industrial trainees from various universities and polytechnic institutions and provides them career opportunities in various functions such as Assembly, Final Test, Quality Assurance, Engineering, Maintenance, Finance, Management Information Systems and Human Resources.

In 2018, Unisem Ipoh provided opportunities to a total of 127 students from various local polytechnics and universities in Malaysia as trainees, of which 100 are pursuing Engineering Studies and 27 are from Non-Engineering backgrounds. 13 students have received permanent placements with Unisem.

Noise Monitoring

We practice open channels of communication with our local communities and one of the greater concerns is the level of noise caused by our manufacturing plant.

Even though levels of noise pollution are maintained below thresholds as permitted by the guidelines on noise limits, published by the Department of Environment Malaysia and China, Unisem Ipoh and Unisem Chengdu conducts a structured programme to monitor and reduce noise levels as much as possible.

Our Facility team monitors and reviews noise levels on a yearly basis, including conducting Boundary Noise Monitoring exercise annually.

As a result, noise levels have been maintained below legal limits over the years.

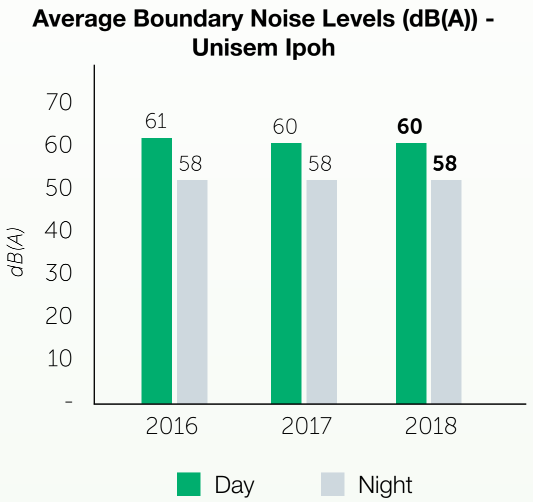


Chart 6: *Average Boundary Noise Levels (dB(A)) for day and night at Unisem Ipoh*

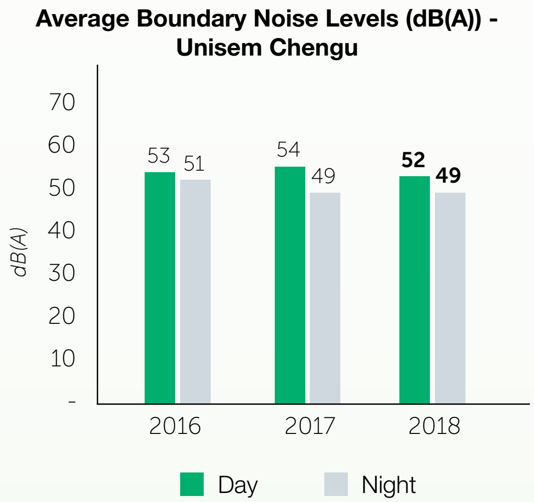


Chart 7: Average Boundary Noise Levels (dB(A)) for day and night at Unisem Chengdu

Regulatory limit on boundary noise levels (dB(A))	
Ipoh	
Day	70
Night	60
Chengdu	
Day	65
Night	55

Donations and Employee Involvement

Every year, we actively engage our local community through our volunteer programmes and donations. Our donation programmes are reviewed annually to ensure that distribution of corporate contributions continues to effectively address the community's changing needs.

Our long-term volunteer programmes include annual blood donation drives, visits to local orphanages, old folks' homes and physically challenged centres during festive periods. Every year we conduct these programmes to support the local organisations. In addition, our employees participated in volunteer clean-up events at the local mosque and an annual in-house festive celebration. In 2018, Unisem Chengdu invited 50 students from local high school to visit the plant. Students were taught Unisem's products and services.

Furthermore, Unisem Ipoh made a donation of RM 513,000 this year, which includes cash, daily necessities and sponsorship to the local schools, children's and special needs' homes, the local fire and rescue association, festive events, local unions and special events. Included in the donations is Unisem Ipoh's contribution to Tabung Harapan Malaysia, a local fund initiative to collect donations in aide of national development. In addition, we held a blood donation drive at Unisem Ipoh with 302 employees volunteering.

We will continue to support local communities as we hold steadfast to our Vision and Core Values.

ENVIRONMENT

As an organisation, we have a clear responsibility to care for the environment. We believe that preserving the environment and shared natural resources are crucial to ensure that our operations are able to sustainably create value without affecting the quality of life of our stakeholders, including the communities surrounding our operations.

ENVIRONMENTAL MANAGEMENT

Management of Environmental Matters

Our approach in managing our environmental matters is set at Group level, with the implementation overseen by our Environmental Working Committees. Its progress is reviewed annually by our site COO and GM who are responsible for sustainability initiative and report to the Board.

Environmental programmes and environmental management systems are in place to support the strategy set. These programmes and management system enable us to increase our operational efficiency and consequently reduce our environmental impacts due to our waste and effluents generation, GHG and other air emissions, energy consumption, as well as water consumption, among others.

Unisem COE, Environmental Policy[9], and Health and Safety Policy[10] formalise our commitment to be a caring and responsible member of the global community. Furthermore, all Unisem sites are ISO 14001:2015 certified.

EFFLUENTS AND WASTE MANAGEMENT

Our hazardous and non-hazardous waste, as well as the effluents resulting from our operations, are primarily generated by various processes within our semiconductor assembly and test facilities. We believe that in the face of increasing resource scarcity, we should play an active part in driving Sustainable Consumption and Production ("SCP"), in support of the SDGs.

In managing waste, our utmost priority is to reduce and eliminate waste at the source, or by process modification, materials substitution as well as conservation, before pursuing material recycle or reuse based on the waste management principles.

9 https://www.unisemgroup.com/wp-content/uploads/2017/05/Environmental-Policy.pdf
10 https://www.unisemgroup.com/wp-content/uploads/2016/05/Safety-and-Health-Policy.pdf

In dealing with the effluents from our operations, our approach is to ensure that effluents are characterised, monitored, controlled and treated prior to discharge. We routinely monitor the performance of on-site wastewater treatment systems, and, wherever possible, implement measures to reduce wastewater generation.

Hazardous Waste Management

KPI	Recycling rate of hazardous waste generated		
Target	To achieve 50% recycling rate of total scheduled (hazardous) waste generated[11]		
Performance	46% in 2016	49% in 2017	50% in 2018

Table 25: Recycling rate of hazardous waste generated - KPI, target and performance for Unisem Ipoh and Unisem Chengdu

Guided by Unisem COE and relevant SOPs, managing hazardous substances used and generated by our operations involves ensuring safe handling, movement, storage, use, recycling or reuse, and disposal, while complying to the applicable local legal requirements. Unisem only engages contractors who are authorised and licensed by local environmental agencies to ensure legal and proper treatment of waste. As we aim to increase the recycling rate of the hazardous waste generated, we engage contractors who are able to offer the highest rate of recovery or recycling. We regularly audit our waste contractors to ensure their compliance to local laws and regulations concerning environmental, health and safety aspects.

Total Hazardous Waste Generated (MT)

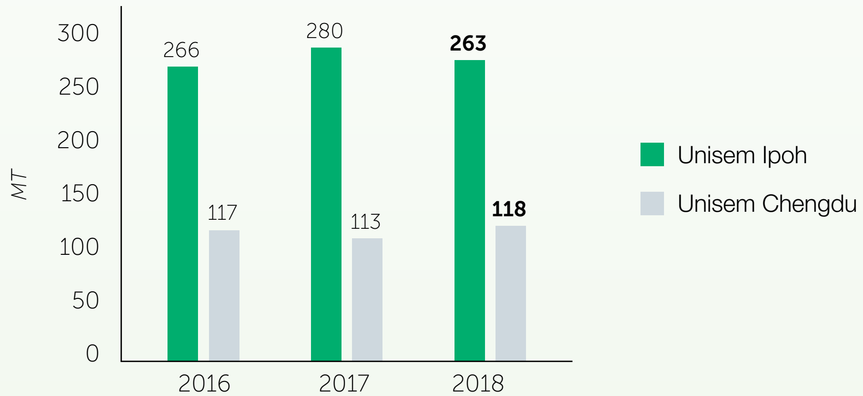


Chart 8: Total hazardous waste generated (MT) at Unisem Ipoh and Unisem Chengdu

In 2018, we generated a total of 381 MT of hazardous waste, a reduction of 3% from the amount generated last year. We have seen a consistent improvement in Unisem Ipoh's recycling rate over the years, which we believe is a result of our strong commitment to reduce our environmental impact. For Unisem Chengdu, we are still in the process of collecting our recycle rate data, and will be reporting it in the future.

We will continue to drive efforts towards eliminating and reducing hazardous waste generated by our processes in addition to continuously increasing the amount of hazardous waste recycled in the coming years.

[11] Unisem Group defines hazardous waste as any waste falling within the categories of waste listed in the First Schedule of Malaysia's Environment Quality (Scheduled Wastes) Regulations 2005.

Non-hazardous Waste Management

Non-hazardous or general waste generated by our operations in both Unisem Ipoh and Unisem Chengdu amount to 878 MT in the year 2018, an increase from 782 MT generated last year. Half of the non-hazardous waste generated was recycled.

Total non-hazardous Waste Generated (MT)

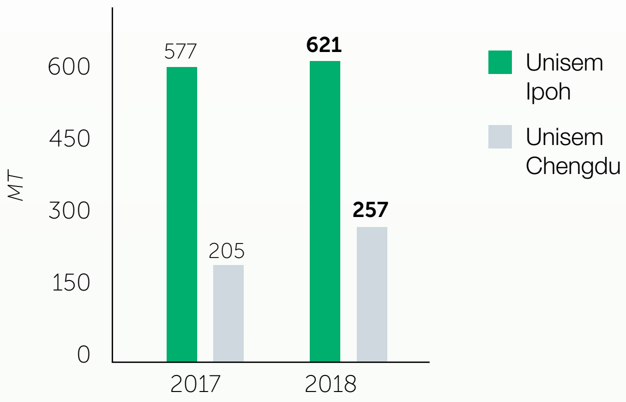


Chart 9: Total non-hazardous waste generated by operating site, at Unisem Ipoh and Unisem Chengdu

Total Recycling Rate for Non-hazardous Waste

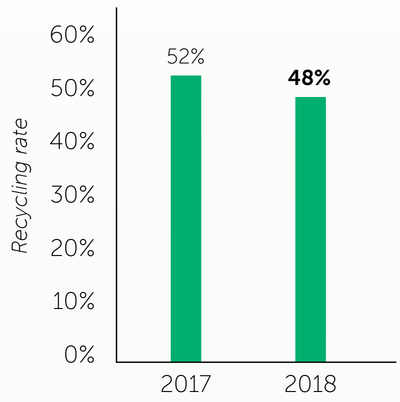


Chart 10: Total recycling rate for non-hazardous waste at Unisem Ipoh and Unisem Chengdu

We ensure that the non-hazardous waste collected is sent to licensed waste collectors and treated in a legal manner. As part of our continuous effort towards to reduce waste, we encourage our employees to reduce, reuse and recycle domestic waste generated - paper, plastic, and metal- by providing the necessary facilities. To further understand our waste generation and more effectively manage it, we have begun collecting data on non-hazardous waste produced by our operations in 2017.

Our recycling efforts are also driven by our goal to reduce consumption of new materials. This includes new materials used for shipping tubes, canister cans and wafer carriers or containers, which has been significantly reduced over the years since we embarked on a programme where tubes, cans, carriers/containers are reused. The programme, which was established more than five years ago has contributed significantly to cost savings, and evidently allows more effective use of materials.

Effluents Management

Operating Site	Unisem Ipoh	Unisem Chengdu
Compliance	 **Full compliance** with Standard B of the Environmental Quality Act ("EQA") (Industrial Effluents) Regulation 2009	 **Full compliance** with Integrated Wastewater Discharge Standard (GB8978-1996)

In addition to domestic wastewater coming from our office buildings, a significant volume of our effluents originate from our processes. Wastewater in Unisem is largely generated by the assembly and wafer-bumping process. Our approach in managing effluents and wastewater is guided by the local laws and regulations including Environmental Quality Act ("EQA") (Industrial Effluents) Regulation 2009 for Unisem Ipoh and Integrated Wastewater Discharge Standard (GB8978-1996) for Unisem Chengdu.

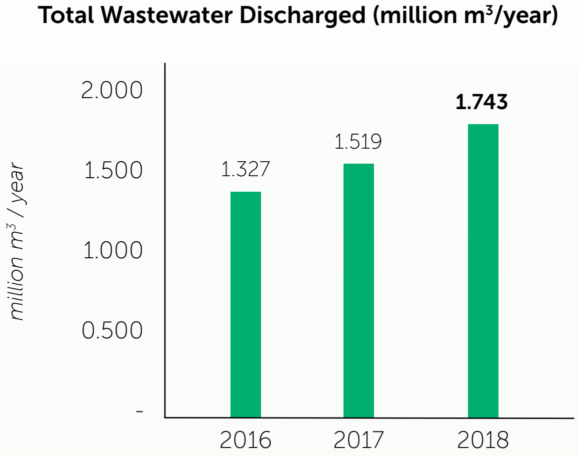


Chart 11: Total wastewater discharged (million m3/year) at Unisem Ipoh and Unisem Chengdu

Wastewater generated by our facilities at Unisem Ipoh is treated at our on-site wastewater treatment plants before being released through the municipal drainage system. At Unisem Chengdu wastewater is discharged to wastewater treatment plants located at the Industrial Park where we operate.

Other effluents, such as waste oil, spent solvent and metal hydroxide sludge, are sent to licensed waste disposal units or waste contractors.

We place utmost importance in ensuring that wastewater discharged are of the required quality, as wastewater run-offs can negatively impact the quality of water bodies and subsequently, the local communities surrounding it.

Our trained employees regularly conduct preventive maintenance of our wastewater treatment facilities. We also conduct daily monitoring of wastewater quality to ensure full compliance to the standards set in applicable regulations, in addition to the periodic monitoring by external accredited laboratories or government-appointed third party. In both operations, we closely monitor more than 20 wastewater quality indicators, including pH, COD and BOD concentration, total suspended solids, Cu2+ concentration, Ni2+ concentration and ammonia concentrations.

We are pleased to report that both our operations are in full compliance with the set standards in terms of the wastewater discharge quality, and that there was no significant spill or incident of non-compliance occurred in FYE 2018.

WATER MANAGEMENT

At Unisem, we believe water is a shared resource that should be used and released responsibly to the environment, to protect the local communities sharing the resource with us, whose livelihood is dependent on it.

As a player in the semiconductor industry, water is vital in our processes. In all our wet-processing steps we utilise Ultra-Pure Water ("UPW"), which is sourced from the municipal water and further purified in-house. Water is also consumed in our operations for domestic purposes.

In line with our commitment to enhance our operational efficiency and reduce our resource consumption, we consistently monitor our water withdrawal through municipal water bills received in addition to monitoring our water consumption, defined as water used by our operations and not released back, such that it is no longer available for use by the ecosystem or local community.

Total Water Withdrawal (million m³)

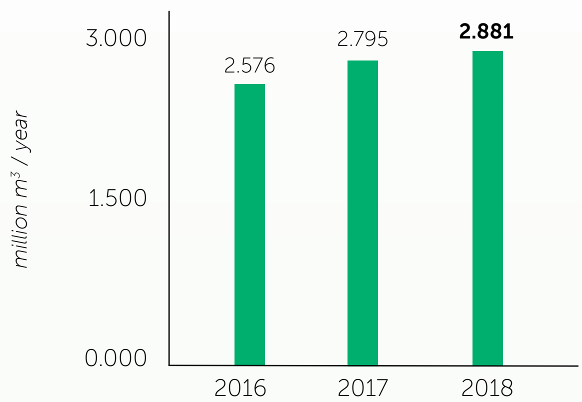


Chart 12: Total water withdrawal (million m³) at Unisem Ipoh and Unisem Chengdu

Total Water Consumption (million m³)

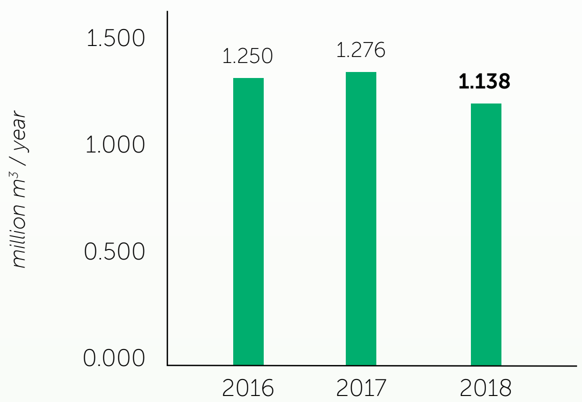


Chart 13: Total water consumption (million m³) at Unisem Ipoh and Unisem Chengdu

In comparison to year 2017, Unisem recorded an increase in water withdrawal, due to the expansion of production floor in both UAT and Unisem Chengdu, with additional wafer bumping equipments.

One of our major initiatives in reducing water withdrawal is the reuse of lightly-contaminated UPW previously used in our processes for other industrial purposes and irrigation. To support this initiative, we have equipped our facilities with complex rinse water collection system as well as a dedicated separate drainage to ensure that lightly-contaminated water is properly collected and reused.

Our operation in Chengdu has also adopted a reverse osmosis system which allows water coming out of our process to be reused, resulting in a yearly reduction of 64,800 m³ of water withdrawal, in addition to the heat recovery system which contributes to the reduction in water withdrawal by 9,331 m³ per year.

Proportion of water recycled over water withdrawn (%)			
	2016	2017	2018
Unisem Ipoh	3%	3%	3%
Unisem Chengdu	8%	7%	6%

Table 26: Proportion of water recycled over water withdrawn (%) at Unisem Ipoh and Unisem Chengdu

Committed to reducing the water impacts related to our water consumption, we will continue to find ways to improve efficiency of our water usage, as we are aware that water is a precious resource that must be responsibly preserved.

GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

Greenhouse Gas ("GHG") Emissions

KPI	Reduction of GHG emissions (Scope 1 and 2) per unit produced[12] i.e. GHG Intensity		
Target	To achieve 10% reduction in GHG emissions intensity (baseline 2011)		
Performance	17% in 2016	22% in 2017	10% in 2018

Table 27: Reduction of GHG emissions (Scope 1 and 2) per unit produced - KPI, target, and performance at Unisem Ipoh and Unisem Chengdu

Climate change is a global challenge which needs to be addressed by all parties - governments, civil societies and business organisations alike. Staying true to our commitment to address the issue and to continuously improve our understanding on the impact we have on the environment, we have taken another step to enhance our GHG emissions reporting, guided by the GHG Protocol, in addition to strengthening our mitigation efforts.

This year we began collecting and reporting on our fuel consumption in the report. Emissions related to our fuel consumption makes up our Direct (Scope 1) emissions, while our electricity consumption contributes to our Energy Indirect (Scope 2) emissions.

Greenhouse Gas Emissions

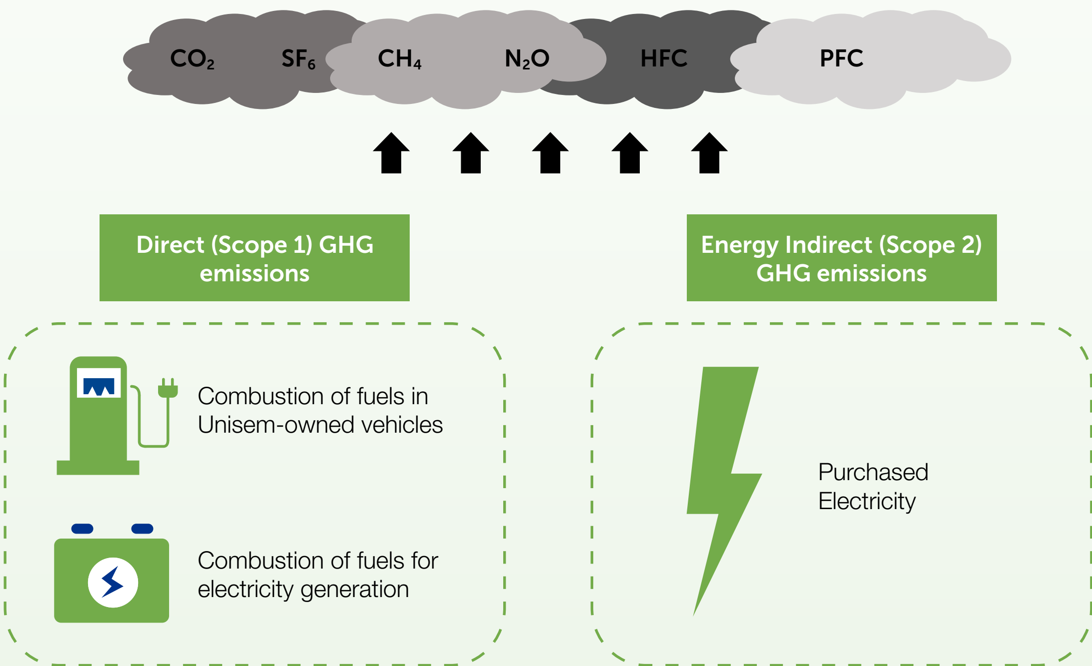


Diagram 13: Description of types of GHG emissions

[12] *No. of wafers produced by UAT was converted to units produced based on an estimation of 10,000 units per wafer*

We have also revised our emission data from the previous years to reflect the expansion of reporting boundary which now includes Unisem Chengdu, on top of the additional emissions from Scope 1.

Scope	2016	2017	2018
Direct (Scope 1) GHG emissions ('000 tCO_2e)	1.05	1.19	1.45
Indirect (Scope 2) GHG emissions ('000 tCO_2e)	100.24	108.73	114.81
Total (Scope 1 and Scope 2) ('000 tCO_2e)	**101.29**	**109.92**	**116.26**

Table 28: Total Scope 1 and Scope 2 emissions ('000 tCO_2e) for Unisem Ipoh and Unisem Chengdu

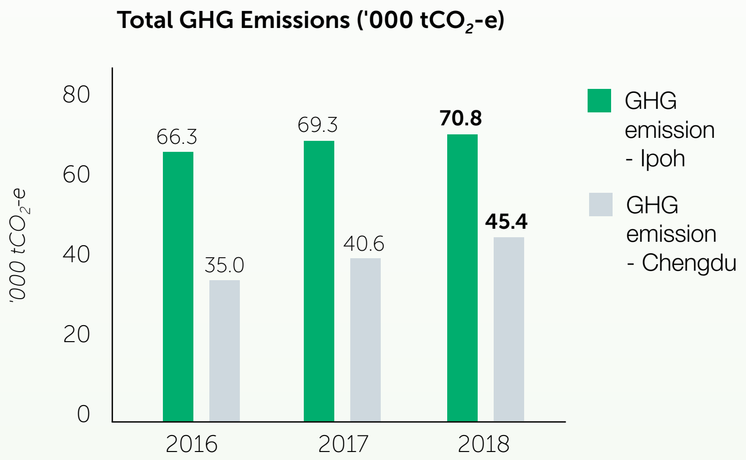


Chart 14: Total GHG emissions ('000 tCO_2-e) at Unisem Ipoh and Unisem Chengdu

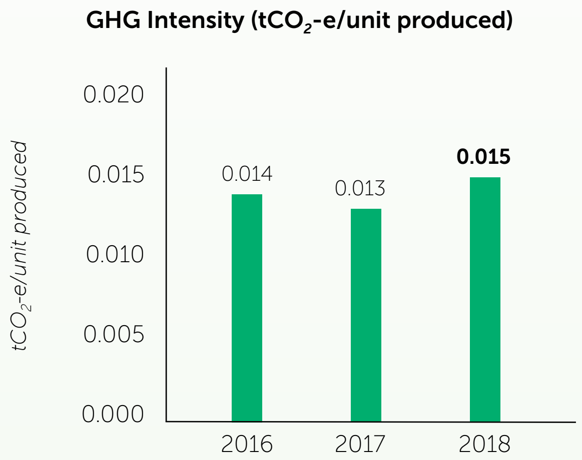


Chart 15: GHG Intensity (tCO_2-e/unit produced) at Unisem Ipoh and Unisem Chengdu

In FY 2018, both Unisem Ipoh and Unisem Chengdu generated a total of 116,261 tCO_2-e, with 61% of emissions contributed by Unisem Ipoh. In comparison to last year, Unisem recorded an increase of emission, due to the expansion of production floor in both UAT and Unisem Chengdu, which allows for additional machineries to be installed, leading to an increase in electricity consumption.

Direct (Scope 1) GHG Emissions

Emissions related to fuel consumption make up only 1% of our GHG emissions. Fuel consumed in our operations includes diesel, petrol and natural gas, which are used for our forklifts and other company-owned vehicles, as well as our generator sets and boilers.

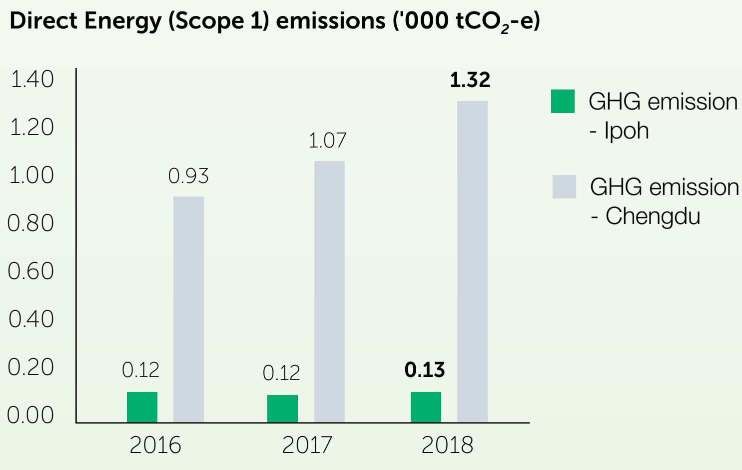


Chart 16: Total Direct Energy (Scope 1) emissions ('000 tCO_2-e)

A primary contributor to total Scope 1 emissions is natural gas used to fuel heating systems at our operating sites in Chengdu. We have taken several measures to reduce our natural gas consumption, including the installation of a heat recovery system in 2015, further allowing a reduction of 96,900 m3 of natural gas consumption every year.

At Unisem Ipoh, we are currently in the process of converting our forklifts to electric forklifts to reduce our dependency on diesel. Therefore, we expect further reduction in our diesel consumption in the near future.

Energy Indirect (Scope 2) GHG Emissions

99% of total GHG emissions are Scope 2 emissions, originating from our electricity consumption, as shown below.

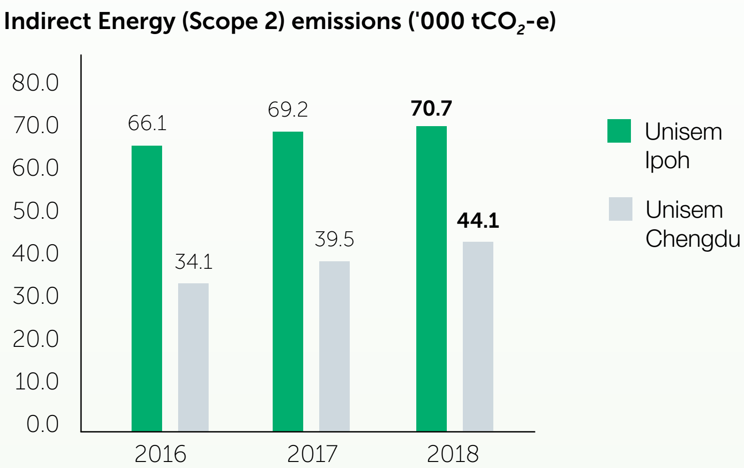


Chart 17: Total Indirect Energy (Scope 2) emissions ('000 tCO_2-e)

To mitigate our emissions, we have embarked on a number of emission reduction initiatives. Several of the initiatives are as follows:

Initiative	Description	Reduction Achieved in 2018
Installation of Ultra Performance Plant Controller ("UPPC") system i.e. P1 UPPC and P2 UPPC	The control system allows the optimisation of energy use in plant chillers.	919 tCO_2-e/year, equivalent to 4,506 GJ/year
Installation of Heat Recovery System	The heat recovery system allows for heating demand to be reduced.	338 tCO_2-e/year, equivalent to 1,656 GJ/year
Conversion of conventional lighting to LED lighting	Conventional lighting is progressively converted to a more energy-efficient alternative i.e. LED lighting	425 tCO_2-e/year in 2018 in Unisem Chengdu, equivalent to 2,081 GJ/year
Hot Water Pipe Exchanger Transformation Project	The transformation project allows for a more efficient use of medium temperature hot water coming from boiler, where it is used to supply heat for the heating system.	168 tCO_2-e/year, equivalent to 823 GJ/year

Table 29: Summary of initiatives to reduce emissions at Unisem Ipoh and Unisem Chengdu

Additionally, we will continue our ongoing efforts to implement control upgrades where necessary, seek opportunities to re-engineer our production equipment facility support system to improve our efficiency, as well as complete the conversion of our conventional T8 fluorescent tubes to LED lighting across all our operations in the near future.

Our commitment towards reducing our GHG emissions related to our energy consumption also extends to supporting energy conservation. Simple day-to-day acts includes switching off lights and air-conditioning units during lunch hour, and setting a maximum temperature for our air-conditioning units in Unisem Chengdu to 25 degree Celcius during summer.

Other Indirect (Scope 3) GHG Emissions

Although we have yet to collect our Other Indirect (Scope 3) emissions data related to our business travel, we have begun several reduction efforts by promoting the utilisation of video conferencing facilities to our employees to avoid non-essential air or ground trips.

Energy Consumption

The fuel consumed and electricity purchased by our operations in 2018 amount to a total of 620,775 GJ of energy. This translates to an energy intensity of 80 MJ per unit produced. Compared to last year, we saw an increase in the energy consumption, hence an increase in the intensity. This is largely attributed to the increased consumption of natural gas in our Chengdu operations, due to the expansion of production floor necessitating an increase in heating requirement.

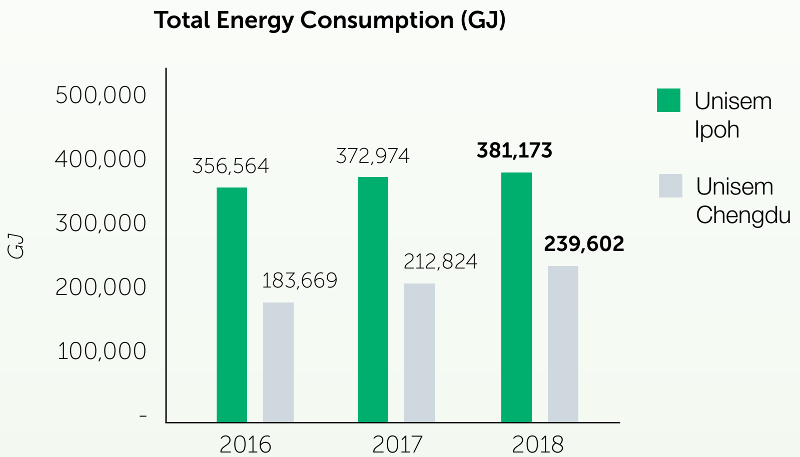


Chart 18: Total energy consumption (GJ) by area of operations, at Unisem Ipoh and Unisem Chengdu

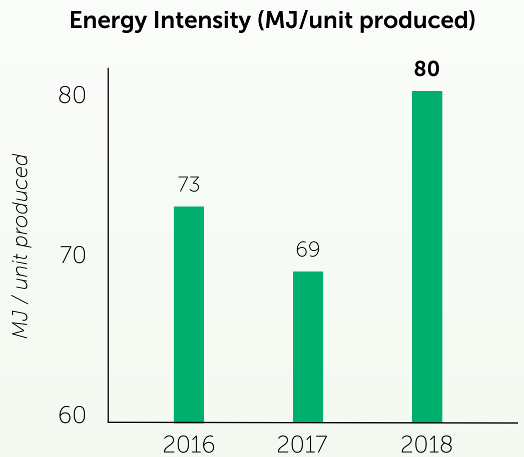


Chart 19: Energy Intensity (MJ/unit produced) at Unisem Ipoh and Unisem Chengdu

In 2018, the fuel consumed in our operations are primarily from non-renewable sources, namely diesel, petrol and natural gas.

Type of Energy Source	2016	2017	2018
Purchased Electricity (GJ)	521,836	564,890	595,365
Diesel (GJ)	245	273	455
Petrol (GJ)	2,593	2,478	2,506
Natural Gas (GJ)	15,559	18,157	22,449
Total Energy Consumed (GJ)	**540,233**	**585,798**	**620,775**

Table 30: Total energy consumption by energy source at Unisem Ipoh and Unisem Chengdu

Other Air Emissions

In addition to GHG, there are also other air emissions generated by our sites including nitrous oxides ("NO"), sulphur oxides ("SOx"), volatile organic compounds ("VOCs") and particulate matters.

Unisem Chengdu	2017	2018
NOx (MT)	0.57	0.34
SOx (MT)	1.05	9.52
VOCs (MT)	0.056	3.45

Table 31: Total emission to air at Unisem Ipoh and Unisem Chengdu

Operations in Unisem Ipoh do not emit VOCs or NOx, and are still in the process of collecting data related to SOx and particulate matter.

We undertake several measures to limit our emissions, including the installation of scrubbers and carbon adsorption treatment system in our facilities. We conduct regular maintenance of our facilities to ensure their effectiveness in limiting harmful emissions, and will continue to strengthen our controls.

PRODUCT STEWARDSHIP

In addition to our commitment of delivering products that meet customer's demands, we have also taken on the responsibility of minimising our environmental impacts throughout all stages in the product lifecycle. In doing so, we have gone one step further to limit the use of restricted materials in our products in view of international regulations and customers' requirements.

Regulations and customer requirements & description	Measures taken by Unisem
Unisem complies to European Union Restriction of Hazardous Substances ("RoHS") Directive, which sets limitations on the use of ten substances, including lead	• Through analysis report conducted on a yearly basis, the compliance to RoHS is measured. Supporting documents such as declaration letter, Certificate of Compliance ("CoC") and Safety Data Sheet ("SDS") are also used to verify the compliance. • We also ensure our suppliers comply with RoHS by communicating with them and facilitating their own compliance. Every two years, suppliers are required to complete the self-assessment forms and submit the acknowledgement of compliance with specification. • Test reports and certificates of conformance are also obtained from suppliers for each product supplied.
Restriction on the use of hazardous substances, including lead and lead compound.	• Each Unisem site has achieved third party certification on the Sony Green Partner and Samsung Eco Partner certification schemes.

Table 32: Measures taken by Unisem Group based on customers and regulatory requirements

DATA FOR THE SUSTAINABILITY REPORT

Turnover Rate	2016	2017	2018
Unisem Ipoh			
Turnover no. - by gender			
Male	86	105	**122**
Female	671	780	**788**
Turnover rate - by gender			
Male	11.4%	11.9%	**13.4%**
Female	88.6%	88.1%	**86.6%**
Turnover no. - by age group			
Under 30	584	693	**705**
30 - 50	162	184	**189**
50 and above	11	8	**16**
Turnover rate - by age group			
Under 30	77.1%	78.3%	**77.5%**
30 - 50	21.4%	20.8%	**20.8%**
50 and above	1.5%	0.9%	**1.8%**
Unisem Chengdu			
Turnover no. - by gender			
Male	276	467	**648**
Female	512	450	**499**
Turnover rate -by gender			
Male	35.0%	50.9%	**56.5%**
Female	65.0%	49.1%	**43.5%**
Turnover no. - by age group			
Under 30	649	782	**1,041**
30 - 50	138	134	**105**
50 and above	1	1	**1**
Turnover rate - by age group			
Under 30	82.4%	85.3%	**90.8%**
30 - 50	17.5%	14.6%	**9.5%**
50 and above	0.1%	0.1%	**0.1%**

New Employees Hire	2016	2017	2018
Unisem Ipoh			
New employees hire no. - by gender			
Male	77	119	**98**
Female	646	581	**646**
New employees hire rate - by gender			
Male	10.7%	17.0%	**13.2%**
Female	89.3%	83.0%	**86.8%**
New employees hire no. - by age group			
Under 30	661	633	**695**
30 - 50	61	67	**49**
50 and above	1	0	**0**
New employees hire rate - by age group			
Under 30	91.4%	90.4%	**93.4%**
30 - 50	8.4%	9.6%	**6.6%**
50 and above	0.1%	0.0%	**0.0%**
Unisem Chengdu			
New employees hire no. - by gender			
Male	276	467	**648**
Female	512	450	**499**
New employees hire rate - by gender			
Male	35.0%	50.9%	**56.5%**
Female	65.0%	49.1%	**43.5%**
New employees hire no. - by age group			
Under 30	649	782	**1,069**
30 - 50	138	134	**125**
50 and above	1	1	**2**
New employees hire rate- by age group			
Under 30	82.4%	85.3%	**89.4%**
30 - 50	17.5%	14.6%	**10.5%**
50 and above	0.1%	0.1%	**0.2%**

Parental Leave	2016	2017	2018
Total number of employees that were entitled to parental leave – by gender			
Male	1,134	1,231	**1,324**
Female	1,369	1,427	**1,475**
Total number of employees that took parental leave – by gender			
Male	146	145	**146**
Female	137	154	**174**
Total number of employees that returned to work in the reporting period after parental leave ended – by gender			
Male	131	138	**146**
Female	125	154	**148**
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work - by gender			
Male	49	31	**54**
Female	46	76	**81**
Return to work rates of employees that took parental leave - by gender			
Male	90%	95%	**100%**
Female	91%	100%	**85%**
Retention rates of employees that took parental leave - by gender			
Male	35%	24%	**39%**
Female	37%	61%	**53%**
Training hours			
Total training hours	196,455	190,549	**234,580**
Average hours of training that the organization's employees have undertaken during the reporting period – by employee category			
Management	22	26	**25**
Executives	19	23	**25**
Non-Operators	26	28	**32**
Operators	43	40	**47**
Man-hours worked			
Total no. of man-hours worked	12,904,185	13,696,601	**13,629,284**

Employment Contract	2016	2017	2018
Employees by employment contract			
% of employees that are on fixed-term contract	52%	51%	**50%**
Employees by employment contract - by gender			
Permanent			
Male	1,292	1,386	**1,440**
Female	1,572	1,645	**1,692**
Fixed-term contract			
Male	673	742	**678**
Female	2,396	2,420	**2,421**
Employees by employment contract - by region			
Permanent			
Ipoh	2,464	2,524	**2,520**
Chengdu	400	507	**612**
Fixed-term contract			
Ipoh	1,559	1,594	**1,681**
Chengdu	1,510	1,568	**1,418**

Employee diversity for year 2018

Employee category - by gender

		Male	Female
Senior Management		93%	7%
Management		84%	16%
Executives		62%	38%
Operators		9%	91%
Non-Operators		75%	25%

Employee category - by age group

	under 30 years old	30-50 years old	over 50 years old
Senior Management	0%	39%	61%
Management	0%	75%	25%
Executives	19%	79%	2%
Operators	71%	27%	3%
Non-Operators	49%	49%	2%

GLOBAL REPORTING INITIATIVE SUSTAINABILITY REPORTING STANDARDS ("GRI" INDEX)

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
GRI 102 General Disclosures				
1	102-1	Name of the organization	Company Profile	2
2	102-2	Activities, brands, products, and services	Company Profile - Unisem Group	3
3	102-3	Location of headquarters	Company Profile - Unisem Group	3
4	102-4	Location of operations	Company Profile - Unisem Group	3
5	102-5	Ownership and legal form	Company Profile & Shareholders' Statistics	3 / 188
6	102-6	Markets served	Company Profile	3
7	102-7	Scale of the organization	Company Profile & Audited Financial Statements	3/ 111
8	102-8	Information on employees and other workers	Refer to Data table in the Sustainability Report for more information. We do not hire any part-time employees.	66
9	102-9	Supply chain	Supply Chain Management - Sustainability Report	33
10	102-10	Significant changes to the organization and its supply chain	Refer to Management Discussion & Analysis for changes in our shareholding structure, as part of our business partnership.	9
11	102-11	Precautionary Principle or approach	Statement on Risk Management and Internal Controls	106
12	102-12	External initiatives	Basis of preparation - Sustainability Report	15
13	102-13	Membership of associations	Basis of preparation - Sustainability Report	15
14	102-14	Statement from senior decision-maker	Chairman's Letter to the Shareholders	6
16	102-16	Values, principles, standards, and norms of behavior	Value Creation Model Anti-Corruption Supply Chain Management	25 36 33
18	102-18	Governance structure	Profile of Directors, Profile of Senior Management, and Corporate Governance Overview Statement Sustainability Governance	78 - 101 16
40	102-40	List of stakeholder groups	Stakeholder Engagement	18
41	102-41	Collective bargaining agreements	28% of Unisem Ipoh's employees are covered by collective bargaining agreements. Unisem Chengdu does not have collective bargaining agreements.	
42	102-42	Identifying and selecting stakeholders	Stakeholder Engagement	18
43	102-43	Approach to stakeholder engagement	Stakeholder Engagement	18
44	102-44	Key topics and concerns raised	Stakeholder Engagement	18
45	102-45	Entities included in the consolidated financial statements	Audited Financial Statements	111 - 183
46	102-46	Defining report content and topic Boundaries	Basis of preparation - Sustainability Report	15
47	102-47	List of material topics	Materiality Assessment	21
48	102-48	Restatements of information	Certain reported key performance indicators have been restated in this year's Sustainability Statement to better reflect the expansion of the reporting scope	
49	102-49	Changes in reporting	Basis of preparation - Sustainability Report	15
50	102-50	Reporting period	Basis of preparation - Sustainability Report	15
51	102-51	Date of most recent report	About the Sustainability Report	14

GRI Standards Content Index				
#	**Disclosure Number**	**Disclosure Title**	**Response**	**Page Number**
GRI 102 General Disclosures				
52	102-52	Reporting cycle	Basis of preparation - Sustainability Report	15
53	102-53	Contact point for questions regarding the report	Y.Bhg. Dato' Gregory Wong Guang Seng, as Senior Independent Director to answer any queries or clarify any matters concerning the Company. Y.Bhg. Dato' Gregory Wong Guang Seng can be contacted at the following correspondence address: Letter Box #95, 9th Floor UBN Tower, 10 Jalan P. Ramlee, 50250 Kuala Lumpur Tel : (603) 2072 3760 Fax: (603) 2072 4018	
54	102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option	
55	102-55	GRI content index	Sustainability Report	70
56	102-56	External assurance	Financial statements have been externally audited by our auditors, Deloitte PLT. Although we are yet to seek external assurance on our non-financial information, our reporting process is supported by our internal controls and reporting team. Processes relevant to the reporting structure is reviewed by our internal audit fuction. Our sites are also subject to external verification, such as visits from customers and RBA VAP and SAQ.	
GRI 103 Management Approach				
57	103-1	Explanation of the material topic and its Boundary	Basis of preparation - Sustainability Report Materiality Assessment	21
58	103-2	The management approach and its components	Managing Our Business Our Focus On Customers People Environment	
59	103-3	Evaluation of the management approach	Managing Our Business Our Focus On Customers People Environment	
GRI 201 Economic Performance				
60	201-1	Direct economic value generated and distributed	Audited Financial Statements	111 - 183
61	201-2	Financial implications and other risks and opportunities due to climate change	-	
62	201-3	Defined benefit plan obligations and other retirement plans	Audited Financial Statements	111 - 183
63	201-4	Financial assistance received from government	Audited Financial Statements	111 - 183
GRI 202 Market Presence				
64	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
GRI 201 Economic Performance				
65	202-2	Proportion of senior management hired from the local community	Senior management are full-time employees at the highest-level of managers at Unisem, immediately below the members of the Board of Directors. Local communities are the communities in the surrounding vicinity of our operations. For Unisem Ipoh, this refers to the state of Perak. For Unisem Chengdu, this refers to the city of Chengdu. Unisem Ipoh and Chengdu are the significant areas of operations within our reporting scope for FY 2018. For information on our proportion, please refer to the Local Communities section.	53
GRI 203 Indirect Economic Impacts				
66	203-1	Infrastructure investments and services supported	-	
67	203-2	Significant indirect economic impacts	Local Communities	53
GRI 204 Procurement Practices				
68	204-1	Proportion of spending on local suppliers	Local communities are the communities in the surrounding vicinity of our operations. For Unisem Ipoh, this refers to the state of Perak. For Unisem Chengdu, this refers to the city of Chengdu. Unisem Ipoh and Chengdu are the significant areas of operations within our reporting scope for FY 2018. For information on our proportion, please refer to the Supply Chain Management section.	33
GRI 205 Anti-Corruption				
69	205-1	Operations assessed for risks related to corruption	-	
70	205-2	Communication and training about anti-corruption policies and procedures	-	
71	205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption	36
GRI 206 Anti-Competitive Behaviour				
72	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A	
GRI 301 Materials				
73	301-1	Materials used by weight or volume	N/A	
74	301-2	Recycled input materials used	N/A	
75	301-3	Reclaimed products and their packaging materials	N/A	

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
GRI 302 Energy				
76	302-1	Energy consumption within the organization	Energy consumption is calculated according to 2006 IPCC Guidelines for National Greenhouse Gas Inventories. For more information on energy consumption, please refer to Greenhouse Gas Emissions and Energy Consumption section.	61
77	302-2	Energy consumption outside of the organization	-	
78	302-3	Energy intensity	Greenhouse Gas Emissions and Energy Consumption	61
79	302-4	Reduction of energy consumption	Greenhouse Gas Emissions and Energy Consumption	61
80	302-5	Reductions in energy requirements of products and services	-	
GRI 303 Water				
81	303-1	Interactions with water as a shared resource	-	
82	303-2	Management of water discharge-related impacts	Effluents and Waste Management	56
83	303-3	Water withdrawal	Unisem does not operate in water-stressed areas, and only withdraws from municipal water line. For more information on water withdrawal, please refer to Water Management section.	59
84	303-4	Water discharge	Unisem does not operate in water-stressed areas. The information on the destination of treated wastewater released to the municipal drainage by Unisem Ipoh is not available in the current report. We will work towards monitoring data for future reporting. For more information on our water discharge, please refer to Effluents and Waste Management section.	56
85	303-5	Water consumption	Unisem does not operate in water-stressed areas. For more information on our water consumption, please refer to Water Management section.	59
GRI 305 Emissions				
86	305-1	Direct (Scope 1) GHG emissions	GHG emissions are calculated using GHG Protocol tools, using Global Warming Potential (""GWP"") values from 2014 IPCC Fifth Assessment Report. For more information on energy consumption, please refer to Greenhouse Gas Emissions and Energy Consumption section.	61
87	305-2	Energy indirect (Scope 2) GHG emissions	GHG emissions are calculated using GHG Protocol tools, using Global Warming Potential (""GWP"") values from 2014 IPCC Fifth Assessment Report. For more information on energy consumption, please refer to Greenhouse Gas Emissions and Energy Consumption section.	61

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
GRI 305 Emissions				
88	305-3	Other indirect (Scope 3) GHG emissions	-	
89	305-4	GHG emissions intensity	Greenhouse Gas Emissions and Energy Consumption	61
90	305-5	Reduction of GHG emissions	Greenhouse Gas Emissions and Energy Consumption	61
91	305-6	Emissions of ozone-depleting substances (ODS)	-	
92	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	The data on SOx and particulate matter for Unisem Ipoh is currently not available. Data collection will begin this year for future reporting. Unisem Ipoh does not emit NOx or VOCs in its operations, while Unisem Chengdu does not emit particulate matter. For more information on other significant air emissions, please refer to Greenhouse Gas Emissions and Energy Consumption section.	61
GRI 306 Effluents and Waste				
95	306-1	Water discharge by quality and destination	Effluents and Waste Management	56
96	306-2	Waste by type and disposal method	Information on other disposal methods of hazardous waste, apart from recycling for Unisem Ipoh, is not available in the current report. For Unisem Chengdu, the we will begin reporting the information on recycle rate in the following years, and work with our waste contractrs to collect information on other disposal methods employed. For non-hazardous waste, information on disposal methods, other than those reported, is not available. For more information on our waste management, please refer to Effluents and Waste Management section.	56
97	306-3	Significant spills	No significant spill occurred in FYE 2018.	
98	306-4	Transport of hazardous waste	-	
99	306-5	Water bodies affected by water discharges and/or runoff	-	
GRI 307 Environmental Compliance				
100	307-1	Non-compliance with environmental laws and regulations	We have not identified any non-compliance with environmental laws and/or regulations	
GRI 308 Supplier Environmental Assessment				
101	308-1	New suppliers that were screened using environmental criteria	Supply Chain Management	33
102	308-2	Negative environmental impacts in the supply chain and actions taken	Supply Chain Management	33
GRI 401 Employment				
103	401-1	New employee hires and employee turnover	Data table - Sustainability Report	66
104	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	The country Labour Laws shall be complied for temporary or part-time employees. Unisem does not hire temporary or part-time employees in 2018.	
105	401-3	Parental leave	Data table - Sustainability Report	66

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
GRI 402 Labour Management/ Relations				
106	402-1	Minimum notice periods regarding operational changes	Prior to the implementation of significant operational changes that could substantially affect employees, Unisem ensures that all employees are informed within an appropriate time frame. Embedded in Unisem COE, we uphold the labour rights of all our employees.	
GRI 403 Occupational Health and Safety				
107	403-1	Occupational health and safety management system	Occupational Safety and Health	50
108	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Safety and Health	50
109	403-3	Occupational health services	Occupational Safety and Health	50
110	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Safety and Health	50
111	403-5	Worker training on occupational health and safety	Occupational Safety and Health	50
112	403-6	Promotion of worker health	Occupational Safety and Health	50
113	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Product Stewardship, Supply Chain Management	33/65
114	403-8	Workers covered by an occupational health and safety management system	Occupational Safety and Health	50
115	403-9	Work-related injuries	Occupational Safety and Health	50
116	403-10	Work-related ill health	Occupational Safety and Health	50
GRI 404 Training and Education				
111	404-1	Average hours of training per year per employee	Data table - Sustainability Report We have not collected data for average training hours by gender and for senior management. Data collection will begin this year for future reporting.	66
112	404-2	Programs for upgrading employee skills and transition assistance programs	Employee Welfare - Employee Learning and Development	42
113	404-3	Percentage of employees receiving regular performance and career development reviews	Annual Performance Appraisals conducted for all employees	
GRI 405 Diversity and Equal Opportunity				
114	405-1	Diversity of governance bodies and employees	Profile of Directors and Profile of Senior Management Employee Welfare Data table - Sustainability Report	85 66
115	405-2	Ratio of basic salary and remuneration of women to men	Ratio of women to men: 1 : 1.24	

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
GRI 406 Non-discrimination				
116	406-1	Incidents of discrimination and corrective actions taken	Labour rights	48
GRI 407 Freedom of Association and Collective Bargaining				
117	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	We operate in three areas - Ipoh, Malaysia; Chengdu, China; and Batam, Indonesia. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh are audited under the RBA VAP by an external party. All our operations are subject to the Unisem COE and RBA Code of Conduct. Whistle-blowing and grievance channels are available for reporting of cases, without reprisal. Key direct material suppliers are required to perform the RBA SAQ. We emphasise that we will engage with suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy. For more information, refer to the Labour Rights and Supply Chain Management section"	33 /48
GRI 408 Child Labour				
118	408-1	Operations and suppliers at significant risk for incidents of child labor	We operate in three areas - Ipoh, Malaysia; Chengdu, China; and Batam, Indonesia. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh are audited under the RBA VAP by an external party. All our operations are subject to the Unisem COE and RBA Code of Conduct. Whistle-blowing and grievance channels are available for reporting of cases, without reprisal. Key direct material suppliers are required to perform the RBA SAQ. We emphasise that we will engage with suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy. For more information, refer to the Labour Rights and Supply Chain Management section	33 /48
GRI 409 Forced or Compulsory Labour				
119	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	We operate in three areas - Ipoh, Malaysia; Chengdu, China; and Batam, Indonesia. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh are audited under the RBA VAP by an external party. All our operations are subject to the Unisem COE and RBA Code of Conduct. Whistle-blowing and grievance channels are available for reporting of cases, without reprisal. Key direct material suppliers are required to perform the RBA SAQ. We emphasise that we will engage with suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy. For more information, refer to the Labour Rights and Supply Chain Management section	33 /48

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
GRI 412 Human Rights Assessment				
122	412-1	Operations that have been subject to human rights reviews or impact assessments	We operate in three areas - Ipoh, Malaysia; Chengdu, China; and Batam, Indonesia. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh are audited under the RBA VAP by an external party. All our operations are subject to the Unisem COE and RBA Code of Conduct. Whistle-blowing and grievance channels are available for reporting of cases, without reprisal. Key direct material suppliers are required to perform the RBA SAQ. We emphasise that we will engage with suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy. For more information, refer to the Labour Rights and Supply Chain Management section	33 /48
123	412-2	Employee training on human rights policies or procedures	-	
124	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	
GRI 413 Local Communities				
125	413-1	Operations with local community engagement, impact assessments, and development programs	-	
126	413-2	Operations with significant actual and potential negative impacts on local communities	Local Communities	53
GRI 414 Supplier Social Assessment				
127	414-1	New suppliers that were screened using social criteria	Supply Chain Management	33
128	414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management	33
GRI 415 Public Policy				
129	415-1	Political contributions	Anti-Corruption	36
GRI 418 Customer Privacy				
136	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy and Data Protection	41
GRI 419 Socioeconomic Compliance				
137	419-1	Non-compliance with laws and regulations in the social and economic area	Unisem has not identified any non-compliance with laws and/or regulations in the social and economic area	

PROFILE OF
BOARD OF DIRECTORS

JOHN CHIA SIN TET
Chairman/Group Managing Director,
Malaysian, Male

Mr John Chia Sin Tet, aged 69, was appointed Chairman of the Company on 13 June 1991, Managing Director on 11 March 1998 and the Group Managing Director on 1 November 2007. He is also the Chairman of the Executive Management Committee and Remuneration Committee.

Mr John Chia Sin Tet is a Barrister at Law and a Member of the Lincoln's Inn, United Kingdom.

Mr John Chia Sin Tet is a brother to Mr Francis Chia Mong Tet.

Mr John Chia Sin Tet is the father of Mr Alexander Chia Jhet-Wern.

LEE HOONG LEONG
Executive Director,
Malaysian, Male

Mr Lee Hoong Leong, aged 61, is the Executive Director - Group Chief Operating Officer of the Company. He was appointed to the Board of the Company on 9 August 2012 as an Executive Director. He graduated from University of Singapore in 1980 with a Bachelor of Mechanical Engineering. He is also a member of the Executive Management Committee.

Mr Lee brings with him more than 30 years of experience in the semiconductor packaging and test business. Prior to joining Unisem, Mr Lee was with UTAC from 2001 to end of 2011, where he held various senior positions including, President - Advanced Wafer Level Interconnects, President - UTAC Singapore and President - UTAC Shanghai, concurrently, Vice President of UTAC Operations and Vice President - Quality and Research & Development. From 1996 to 2001, Mr. Lee held management positions in quality, information technology, planning and facility in STATS Singapore before he was promoted as Vice President, Leadframe Products.

Mr Lee Hoong Leong began his career with Texas Instruments, Singapore in 1980 as an automation engineer. He held various managerial and engineering positions between 1980 to 1986. Mr Lee subsequently left Texas Instruments in 1986 and joined National Semiconductor Singapore ("NatSemi") where he held various managerial positions before he left as operations manager wide area networks in 1996.

FRANCIS CHIA MONG TET
Executive Director,
Malaysian, Male

Mr Francis Chia Mong Tet, aged 67, is the Executive Director - Group Finance of the Company. He was appointed to the Board of the Company on 19 June 1989 as a Non-Executive Director and subsequently appointed as Executive Director on 1 February 2006. He is one of the founder members of Unisem (M) Berhad. He is also a member of the Executive Management Committee.

Mr Francis Chia Mong Tet is a Fellow of the Institute of Chartered Accountants (England and Wales) and is also a member of the Malaysian Institute of Accountants. He was with an international accounting firm from 1976 to 1979. In 1980, he started his own accounting practice in Seremban. He also sits on the board of several private limited companies.

Mr Francis Chia Mong Tet is a brother to Mr John Chia Sin Tet.

ALEXANDER CHIA JHET-WERN
Executive Director,
Malaysian, Male

Mr Alexander Chia Jhet-Wern, aged 38, was appointed to the Board of the Company as Executive Director on 26 February 2014. He is a member of the Executive Management Committee.

Mr Chia joined the Company in 2004 and held the position of Vice President, Deputy COO, prior to his appointment to the board in 2014. He sits on the board of several private limited companies.

Mr Alexander Chia Jhet-Wern is a son of Mr John Chia Sin Tet.

PROFILE OF BOARD OF DIRECTORS

DATO' GREGORY WONG GUANG SENG
Independent Director,
Malaysian, Male

Y.Bhg. Dato' Gregory Wong Guang Seng, aged 67, was appointed to the Board of the Company on 26 February 2014 as an Independent Director. Y.Bhg. Dato' Gregory Wong is a Fellow of the Institute of Chartered Accountants (England & Wales as well as a Chartered Management Accountant (UK). He is also a member of Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA) and an Associate Member of Tax Institute Malaysia (ATII). Y.Bhg. Dato' Gregory Wong holds a Masters Degree in Business Administration (MBA) from the Cranfield Institute of Technology (UK). He is the Chairman of Audit & Risk Management Committee, Nomination Committee and Sustainability Committee.

Y.Bhg. Dato' Gregory Wong has served Deloitte for over 40 years, where he held various positions including Senior Partner, Head of Clients and Markets as well as Exco Member of Deloitte Malaysia. He retired from Deloitte in 2013 and is currently an Executive Director of AG Legal Tax Services Sdn. Bhd.

Y.Bhg. Dato' Gregory Wong also sits on the board of several private limited companies.

ANG CHYE HOCK
Independent Director,
Singaporean, Male

Mr Ang Chye Hock, aged 69, was appointed to the Board of the Company on 28 November 2002. He graduated from Salford University, England in 1972 with a Bachelor of Science in Electronics (Honours). Mr Ang was re-designated as Independent Director in January 2016 and is a member of the Audit & Risk Management Committee, Remuneration Committee and Sustainability Committee.

Mr Ang brings with him more than 28 years of experience in the semiconductor industry. He began his career with Motorola Malaysia in 1973 and was responsible for starting up their new factory in Seremban. He left for Singapore in 1984 and during the 16 years period there, he held various senior managerial positions in the disk drive related industry as well as software retail industry.

He joined Unisem as Chief Operating Officer and President in 2001. He then held the positions of Group Chief Operating Officer from 2008 to 2012, Executive Director - Business Development for 2013. Mr Ang retired from his executive function in December 2013.

YEN WOON @ LOW SAU CHEE
Non-Executive Director,
Malaysian, Male

Mr Yen Woon @ Low Sau Chee, aged 71, was appointed to the Board of the Company on 10 July 1991.

Mr Yen Woon has more than 15 years of experience in the timber and plantation business. He sits on the board of several private limited companies.

LIM SIEW ENG
Independent Director,
Malaysian, Female

Mdm Lim Siew Eng, aged 66, was appointed to the Board of the Company on 29 October 2015 as an Independent Director. She graduated from University of Malaya with a Bachelor of Economics (Honours) degree. She is also a member of the Audit & Risk Management Committee and Remuneration Committee.

Mdm Lim has garnered more than 28 years of working experience in the corporate advisory sector of the financial services industry. She began her career at Malaysian International Merchant Bankers Berhad (MIMB), (now known as Hong Leong Investment Bank Berhad) where she held various managerial positions and served as Head of Corporate Advisory Department before joining Maybank Investment Bank Berhad (MIBB) in 2004 to head the Corporate Finance Department.

During her tenure with the respective investment banks, she was actively involved in numerous and diverse corporate exercises involving a cross-sector of clients from a broad base of industries. She also served on the respective credit committees and management committees and was a Council member of the Malaysian Investment Banking Association. After her retirement, she was invited to be a member of the Qualitative Assurance Committee which was set up from 2009-2010 to assist in enhancing the overall quality of the Financial Sector Talent Enhancement Programme launched by the Institute of Bankers Malaysia in collaboration with Bank Negara Malaysia.

Mdm Lim currently sits on the board of a private limited company.

PROFILE OF BOARD OF DIRECTORS

MAHANI BINTI AMAT
Independent Director,
Malaysian, Female

Puan Mahani Binti Amat, aged 64, was appointed to the Board of the Company on 26 January 2016 as an Independent Director. She graduated from University of Malaya with a Bachelor of Economics degree in Business Administration.She is also a member of the Nomination Committee and Sustainability Committee.

Puan Mahani has more than 27 years of working experience in the banking industry. She began her career at Bank Negara Malaysia in 1977 where she held various positions in reserves management. She served as Section Head, Export Credit Refinancing Facilities before joining RHB Bank Singapore in 1984 as Head of Asian Currency Unit, Treasury. Between 1993 to 2001 she was the Deputy Branch Manager of RHB Singapore Main Branch and Head of Consumer and Electronic Banking of RHB Bank Singapore. She then returned to RHB Head office in Kuala Lumpur in 2001 and held various senior management positions including Head of Premium Banking, Consumer Division, Head of International Division, Executive Vice President of Operations and Services Division and as a Transitional Management Committee Member from 2003 to 2004, where she assumed the duties of the bank's CEO during a transition period of one year pending appointment of new CEO.

Puan Mahani is currently an Independent and Non-Executive Director of Scicom (MSC) Bhd since June 2017. In 2018 Puan Mahani was also appointed to the Board of Leong Hup International Berhad as an Independent and Non-Executive Director. She also sits on the board of several private limited companies.

XIAO ZHIYI
Non-Executive Director,
Chinese, Male

Mr Xiao Zhiyi, aged 42, was appointed to the Board of the Company on 30 January 2019. He graduated from Fudan University in Shanghai with a Doctor's degree in Microelectronics and Solid-State Electronics and holds a Master's degree (MBA) in General Management from Adelphi University in the USA. He is also a member of the Executive Management Committee.

Mr Xiao is the General Manager of HuaTian Technology (KunShan) Electronics Ltd, a position which he has held since 2013. Prior to that he was with Xiamen Yonghong Electronics Ltd from 2001 to 2009 with his last position as General Manager.

CUI WEIBING
Non-Executive Director,
Chinese, Male

Mr Cui Weibing, aged 51, was appointed to the Board of the Company on 30 January 2019. He graduated from Northwest University, Xi'an, China in 1990 with a Bachelor's degree major in Physics.

Mr Cui is the General Manager of Tianshui Huatian Electronics Group Co., Ltd, a position which he has held since 2015. He began his career at Tianshui Huatian Microelectronics Co. Ltd in 2003 as Assistant Plant Manager and Assembly Manager. In 2004 and 2005 he was the Vice General Manager of Tianshui Huatian Technology Co., Ltd. in charge of engineering, quality and manufacturing. From 2006 to 2015 he was the General Manager of Tianshui Huatian Microelectronics Co. Ltd.

Prior to joining Tianshui Huatian Mr Cui with Yonghong Equipment Factory from 1990 to 2002 with his last position as Assistant Plant Manager and Director of Production Department.

In 2010, Mr Cui was appointed as a Non-Executive Director to the board of Tianshui Huatian Technology Co., Ltd, a company listed on the Shenzhen Stock Exchange.

WU SHUTAO
Non-Executive Director,
Chinese, Male

Mr Wu Shutao, aged 36, was appointed to the Board of the Company on 30 January 2019. He graduated from Xi'an Jiaotong University, Xi'an, China in 2004 with a Bachelor of Economics degree.

Mr Wu is the Chief Financial Officer of Huatian Technology (Xi'an) Co., Ltd, a position which he has held since 2018. He began his career at Tianshui Huatian Technology Co. Ltd in 2004 and held various positions in the finance department.

Save as disclosed in Note 18 under Notes to the Financial Statements none of the Directors has any conflict of interest with the Company. Other than traffic offences none of the Directors has been convicted of any offence within the last five years. There were no public sanctions and/or penalties imposed on the Directors by the relevant regulatory bodies during the financial year.

PROFILE OF SECRETARIES

CHUA HENG FATT
Company Secretary,
Malaysian, Male

Mr Chua Heng Fatt, aged 69, was appointed to the Board of the Company on 19 June 1989.

He is a member of the Malaysian Association of Company Secretaries (MACS). Mr Chua started his career with a secretarial firm in 1984. He has 30 years experience in company secretarial work.

CHIN HOCK YEE
Company Secretary,
Malaysian, Female

Ms Chin Hock Yee, aged 53, was appointed to the Board of the Company on 25 July 2005. She is also the Vice President, Corporate Affairs of the Company.

Ms Chin is a Licensed Company Secretary by the Suruhanjaya Syarikat Malaysia (or the Companies Commission of Malaysia). She holds a Masters of Business Administration (MBA) in accounting from Simon Fraser University, British Columbia, Canada and a Bachelor of Business Administration degree from Soochow University, Taipei, Taiwan.

Ms Chin joined the Company in 1999 as Corporate Affairs Manager and is responsible for company secretarial matters of the Group, investor relations and general corporate affairs of the Company. Prior to joining the Company in 1999, Ms Chin was with Malaysian International Merchant Bankers Berhad (MIMB) from 1997 to 1999 and prior to that, from 1994 to 1997, she was with the consulting arm of KPMG Malaysia.

PROFILE OF SENIOR MANAGEMENT

TAN KIM HENG
Senior Vice President, Corporate Technology and Materials,
Malaysian, Male

Mr Tan Kim Heng, aged 66, is the Senior Vice President Corporate Technology and Materials of the Company, a position which he has held since 2011. Mr Tan holds a Bachelor of Engineering Degree (2nd Class Upper) in mechanical engineering from University of Malaya.

Mr Tan joined Unisem in 2003 as the Vice President of Engineering. In 2005, he was seconded to China to start up Unisem Chengdu factory and served as President/Chief Operating Officer of Unisem Chengdu until 2011.

Mr Tan has over 35 years of experience in the semiconductor assembly and test industry. He began his career at Motorola Malaysia and worked with various Motorola Semiconductor Sector entities in Malaysia, Hong Kong, Korea, Tianjin (the People's Republic of China) and Sendai (Japan) serving as Senior Member of Technical Staff responsible for the engineering and equipment function. Leading the Six Sigma program for Motorola Malaysia, Mr Tan was certified Six Sigma Black Belt and was admitted to the Motorola Corporate Science Advisory Board (SABA) in 1999. Prior to joining Unisem, Mr Tan was a Vice President, Engineering of ST Assembly Test Services Ltd. in Singapore.

THAM ENG HUAK
Vice President, Group Finance,
Malaysian, Male

Mr. Tham Eng Huak, aged 57, is the Vice President, Group Finance, a position he has held since 1 October 2013. He holds a Diploma in Accounting and a Diploma in Costing from London Chamber of Commerce and Industry.

He carries with him over 30 years of experience in the semiconductor assembly and test industry. Mr. Tham joined the Company in 1991 and is responsible for the group financial and accounting reporting and activities. Prior to joining the Company, he was with Carsem (M) Sdn. Bhd. for 6 years from 1986 to 1991.

HO CHOON SENG
Senior Vice President, Chief Operating Officer-Unisem Ipoh,
Malaysian, Male

Mr Ho Choon Seng, aged 64, is Senior Vice President, Chief Operating Officer of Unisem Ipoh operations, a position which he has held since 2007. Mr Ho holds a Diploma in Mechanical Engineering from the Singapore Polytechnic, a Diploma in Management from the Malaysian Institute of Management and a Master of Business Administration from the University of East Asia, Macau.

He carries with him over 40 years of experience in the semiconductor assembly and test industry. Mr Ho joined the Company in 1992 as an engineering manager and was promoted to Vice President in 2001, responsible for all manufacturing operations of the Company. Prior to joining the Company, he was with Motorola (M) Sdn Bhd as engineer for 15 years from 1976 to 1991 with his last position as Engineering Manager.

PROFILE OF SENIOR MANAGEMENT

QUEK SUAN HONG
Chief Operating Officer - Unisem Chengdu,
Malaysian, Male

Mr. Quek Suan Hong, aged 69, is the Chief Operating Officer of Unisem Chengdu operations, a position which he has held since 2011. Mr. Quek holds a Diploma in Automotive Engineering in Malaysia and passed the certification from Institute of the Motor industry (London).

He has over 42 years of experience in the semiconductor assembly and test industry. Mr Quek joined Unisem Chengdu in November 2005 as Senior Operations Manager and was promoted to plant Chief Operation Officer in 2011. Prior to joining Unisem, he was with Motorola (M) Sdn Bhd from 1974 to 2002 where he held various positions from Production Supervisor to Senior Operations Manager.

MICHAEL H. MCKERREGHAN
President - PT. Unisem,
American, Male

Mr Michael H. McKerreghan, aged 73, is the President of PT. Unisem, a position which he has held since October 2016. Mr McKerreghan attended Stephen F. Austin State College in 1964 and East Texas State College in 1965.

Mr McKerreghan has more than 50 years experience in the semiconductor industry. He was the Chief Operating Officer and Chief Technology Officer of Advanced Interconnect Technologies Limited group of companies (now known as Unisem (Mauritius) Holdings Limited since August 2007) from 1990 to March 2014. He has been involved in the technology aspect of the business since 1990 when he joined PT Astra Microtronics Technologies ("Astra"), a division of Astra International. Prior to joining Astra, Mr McKerreghan owned and operated a US$ 5.0 million to US$10.0 million business named ETC Flextronics, Inc (now known as ASE Test Limited) from 1987 to 1989. Mr McKerreghan held administrative positions with Environmental Processing, Inc. from 1983 to 1986, with Dynetics Corporation from 1980 to 1983 and with Hitachi Semiconductor (America), Inc. from 1978 to 1980. Prior to that, Mr McKerreghan held technical positions with Mostek, Inc. from 1972 to 1978 and with Texas Instruments Incorporated from 1964 to 1972.

CHAI CHAN WAH
General Manager - UAT,
Malaysian, Male

Mr Chai Chan Wah, aged 55, is the General Manager of UAT, the Group's wafer bumping operations, a position he has held since September 2014. Mr Chai holds a Bachelor of Science (Hons) Degree majoring in Physics from National University of Malaysia.

Mr Chai has over 28 years of experience in the semiconductor industry. Prior to the appointment as General Manager of UAT, he was the Vice President – Corporate Technology Development of Unisem (M) Berhad, responsible for new products & processes development of the Unisem group. He led the process engineering team in Unisem prior to heading the development team in 2006. Prior to joining Unisem in 1993, he was the Senior Process Engineer in Carsem (M) Sdn Bhd with 5 years' experience in hermetic and plastic packaging.

Save as disclosed in Note 18 under Notes to the Financial Statements none of the senior management has any conflict of interest with the Company. Other than traffic offences, none of the senior management has been convicted of any offence within the last five years. There were no public sanctions and/or penalties imposed on the senior management by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board of Directors (the "Board") of Unisem (M) Berhad ("Unisem" or the "Company") presents this Corporate Governance Overview Statement, which outlines the corporate governance framework of Unisem and its subsidiaries (collectively referred to as the "Group"), including a summary of its corporate governance practices, key focus areas and future priorities.

This Corporate Governance Overview Statement is supplemented with a Corporate Governance Report, based on a prescribed format so as to provide a detailed articulation on the application of the Group's corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance ("MCCG") during the financial year ended 31 December 2018. The Corporate Governance Report is made available on Unisem's corporate website, www.unisemgroup.com as well as via an announcement on the website of Bursa Malaysia Berhad. The Corporate Governance Overview Statement and Corporate Governance Report are made pursuant to paragraph 15.25 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad ("MMLR") and are narrated with reference to the guidance provided in Practice Note 9 of MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Securities Berhad.

This Corporate Governance Overview Statement should also be read in conjunction with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Audit & Risk Management Committee Report as well as the Sustainability Report) as the application of certain corporate governance enumerations may be better explained in the respective statements or reports.

CORPORATE GOVERNANCE APPROACH

Unisem reports as a Large Company[1] in 2018 following an increase in its market capitalisation beyond the RM 2 billion mark specified in the MCCG.

The Board recognises that the architecture and implementation of the governance framework is paramount for the effective development of strategy and business plan, the monitoring of the Group's performance and the prudent management of risks.

The Group's approach to corporate governance is to:

- create a strong sense of purpose to drive the Group's culture with a focus on integrity;
- feed into the prosperity of stakeholders, not off them by understanding the needs of stakeholders and devising ways to solve their problems;
- adopt a "substance over form" approach in the adoption of corporate governance practices;
- recognise that there is no "silver bullet" to achieve excellence in corporate governance and thus, it is a practice to perform critical review before establishing corporate governance systems, policies and procedures; and
- identify opportunities to drive the synergistic implementation of corporate governance systems, policies and procedures for improved strategic and tactical decision making.

The Board regularly reviews the Group's corporate governance framework to ensure it reflects the latest iteration of discourse and addresses the needs of the Group. As a manifestation of its efforts, the Board had in the year 2018 engaged an external party to assist in corporate governance advisory work which includes a mapping of the Group's practices against prevailing best practices such as the ASEAN Corporate Governance Scorecard.

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[1] Large Companies are companies on the FTSE Bursa Malaysia Top 100 Index; or companies with market capitalisation of RM2 billion and above, at the start of the companies' financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

Unisem has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2018, save for the following:

- Practice 1.3 (demarcation of the Board Chairman and Managing Director);
- Practice 4.1 (Board to comprise a majority of Independent Directors);
- Practice 4.5 (Board to comprise 30% women Directors);
- Practice 4.6 (utilisation of objective and varied sources to procure directorship candidatures);
- Practice 7.2 (Disclosure of top five Senior Management personnel's remuneration on a named basis and in bands of RM50,000);
- Practice 11.2 (adoption of Integrated Reporting); and
- Practice 12.3 (Leveraging on technology to facilitate voting in absentia and remote shareholders' participation at General Meetings).

Unisem has provided meaningful explanation on its departures from the said practices based on the latitude accorded in the application mechanism of MCCG. The Company will continue to make efforts to adopt the departed Practices.

The explanations provided on the said departures are supplemented with a description on the alternative measures that are in place to achieve the Intended Outcome of the departed Practices, measures that Unisem has taken or intends to take to adopt the departed practices as well as the timeframe for adoption of the departed Practices.

Additional details on Unisem's application of each individual Practice of MCCG are available on the Corporate Governance Report which is published on Unisem's corporate website as well as via an announcement on the website of Bursa Malaysia Securities Berhad.

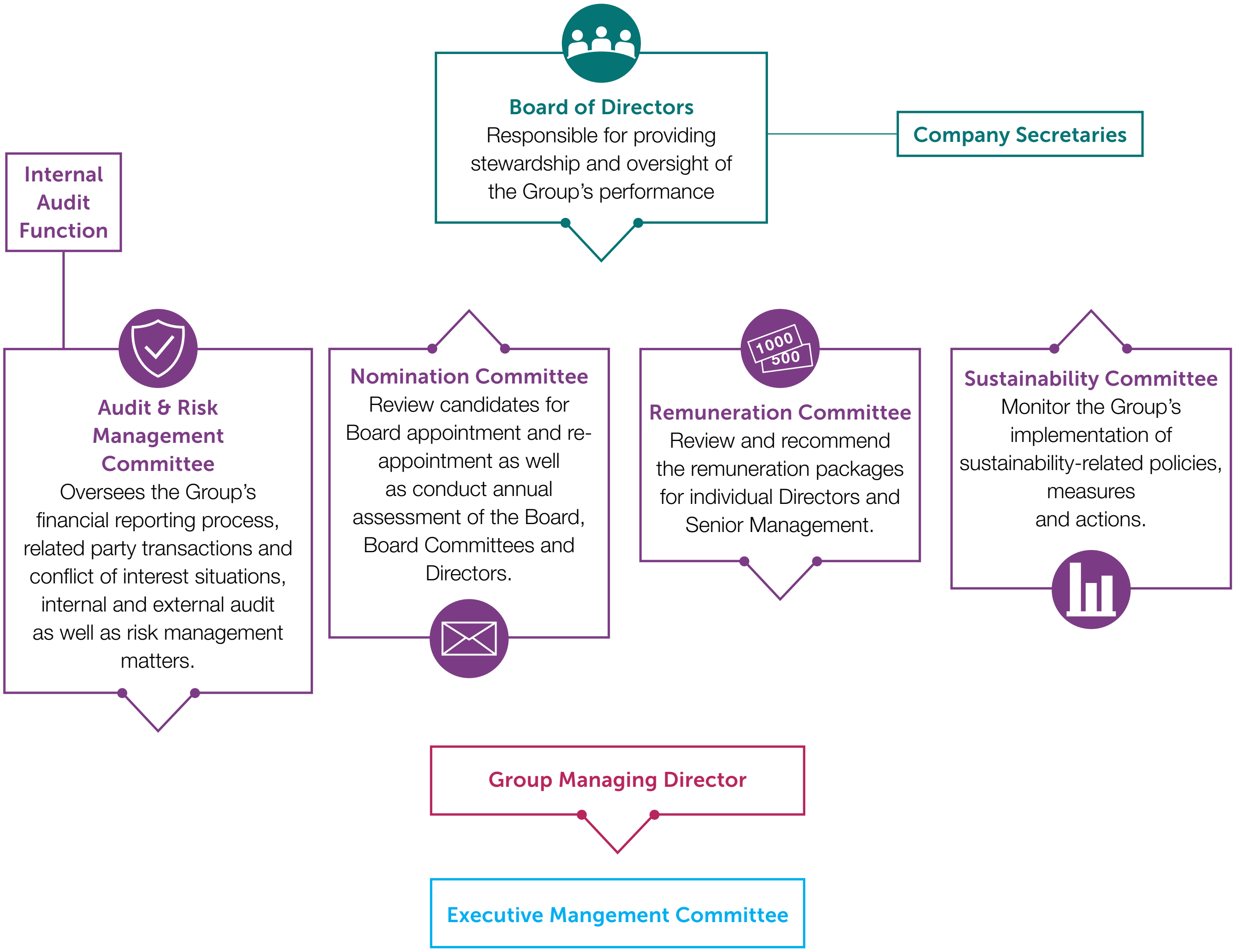
A summary of Unisem's corporate governance practices with reference to the MCCG is outlined in the ensuing pages of this Corporate Governance Overview Statement.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsibilities of the Board

The Board recognises its roles and responsibilities in discharging the fiduciary and leadership functions including charting the strategic direction, establishing short, medium and long-term business goals and monitoring the achievement of these goals for the Group.

In order to assist in the oversight function with respect to specific responsibility areas, the Board has established four Board Committees, namely, Audit & Risk Management Committee, Nomination Committee, Remuneration Committee and Sustainability Committee. The Board retains collective oversight over the Board Committees and is regularly apprised on the deliberations and proceedings of these Committees. Any recommendations would be highlighted and reported directly to the Board for its subsequent approval.



The Board delegates the day-to-day business management of the Group to the Executive Management Committee whilst significant matters remain vested under the purview of the Board. The primary agenda for the Board during the year was in relation to overseeing Management on the execution of strategic and business plans. During the year under review, the Board has deliberated on critical issues concerning the Group, which include the review of budget, proposals on corporate exercises, financial performance as well as key performance indicators.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In performing their duties, the Board and Board Committees are supported by competent and qualified joint Company Secretaries, who act as corporate governance advisors by providing the Board with periodic updates on the latest regulatory developments. The Company Secretaries are also entrusted with agenda setting responsibilities alongside the Chairman/Group Managing Director and they had, during the year, disseminated comprehensive meeting materials to the Directors in a timely fashion. In addition, the Company Secretaries are responsible to assist the Board and Nomination Committee in facilitating the Board evaluation exercise.

The roles, responsibilities and authorities of the Board, Board Committees, individual Directors and Company Secretaries are clearly outlined in the Board Charter, which serves as an authoritative governance document and induction literature. The Board Charter is reviewed periodically to ensure it reflects the changing environment of the Group so as to remain contemporaneous. The Board Charter is made available on the Group's website www.unisemgroup.com.

In relation to Board meetings, the Board and its Committees have met with sufficient regularity to deliberate on matters under their purview. Directors have devoted sufficient time to prepare, attend and actively participate during the Board and Board Committee meetings. During the year, the Board has met on a frequency of seven times to discuss on pertinent issues.

The attendance of individual Directors for the meetings of the Board and Board committees in 2018 are outlined below:

Director	Board	Audit & Risk Management Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Executive Directors					
Mr John Chia Sin Tet (Chairman)	7/7			1/1	
Mr Lee Hoong Leong	7/7				
Mr Francis Chia Mong Tet	4/7				
Mr Alexander Chia Jhet-Wern	7/7				
Independent Directors					
Dato' Gregory Wong Guang Seng (Senior Independent Director)	7/7	5/5	1/1		3/3
Mr Ang Chye Hock	7/7	5/5		1/1	3/3
Mdm Lim Siew Eng	7/7	5/5		1/1	
Mdm Mahani binti Amat	6/7		1/1		3/3
Mr Martin Giles Manen*	3/3	3/3	1/1		
Non-Independent Non-Executive Directors					
Tan Sri Dato' Wong See Wah*	3/3				
Mr Yen Woon @ Low Sau Chee	7/7				

Legend: Board Chairman/Board Committee Chairman

* Tan Sri Dato' Wong See Wah and Mr Martin Giles Manen retired on 25 April 2018

Mr Cui Weibing, Mr Xiao Zhiyi and Mr Wu Shutao were appointed to the Board on 30 January 2019.

The roles and responsibilities under the ambit of the Chairman and Group Managing Director are currently assumed by one individual, namely, Mr John Chia Sin Tet. The Board is cognisant that the convergence of the two roles may entail certain ramifications, if left unchecked and the Board has accordingly put in place effective mechanisms of checks and balance to prevent undue concentration of power by a single individual. Unisem has instituted a policy stipulation that all decisions of the Board should be unanimous and aligned with the best interest of the Group. In the event of a single dissenting voice, the resolution in question will be deferred or aborted. The greater balance of Non-Executive Directors on the Board of Unisem also seeks to ensure that deliberations are not tilted unfavourably towards the favour of Management.

The Board has formalised and implemented a Code of Ethics, which is regularly reviewed and monitored to foster an ethical culture that permeates across the Group. Unisem's Code of Ethics was established with reference to the Responsible Business Alliance (RBA, formerly known as the Electronic Industry Citizenship Coalition) Code of Conduct. This places the Group in good stead and ready for the implementation of the corporate liability provision that is effected vide the Malaysian Anti-Corruption Commission (Amendment) Act 2018 effective 1 June 2018. The salient principles of Unisem's Code of Ethics are outlined below.

Unisem's Code of Ethics

- Commitment to personal excellence and self-improvement
- Passion for customers, partners and technology
- Execution and accountability
- Openess and respect for others
- Integrity and honesty

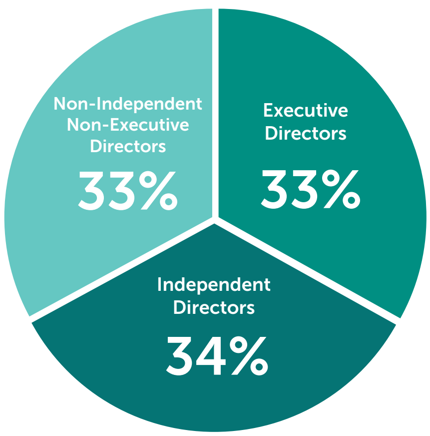
CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Composition

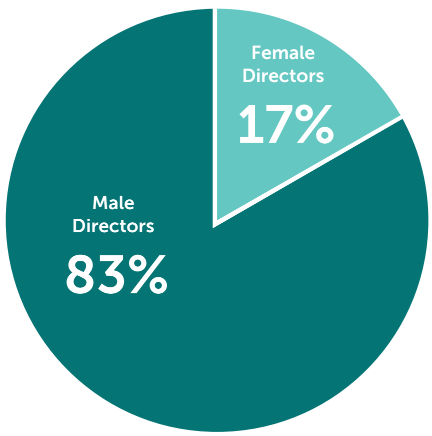
The Board endeavours to ensure that its composition reflects the requisite boardroom ingredients in terms of skill sets, experience and diversity.

The Board comprises four (4) Executive Directors including the Group Managing Director, four (4) Independent Non-Executive Directors including the Senior Independent Non-Executive Director and four (4) Non-Independent Non-Executive Directors. Whilst this practice falls short of application to Practice 4.1 of the MCCG which stipulates that majority of the Board should comprise Independent Directors for Large Companies, the presence of a higher proportion of Non-Executive Directors on the Board alleviates the propensity for any potential conflict of interest between the policy-making process and the day-to-day management of the Group. The presence of a Senior Independent Director also provides an outlet for Independent Directors to voice any issues of concern, particularly in relation to governance.

Board Composition



Board Diversity



Appointments to the Board are made via a formal, rigorous and transparent process and taking into account objective criteria set by the Board which are evaluated by the Nomination Committee ("NC") such as skill sets, experience, integrity, competencies, character as well as ability to devote time. In the context of Independent Directors, the NC assesses the candidate's ability to bring the element of detached impartiality and objective judgment to boardroom deliberations. The NC also conducts an annual review of the Board size and composition to identity any void in its configuration.

The Board is of the view that its composition represents a good fit with the present scope and scale of the Group's business operations. The wealth of experience and diverse set of skills enable the Directors to provide valuable perspectives in order to exercise robust oversight of Unisem's strategic objectives. The Board is composed of members with diverse experience and expertise from multiple disciplines such as law and accounting, engineering, economics and electronic sciences which in turn allows for informed deliberation and decision-making at the Board level.

The Directors' skill sets are illustrated below:

On the dimension of gender, the Board presently has 17% women representation as members on the Board and will endeavour to continuously identify and assess suitably qualified female candidates for nomination.

On an annual basis, the Board, Board Committees and individual Directors including Independent Directors are subjected to an evaluation process on their performance and effectiveness, as facilitated by the NC with the counsel of the Company Secretaries. The assessment is administered using instruments that deploy both qualitative and quantitative criteria, based on a self and peer rating assessment model with a rating scale based on numeric of 1 - 5.

Based on the findings of the evaluation exercise, the Board is satisfied with the overall performance of the Board, Board Committees and individual Directors. Areas which the Board fared well include good working relationship among Board members, the Directors were able to discharge their roles objectively and there is a good mix of industry experience in the various committees. In terms of improvement considerations, the annual assessment revealed that there should be more interaction among Board members and the Management, the Board should increase the frequency of site visits and keep itself more updated on global developments concerning sustainability issues, current trends in business as well as technological developments.

Anchored on the outcome of the Board effectiveness evaluation, the NC has during the year assessed and determined the training needs for individual Directors as prescribed under paragraph 15.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Directors are kept abreast of changes in the constantly evolving technology industry and regulatory developments that may impact the Group through training and workshop sessions facilitated by subject matter experts.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The list of training programmes in the course of continuing professional education that were attended by the Directors of Unisem is outlined below:

Attended by		List of training programmes attended	Date
Mr John Chia Sin Tet	i.	Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide organised by Bursa Malaysia.	28 February 2018
	ii.	30% Club Business Leaders Roundtable Meeting organised by Securities Commission Malaysia and 30% Club.	5 March 2018
	iii.	Briefing on Bank Negara Malaysia's Annual Report 2017 and Financial Stability and Payment Systems Report 2017 organised by Bank Negara Malaysia.	29 March 2018
	iv.	SEMICON Southeast Asia 2018 organised by SEMI.	22-24 May 2018
	v.	Unisem Group Mid-Year Sales Meeting including new products and technology update	5 & 6 July 2018
	vi.	Unisem Group Year End Sales Meeting including new products and technology update.	6 & 7 December 2018
Mr Lee Hoong Leong	i.	SEMICON Southeast Asia 2018 organised by SEMI.	22-24 May 2018
	ii.	Unisem Group Mid-Year Sales Meeting including new products and technology update	5 & 6 July 2018
	iii.	Unisem Group Year End Sales Meeting including new products and technology update.	6 & 7 December 2018
Mr Francis Chia Mong Tet	i.	SEMICON Southeast Asia 2018 organised by SEMI.	22-24 May 2018
	ii.	Unisem Group Mid-Year Sales Meeting including new products and technology update.	5 & 6 July 2018
	iii.	Unisem Group Year End Sales Meeting including new products and technology update.	6 & 7 December 2018
Mr Alexander Chia Jhet-Whern	i.	SEMICON Southeast Asia 2018 organised by SEMI.	22-24 May 2018
	ii.	Unisem Group Mid-Year Sales Meeting including new products and technology update.	5 & 6 July 2018
	iii.	Unisem Group Year End Sales Meeting including new products and technology update.	6 & 7 December 2018
Dato' Gregory Wong Guang Seng	i.	30% Club Business Leaders Roundtable Meeting organised by Securities Commission Malaysia and 30% Club.	5 March 2018
	ii.	Audit Committee Institute (ACI) Breakfast Roundtable 2018	19 March 2018
	iii.	Deloitte International Tax Symposium	3 May 2018
	iv.	Unisem Group Mid-Year Sales Meeting including new products and technology update.	5 & 6 July 2018
	v.	National Tax Conference 2018 organised by CTIM.	16 & 17 July 2018
	vi.	MIA International Accountants Conference 2018.	9 & 10 October 2018
	vii.	Independent Directors' Programme: The Essence of Independence organised by Bursa Malaysia and The Iclif Leadership and Governance Centre.	29 October 2018
	viii.	Seminar Percukaian Kebangsaan 2018 organised by LHDN.	22 November 2018
	ix.	Unisem Group Year End Sales Meeting including new products and technology update.	6 & 7 December 2018

Attended by		List of training programmes attended	Date
Mr Ang Chye Hock	i.	Audit Committee Conference 2018	27 March 2018
	ii.	Unisem Group Mid-Year Sales Meeting including new products and technology update.	5 & 6 July 2018
	iii.	Unisem Group Year End Sales Meeting including new products and technology update.	6 & 7 December 2018
Mdm Lim Siew Eng	i.	Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide organised by Bursa Malaysia.	28 February 2018
	ii.	Audit Committee Conference (ACI) 2018 organised by Malaysian Institute of Accountants.	27 March 2018
	iii.	Unisem Group Mid-Year Sales Meeting including new products and technology update.	5 & 6 July 2018
	iv.	Independent Directors' Programme: The Essence of Independence organised by Bursa Malaysia and The Iclif Leadership and Governance Centre.	29 October 2018
	v.	Unisem Group Year End Sales Meeting including new products and technology update.	6 & 7 December 2018
Mdm Mahani Binti Amat	i.	Unisem Group Mid-Year Sales Meeting including new products and technology update.	5 & 6 July 2018
	ii.	Unisem Group Year End Sales Meeting including new products and technology update.	6 & 7 December 2018

Remuneration

A fair remuneration package is pivotal to attract, retain and motivate Directors and Senior Management personnel. In this context, the Group has adopted a remuneration framework that takes into consideration the structure of the Group and the complexities of the competitive electronics industry. The Remuneration Committee ("RC") assesses and determines the suitability of the remuneration packages for Directors and Senior Management, prior to the escalation to the Board.

As for Executive Directors and Senior Management, the component remuneration packages have been structured to link rewards to corporate and individual performance whilst for the Non-Executive Directors, the remuneration packages are based on their position in the Board, participation in boardroom activities and specific skills or expertise that they bring. Independent Non-Executive Directors are compensated competitively but not excessively to the extent that they become "dependent" Directors. Based on the Report on Non-Executive Directors Remuneration 2017 released by KPMG, it was noted that the Company is within the upper quartile of payers in the technology sector. No agreed upon severance payments and ex-gratia payments are awarded to Directors or Senior Management personnel. In the near term, the Board will seek to review its remuneration policy and procedures so as to create a robust framework for remunerating Directors.

The detailed disclosure of the remuneration of individual Directors are disclosed in the Financial Statements, as contained within the Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit & Risk Management Committee

The Board has established the Audit & Risk Management Committee ("ARMC") which comprises wholly of Independent Directors and is chaired by a Senior Independent Director, namely, Dato' Gregory Wong Guang Seng, who is distinct from the Chairman of the Board. The ARMC provides a robust and comprehensive oversight on financial reporting, review of related party transactions and conflict of interest situations, external and internal audit processes as well as risk management framework of Unisem.

The ARMC members possess the requisite financial literacy and grasp of the business that support the sound understanding of matters under their purview. To discharge their duties, the ARMC members are accorded full access to both the internal and external auditors, who in turn, report directly to the ARMC. The ARMC has put in place policies and procedures to assess the suitability and independence of the external auditor. The external auditor has provided assurance that its personnel are and have been independent throughout the conduct of the audit in accordance to the terms of relevant professional and regulatory promulgations. The ARMC's Terms of Reference is published on Unisem's corporate website.

Detailed articulation on the role and activities of the ARMC is provided in the ARMC Report of this Annual Report.

Risk Management and Internal Audit

The Board is cognisant that a robust risk management and internal control framework aids the Group to achieve its value-creation targets. In order to address risks in a competitive global environment which is characterised by market disruptions and evolving regulatory requirements, the Group has instituted a robust risk management framework to identify, analyse, monitor and manage material risks. Oversight of risk management is multifaceted, covering various risks such as sustainability risk. The Sustainability Committee monitors the implementation of the Group's sustainability-related policies, identifies emerging sustainability trends and implications to the Group and assesses the Group's progress towards achieving its sustainable outcomes.

The Group has an in-house internal audit function which is tasked to report to the Audit & Risk Management Committee on matters pertaining to adequacy and effectiveness of internal controls, risk management and governance. The internal audit function is independent of the business activities or operations of the other operating units of the Group. The internal audit function adopts a risk-based audit approach when executing each audit assignment which is carried out in accordance with the annual audit plan. The work of the internal audit function is premised on the International Professional Practices Framework (IPPF), promulgated by the Institute of Internal Auditors.

Further information on the Group's risk management and internal framework is made available in the Statement on Risk Management and Internal Control of the Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

Unisem aims to keep all its stakeholders apprised in a timely manner for all material business events that impact the Group. The Board ensures that mandatory disclosures are made through announcements to the Exchange as well as Unisem's corporate website. The website contains recent announcements, quarterly financial results as well as copies of recent notices and minutes of general meetings. The Board has taken heed of the Issuers Communication Corporate Website for Listed Issuers (ICN 1/2018) which was recently released by Bursa Malaysia Securities Berhad and is accordingly, seeking to enrich the content of its corporate website.

The Annual Report is made publicly available on the corporate website and contains comprehensive details about the Group's business activities and financial performance for the financial year. Whilst Unisem endeavours to provide information as transparent as possible to its stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

As the Group places significant importance on regular stakeholder communication, the Board has identified the Senior Independent Director, Dato' Gregory Wong Guang Seng, to address queries or any matters concerning the Group.

Dato' Gregory Wong Guang Seng can be contacted vide the following fora:

Mail: Letter Box #95, 9th Floor UBN Tower, 10 Jalan P. Ramlee, 50250 Kuala Lumpur

Telephone: (603) 2072 3760
Fax: (603) 2072 4018

Conduct of General Meeting

The Annual General Meeting ("AGM") serves as a platform for the Group to engage with shareholders and present its annual financial results, operational performance and business outlook. Shareholders are encouraged to ask questions, clarify facts and provide critical feedback to the Board and Management of Unisem.

During the previous AGM, all Directors were present. The poll voting results were validated by Asia Securities Sdn Bhd which is an independent scrutineer. In order to encourage active participation of the shareholders, the Board seeks to ensure that the location of the general meetings is easily accessible and within the vicinity of its registered office. In addition, the notice for the forthcoming AGM has been provided 28 days in advance to enable shareholders to make adequate preparation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOCUS AREAS DURING THE YEAR

The year 2018 was significant for Unisem as the Company continued to make its mark as a Large Company. The corporate governance areas which were at the forefront of the Board's agenda during the financial year ended 31 December 2018 are as follows:

SUCCESSION PLANNING

The Board is cognisant that an orderly succession planning can safeguard the Group's business continuity and preserve the confidence of stakeholders. In implementing its succession plan, the Board is of the view that it may not be necessary to identify persons by name relative to a position on the Board or Senior Management hierarchy. Instead, a clear direction as to what the Group is facing and the type and depth of experience required in order for the Board and Management to continue functioning effectively is considered by the Board in its succession planning programme. In considering a critical position, the Management benchmarks internal candidates against external talents.

ALTERATION OF CONSTITUTION

Pursuant to the recent regulatory reforms including the introduction of Companies Act 2016 and amendments to Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Unisem had, during the financial year under review, amended the then existing Memorandum and Articles of Association and adopted the Company's Constitution. The Constitution of the Company was approved by shareholders at the AGM on 25 April 2018.

BOARDROOM DYNAMICS

In order to promote and maintain an efficient boardroom synergy, the Board continued to place heightened importance on healthy boardroom dynamics. The Board continued with its practice of having boardroom decisions being unanimous with dissenting views leading to deliberations being reconsidered or proposals being aborted.

The Chairman/Group Managing Director also seeks to build collegiality amongst Board members by fostering trust. Board members have been able to ask uncomfortable questions, challenge one another's assumptions and beliefs coherently.

CORPORATE GOVERNANCE PRIORITIES (2019 AND BEYOND)

As Unisem strives forward in its corporate governance agenda, the Board will endeavour to continuously implement improvement measures in the realm of corporate governance. The Board is considering the following forward-looking, long-term strategies to propel its leadership position in the corporate governance landscape:

BOARD CONFIGURATION

The voluntary take-over exercise of Unisem by Huatian Electronics Group (HK) Limited and Huatian Technology Sdn Bhd on behalf of Tianshui Huatian Technology Co Ltd ("TSHT") as well as Mr John Chia Sin Tet, Mr Alexander Chia Jhet-Wern, Jayvest Holdings Sdn Bhd and SCQ Industries Sdn Bhd during the year under review has resulted in the change of Unisem's Board composition with Mr Xiao Zhiyi, Mr Cui Weibing and Mr Wu Shutao being appointed as Non-Executive Non-Independent directors to represent the interest of TSHT. As the parties have agreed, there will be no change to the current Management team and operations of Unisem.

Against the backdrop of the above change in boardroom composition, the Board would seek to maintain a healthy balance between Independent Directors and Non-Independent Directors whilst being cognisant of the need to foster boardroom diversity on the various dimensions.

BOARD EVALUATION

The Board recognises that independent experts can offer rigour and objectivity in facilitating a board effectiveness evaluation. Comparison with the performance of other boards and multifaceted views can help the Board to self-reflect and take improvement measures.

In this regard, the Board via the Corporate Governance Report has provided an unequivocal commitment to conduct an externally facilitated evaluation of its Board, Board Committees and individual Directors on a periodic basis by deploying independent experts, as prescribed by Practice 5.1 of MCCG. Upon conclusion of the anticipated change in its Board composition, Unisem would look into engaging a third party expert to identify areas which can aid the Board to improve its efficacy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE CULTURE

The Board acknowledges that corporate culture develops organically over time from the cumulative traits of the people within the Group and a great culture starts with visionary leadership.

Unisem seeks to maintain its values, beliefs and working mechanisms and supplement these with synergies that can be gathered from the new major shareholder. Unisem will continue to actively promote the values upheld by the Group, these include integrity, accountability, respect for stakeholders and due regard for intellectual property.

The Board recognises that many cultural elements involve human factors and they cannot be coerced into existence immediately. The Board will work with Management personnel (who are often culture keepers) to shape the desired behaviour by leveraging on existing work processes.

CORPORATE REPORTING

As Unisem is now a Large Company and is therefore subjected to Practice 11.2 of MCCG to adopt Integrated Reporting, the Board intends to undertake a readiness assessment and identify the necessary measures to transition into Integrated Reporting.

At present, Unisem is a FTSE4Good Bursa Malaysia Index (F4GBM) constituent and the Company has successfully produced its Sustainability Report pursuant to the guidance outlined in Practice Note 9 of the Main Market Listing Requirements as well as the Sustainability Guide and Toolkits by Bursa Malaysia Securities Berhad. These developments place Unisem in a good stead to adopt Integrated Reporting.

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

COMMITTEE MEMBERS AND ATTENDANCE

The Audit & Risk Management Committee comprises wholly of Independent Directors.

Name & Qualification	Designation	Directorship	No. of Meetings Attended in 2018
Y.Bhg. Dato' Gregory Wong Guang Seng (A Fellow of the Institute of Chartered Accountants (England & Wales) and a Chartered Management Accountant (UK), a member of MIA, MICPA and an Associate Member of Tax Institute Malaysia.)	Chairman	Independent Director	5/5
Mr Ang Chye Hock (Bachelor of Science in Electronics (Honours). More than 28 years of experience in the semiconductor industry)	Member	Independent Director	5/5
Mdm Lim Siew Eng (Bachelor of Economics (Honours) degree. More than 28 years of working experience in the corporate advisory sector of the financial services industry.)	Member	Independent Director	5/5

TERMS OF REFERENCE

The terms of reference which include composition, authority, responsibilities, meetings and specific duties of the Audit and Risk Management Committee ("the ARMC" or "the Committee") are disclosed and published on the Company's website under Company Info - Corporate Governance section. https://www.unisemgroup.com/company-info/corporate-governance/

SUMMARY OF WORK

The Committee met five times during the financial year ended 31 December 2018. The summary of work of the ARMC for the financial year is set out below:-

Integrity of Reporting

The Committee reviewed the quarterly financial results announcements together with the quarterly management reports from the management, and with respect to the full-year results the external auditors' reports, prior to their publication. These reviews incorporated significant matters highlighted such as financial reporting issues, significant judgments and estimates made by management, significant and unusual events or transactions, and how these matters were addressed.

For each of the significant matters the Committee considered the key facts and judgements outlined by management. The issues were also discussed with the external auditors. The Committee was satisfied that there are relevant accounting policies in place in relation to the significant issues and management has correctly applied these policies.

The Committee reviewed with external auditors the identified new financial reporting and other standards which may have had a significant impact on the financial statements of the Company and its subsidiaries and discussed with the external auditors the appropriate treatment thereof.

Oversight of External Audit

In fulfilling its oversight responsibilities regarding audit quality, the Committee reviewed and assessed:

- The nature and scope of engagement
- Soundness of the audit strategy (including approach and scope)
- Comprehensiveness and clarity of the audit findings, including views on the robustness of the Company's going concern assessment, outcome and disclosure
- Robustness and appropriateness of the audit firm's internal quality control procedures
- Integrity, level of judgement, attitude, knowledge and experience of the audit team and clarity of their roles and responsibilities
- Auditor's demonstration of their understanding of the risks and issues important to the Company which could impact the audit
- Auditor's effectiveness in assessing the quality and transparency of financial reporting by management

Deloitte PLT the external auditors, reported in depth to the Committee on the scope and outcome of the annual audit, including internal controls relevant to the audit. Their reports included audit and accounting matters, governance and control, and accounting developments.

The Committee held independent meetings with the external auditors during the year and reviewed, agreed, discussed and challenged their audit plan, including their assessment of the financial reporting risk profile of the Group. The Committee discussed the views and conclusions of Deloitte PLT in the audit summary memorandum including management's treatment of significant transactions and areas of judgement during the year and Deloitte PLT confirmed they were satisfied that these had been treated appropriately in the financial statements.

The Committee met with Deloitte PLT on 22 February 2018 and 1 November 2018 without the presence of management and in reply to questions from the Committee, Deloitte PLT confirmed:

- they had received full co-operation of management and staff and been provided unrestricted access to information and senior management during the audit,
- the Group's finance team was appropriately staffed with competent personnel, and
- they had no other matters to raise in addition to what had been set out in the audit summary memorandum.

External Auditors

The Committee evaluated the performance of the external auditors by reviewing, considering and analyzing the following:

- the soundness of overall audit strategy (including approach and scope);
- the audit plan and its execution;
- comprehensiveness and clarity of the audit findings, including views on the robustness of the Company's going concern assessment, outcome and disclosure;
- assessment of the effectiveness of communications between the auditors and management, and with the Committee;
- provision of perceptive, practical and effective recommendations and observations that add value to the business and which were timely;
- ability to maintain independence throughout the engagement;
- cost effectiveness
- inspection report findings by audit regulators and subsequent actions to address issues

As and when the need arises the ARMC together with the Board will evaluate potential external auditors on a number of criteria including, but not limited to:

- The auditor being registered as an auditor or authorised audit company under the Companies Act 2016;
- The independence of the audit firm from the Company and ability to maintain independence throughout the engagement;
- There being no conflict of interest situations that could affect the independence of the external auditor;
- Arrangements that are proposed to enable partner rotation and succession planning;
- The level of professional competency, integrity, level of judgement, attitude, knowledge and experience of the audit team and clarity of their roles and responsibilities;
- Industry expertise, global access to audit resources and international coordination of the audit firm;
- The thoroughness of audit approach and methodology; and
- Reasonableness of the audit fee and cost effectiveness

The Committee reviewed and evaluated factors relating to the independence and objectivity of the external auditors, these reviews included:

- demonstration of objectivity and skepticism including challenges to management with their outcomes;
- assessment of safeguards on conflict of interest with regards to the provision of non-audit services;
- review of annual independence confirmations and processes for monitoring compliance with independence and ethical standards.

In line with current professional standards the Company requires the partner in charge and independent review partner of the external auditor to rotate after five years with a cooling-off period of at least two years. The audit engagement managers are required to rotate after seven years with a cooling-off period of at least two years.

The Board has a policy that requires a former key audit partner/engagement partner to observe a cooling-off period of at least two years before being appointed as a member of the ARMC.

Risk Management And Internal Control

The ARMC reviewed the Group's overall approach to risk management and control, and its processes, outcomes and disclosure. It reviewed:

- The Internal Auditors' quarterly reports on the risk-based audit work carried out and management's responses and assurance that significant findings are adequately addressed;
- The Internal Auditors' enterprise risk management reviews conducted with the management on the three main plants whereby risks were identified and action plans put in place to mitigate these risks;
- The Group's various policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls;
- The Group's insurance arrangements and related risk management; and
- The Group's treasury policies, including debt issuance and hedging.

In January 2018, the Committee reviewed with management the annual budget of the Group together with the underlying business plans, marketing strategies, major assumptions and sensitivity analysis on the impact of foreign exchange rate to the revenue, EBITDA and profit attributable to shareholders.

The Committee reviewed with internal auditors the related party transactions to ensure that the related party transactions were on terms that were not more favourable to the related parties than those generally available to the public.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Oversight of Internal Auditors

To provide adequate oversight of the internal auditors and the internal audit function, the Committee

- reviewed and approved the overall scope of the internal audit plan annually;
- ensure that the internal audit activity is sufficiently resourced with competent, objective internal audit professionals to carry out the internal audit plan;
- reviewed the findings and actionable recommendations emanating from the quarterly risk-based audit work carried out and that the audit recommendations and/or other improvements are satisfactorily implemented by management; and
- evaluated the effectiveness of the internal audit function by reviewing the adequacy, integrity and effectiveness of the system of internal controls, compliance with the established policies and procedures, guidelines, laws and regulations and reliability and integrity of information, and was satisfied with the effectiveness of the function.

SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION

The primary responsibility of the in-house internal audit department is to conduct periodic audits on internal control related matters to ensure their compliance with systems and standard operating procedures within each operation. The main objective of these audits is to provide reasonable assurance that these operations operated adequately and effectively.

The Internal Audit function focuses mainly on the key risk areas based on the approved internal audit plan by the Audit Committee and reports to the Committee on a quarterly basis to ensure that a proper system of risk management and internal control is effectively implemented and administered. The primary objectives of the Internal Audit function include reviewing the adequacy, integrity and effectiveness of the system of internal controls, compliance with the established policies and procedures, guidelines, laws and regulations and reliability and integrity of information.

The Internal Audit function is headed by Mr Lee Chiou Horng, the Head of Internal Audit, who reports directly to the ARMC. Mr Lee Chiou Horng, aged 37, was appointed as Head of Internal Audit for the Internal Audit Department of Unisem (M) Berhad ("Unisem") since 3 April 2017. Prior to joining Unisem Mr. Lee has worked his way up from Internal Audit Assistant to the position as Senior Internal Audit Manager over a span of 13 years in the manufacturing industry in Asia Pacific region with multi-national companies with manufacturing facilities located in China, Indonesia, Cambodia, Thailand, Australia, Vietnam and Malaysia. He attained his Bachelor of Commerce form Curtin University, Australia and is an Associate Member of the Institute of Internal Auditors Malaysia ("IIA Malaysia"). He is assisted by two Senior Auditors in the Internal Audit Department. The Internal Audit function adopts the *International Standards for the Professional Practice of Internal Auditing* to deal its objectivity and independence. There were no family relationships or conflict of interest still subsisting as at the end of the financial year.

The Internal Audit function adopts a risk and process-based approach in determining the audit areas and execution of its audits. In addition, special reviews were also made at the request of the Committee and senior management on specific areas of concern as a follow-up in relation to high-risk areas identified during the course of business. These reviews provided additional assurance and comfort on the integrity and robustness of the internal control system. A summary of work of the internal audit function includes:

- Presented the annual internal audit plan for the Committee's approval;
- Conducted audits in accordance to the approved audit plan and special reviews at the request of the Committee and senior management;
- Performed quarterly follow-up on unresolved audit findings with respective business owners and reported the status of implementation to the Committee; and
- Conducted risk assessment review workshops with the management of main business units to discuss and update the key risks that the Group is exposed to. This enables the Management to identify, evaluate, control, monitor and report to the Board the key risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks.

During the financial year, Internal Audit reviewed and conducted audits and assessed the adequacy of the system of internal controls over the following areas:-

- Production Planning & Material Review Planning;
- Property, Plant & Equipment, Preventive Maintenance and Information Technology Management;
- Quality Assurance and;
- Preventive Maintenance for Production Equipment.

During the financial year, nine Internal Audit reports were issued and presented to the Committee with the recommended corrective actions acted upon. The Committee is of the view that there was no significant breakdown or weakness in the current system of internal controls of the Group that have could have resulted in material losses incurred by the Group for the financial year ended 31 December 2018.

The cost incurred for the Internal Audit function of the Group in respect of the financial year ended 31 December 2018 amounted to RM520,156.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

The Board of Directors ("Board") of Unisem (M) Berhad ("Unisem") seeks to promote a risk-conscious culture and is highly committed to maintaining a robust system of internal control and risk management in the Company and its subsidiaries (collectively referred to as the "Group"). To this end, the Board is pleased to present the following Statement on Risk Management and Internal Control (the "Statement"), which outlines the nature and scope of internal control and risk management of the Group for the financial year ended 31 December 2018.

This Statement is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Practice 9.2 of the Malaysian Code on Corporate Governance ("MCCG"). In preparing this Statement, guidance has been drawn from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the "Guidelines"), a publication endorsed by Bursa Malaysia Securities Berhad pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITY

The Board recognises the importance of maintaining a sound system of internal control and the proper identification and management of risks affecting the Group's operations in order to safeguard shareholders' investments and other stakeholders' interests. Accordingly, the Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and operating effectiveness of the said system. The system covers not only financial but also operational and compliance risks and the relevant controls designed to manage the said risks.

Given that there are inherent limitations in any system of internal control and risk management, the said system is designed to manage risks within tolerable and knowledgeable limits in an efficient manner, rather than eliminating the risk of failure to achieve business objectives of the Group. The system can therefore only provide reasonable, but not absolute assurance, against material misstatements, financial losses, defalcations or fraud.

The Audit & Risk Management Committee ("ARMC") which comprises solely of Independent Non-Executive Directors, has been entrusted with the responsibility of assisting the Board in the management of material risks and internal controls. This includes reviewing and communicating to the Board on the key risks faced by the Group, the impact and likelihood of such risks crystallising and Management's readiness to manage and mitigate the risks that arise.

The ARMC is supported by the Internal Audit Department in relation to the provision of an independent assessment and evaluation on Unisem's Enterprise Risk Management ("ERM"). Notwithstanding the delegated responsibilities on risk management and effectiveness of internal controls, the Board acknowledges its ultimate responsibility for identifying, evaluating and managing the significant risks of the Group on an ongoing basis.

RISK MANAGEMENT FRAMEWORK

The Group has instituted an ERM framework which is consistent with that espoused by the Committee of Sponsoring Organisations of Treadway Commission ("COSO"). The ERM framework is designed to systematically identify, analyse, monitor and report key risks and the likelihood of risk occurrence as well as the magnitude of impact using a self-assessment approach. In addition, the framework outlines the significant risks that the Group is exposed to such as strategic, organisation structure, operational, processes, regulatory, people culture, technologies and reputation risks.

During the year under review, all business units conducted their annual enterprise risk management reviews which were led by the respective Chief Operating Officers and departmental head of each division together with the Internal Audit department. For each key risks identified, the risk owner is assigned to ensure appropriate action plans are meted out in a timely manner.

Quarterly results from the risk assessment and the implementation status of corrective action plan on key risks are reported to the Committee accordingly. In order to ensure that the Group's ERM framework remain sound, the risk register is monitored to include emerging risk as and when necessary. This serves to ensure controls are in place and continue to operate adequately and effectively. In addition, the Group consciously covers and transfers certain risks by securing adequate insurance coverage.

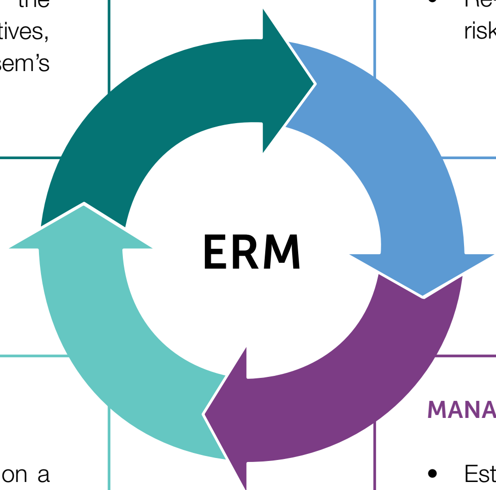
The ERM framework adopted by Unisem is illustrated in **Diagram 1 and Diagram 2** below:

IDENTIFY

- Identifying material risks (including emerging risks) arising from Unisem's business activities, both existing and new, which may threaten the achievement of business objectives, cause loss or damage Unisem's reputation

ASSESS

- Evaluating risks associated with any new activities to determine the potential impact to Unisem
- Re-evaluating all material existing risks regularly



MONITOR AND REPORT

- Monitoring and reporting of risks on a regular basis to ensure accountability and ownership for the identification of risks, the development of appropriate controls to mitigate them and compliance with controls
- Reporting of risk will be done using key categories

MANAGE

- Establishing structure to minimise losses and maximise opportunities
- Coordinating the risk management activities through Senior Management the reporting of risks to the Board through the ARMC
- The operation of risk mitigation procedures is the responsibility of respective Heads of Department

Diagram 1: Enterprise Risk Management Framework

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTROL ENVIRONMENT

- Integrity and ethical values
- Board and ARMC
- Organisational structure
- Management's philosophy and operating style
- Assignment of authority and responsibility
- Human resource policies and procedures

RISK ASSESSMENT

- Group-wide objectives
- Process-level objectives
- Risk identification and analysis
- Managing change

CONTROL ACTIVITIES

- Policies and procedures
- Security (application and network)
- Application change management
- Business continuity/backups
- Outsourcing

INFORMATION AND COMMUNICATION

- Quality of information
- Effectiveness and communication

MONITORING

- Ongoing monitoring
- Separate evaluations
- Reporting deficiencies

Diagram 2: Alignment with the elements of the Committee of Sponsoring Organisations of Treadway Commission (COSO)

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that a sound system of internal control reduces the risks that will impede the Group from achieving its goals and strategic objectives. The salient elements of the Group's internal control framework are described below:

1	**Organisation structure with defined roles and responsibilities**	The Group has in place an operational structure and organisational chart with defined key lines of responsibility and has adequately segregated reporting lines up to the Board and its Committees to ensure effectiveness and independent stewardship.
2	**Formalised strategic planning processes**	The Board has formulated the appropriate business plans within which the business objectives, strategies and targets are articulated. Business planning and budgeting are undertaken annually, to establish plans and targets against which performance is monitored on an ongoing basis. Key business risks are identified during the business planning process and are reviewed regularly during the year.
3	**Reporting and review**	The Group's Management team carry out monthly monitoring and review of financial results including monitoring and reporting thereon, of performance against the operating plans. The Group's management team communicates regularly to monitor operational and financial performance as well as formulate action plans to address any areas of concern. There is regular reporting by Senior Management of the Group to the Board on significant changes in the business and the external environment in which the Group operates.
4	**Documented policies and procedures**	Internal policies and procedures which are set out in a series of clearly documented standard operating manuals covering a majority of areas within the Group are maintained and made accessible to all employees. It is established and implemented to ensure compliance with internal controls, laws and regulations and is subjected to review and enhancement as and when necessary.
5	**Code of Ethics**	The Code of Ethics underlines Unisem's core values in conducting business fairly, impartially and ethically. All Directors and employees are required to declare that they are in compliance with the said Code upon joining the Group. In addition, the Whistleblowing Policy is also in place to provide a reporting channel which facilitates the escalation of improper conduct within the Group in a transparent and confidential manner.
6	**Continuous employee education**	All employees are encouraged to continuously keep themselves abreast with professional development through adequate training and continuous education. The Board has put in place a continuous training programme to motivate and improve the leadership quality of employees in order to inculcate a good working relationship within the Group and with external stakeholders.
7	**Quality control**	The Board places heightened focus on continuous effort in maintaining the quality of products through rigorous quality control measures. During the year, the Board has sought to ensure that safety and health regulations, environmental controls and all other legislations in connection with the industry have been considered and complied with.
8	**Financial performance**	The preparation of quarterly and full year financial results and the state of affairs, as published to shareholders, are reviewed and approved by the Board. The full year financial statements are also audited by the external auditors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group has an in-house internal audit function which assesses the adequacy and integrity of the Group's internal control systems. The internal audit function reports directly and provides assurance to the ARMC through the execution of internal audit work based on a risk-based internal audit plan which is approved by the ARMC before the commencement of work. In carrying out its activities, the internal audit function has unrestricted access to the relevant records, personnel and physical properties of the Group. The internal audit work is closely aligned with the International Professional Practices Framework ("IPFF"), promulgated by the Institute of Internal Auditors.

For the financial year ended 31 December 2018, the internal audit function assessed the adequacy and operating effectiveness of internal controls deployed by Management for the Group's key processes namely, production and material review planning, quality assurance, property, plant and equipment, preventive maintenance and information technology management, as well as enterprise risk management review.

The Internal Audit function is headed by Mr Lee Chiou Horng, the Head of Internal Audit, who reports directly to the ARMC. He is an Associate Member of the Institute of Internal Auditors Malaysia ("IIA Malaysia") and has over a span of thirteen years of experience in the field of internal auditing and is equipped with the knowledge and expertise in the realm of risk management and internal controls. He also possesses a Bachelor of Commerce from Curtin University, Australia. Mr Lee Chiou Horng is supported by two (2) internal audit personnel in the Internal Audit function. All the personnel in the Internal Audit function are free from any family relationship with any Directors and/or major shareholder and they do not have any conflict of interest with Unisem throughout the financial year. During the year under review, the total cost incurred for the internal audit work of the Group amounted to RM520,156.

REVIEW BY THE EXTERNAL AUDITOR

In accordance to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditor, Deloitte PLT has reviewed this Statement for inclusion in this Annual Report of the Group for the financial year ended 31 December 2018.

The review of this Statement by the external auditor was performed in accordance with the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3"), issued by the Malaysian Institute of Accountants in February 2018.

The external auditor reported that nothing has come to their attention that caused them to believe that the Statement intended to be included in the Annual Report of the Company was not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

For the financial under review and up to the date of this Statement, the Board is of the view that the Group's risk management and internal control system is adequate and effective to safeguard the interests of stakeholders and the Group's assets. There were no material weaknesses or deficiencies in the system of internal control and risk management that have directly resulted in any material loss to the Group.

The Group Managing Director has also provided documented assurance to the Board that the Group's risk management and internal control system, in all material aspects, are operating adequately and effectively based on the risk management and internal control framework of the Group.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors of **UNISEM (M) BERHAD** hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2018.

PRINCIPAL ACTIVITIES

The Company is principally involved in the manufacturing of semiconductor devices.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 14 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	THE GROUP RM'000	THE COMPANY RM'000
Profit for the year	**95,833**	**97,655**
Profit attributable to:		
Owners of the Company	**95,834**	**97,655**
Non-controlling interests	**(1)**	**-**
	95,833	**97,655**

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the amounts of dividend paid/payable or proposed by the Company are in respect of the following:

A final dividend of 4.0 sen per share, tax-exempt, amounting to RM29,353,242 proposed in the previous financial year and dealt with in the previous year's directors' report, was paid on May 25, 2018.

A first interim dividend of 2.5 sen per share, tax-exempt, amounting to RM18,177,146 in respect of the current financial year was paid on September 7, 2018.

A second interim dividend of 2.0 sen per share, tax-exempt, amounting to RM14,541,717 in respect of the current financial year was paid on December 6, 2018.

The directors have proposed a final dividend of 3.0 sen per share, tax-exempt, for the current financial year. The proposed final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. Upon approval by the shareholders, the dividend will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2019.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

TREASURY SHARES

During the current financial year, the Company repurchased 6,745,200 units of its own shares through purchases on Bursa Malaysia Securities Berhad, as disclosed in Note 20 to the financial statements. The total amount paid for the acquisition of shares (inclusive of incidental costs) was RM15,887,863 and it has been deducted from equity. The repurchase transactions were financed by internally generated funds and the average price paid for the shares was RM2.36 per share. The repurchased shares have been held as treasury shares in accordance with Section 127(4)(b) of the Companies Act, 2016.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that no known bad debts needed to be written off and that no allowance for doubtful debts was necessary; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would require the writing off of bad debts or the making of allowance for doubtful debts in the financial statements of the Group and of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year other than those disclosed in Note 29 to the financial statements.

OTHER STATUTORY INFORMATION (CONT'D)

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Mr. John Chia Sin Tet
Mr. Lee Hoong Leong
Mr. Francis Chia Mong Tet
Mr. Alexander Chia Jhet-Wern
Dato' Wong Guang Seng
Mr. Yen Woon @ Low Sau Chee
Mr. Ang Chye Hock
Mdm. Lim Siew Eng
Puan Mahani Binti Amat
Mr. Martin Giles Manen (retired on April 25, 2018)
Tan Sri Dato' Wong See Wah (retired on April 25, 2018)
Mr. Xiao Zhiyi (appointed on January 30, 2019)
Mr. Cui Weibing (appointed on January 30, 2019)
Mr. Wu Shutao (appointed on January 30, 2019)

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Name of directors	Subsidiaries
Mr. John Chia Sin Tet	UI, UAT, UCC, UMH, UCIIEC
Mr. Lee Hoong Leong	UAT, UMH, UIHK, UCC
Mr. Francis Chia Mong Tet	UI, UAT, UCC, UMH, UCIIEC, UIHK
Mr. Xiao Zhiyi	UAT

Denotes:

UI	Unisem (Ipoh) Sdn. Bhd.
UAT	Unisem Advanced Technologies Sdn. Bhd.
UCC	Unisem Chengdu Co., Ltd.
UMH	Unisem (Mauritius) Holdings Limited
UCIIEC	Unisem Chengdu International Import & Export Co., Ltd.
UIHK	Unisem International (Hong Kong) Limited

DIRECTORS' INTERESTS

The interests in shares in the Company of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	No. of ordinary shares			
	BALANCE AS OF 1.1.2018	BOUGHT/ TRANSFERRED*	SOLD/ TRANSFERRED*	BALANCE AS OF 31.12.2018
Shares in the Company				
Registered in the name of directors				
Mr. John Chia Sin Tet	67,947,925	2,545,600	(12,000,000)*	**58,493,525**
Mr. Francis Chia Mong Tet	1,720,000	-	(1,720,000)	**-**
Mr. Alexander Chia Jhet-Wern	2,000,000	50,000	-	**2,050,000**
Dato' Wong Guang Seng	500,000	-	(500,000)	**-**
Mr. Yen Woon @ Low Sau Chee	27,882,120	-	(445,000) (15,000,000)*	**12,437,120**
Mr. Ang Chye Hock	383,500	-	(383,500)	**-**
Mdm. Lim Siew Eng	10,000	-	(10,000)	**-**
Indirect interests by virtue of shares held by companies in which a director has interests				
Mr. John Chia Sin Tet	108,551,413	975,800 12,000,000*	-	**121,527,213**
Mr. Francis Chia Mong Tet	9,894,480	1,200,000	(8,224,000)	**2,870,480**
Mr. Yen Woon @ Low Sau Chee	23,843,000	950,000 15,000,000*	(28,000,000)	**11,793,000**

By virtue of his interests in the shares of the Company, Mr. John Chia Sin Tet is also deemed to have an interest in the shares of the subsidiaries to the extent that the Company has interests.

Mr. Lee Hoong Leong and Puan Mahani Binti Amat did not hold shares or have beneficial interests in the shares of the Company during or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain directors of the Company are also directors and/or shareholders as disclosed in Note 18 to the financial statements.

DIRECTORS' BENEFITS (CONT'D)

	DIRECTORS' FEES RM'000	OTHER EMOLUMENTS RM'000	DEFINED CONTRIBUTION PLANS RM'000	DIRECTORS' REMUNERATION TOTAL RM'000	BENEFITS-IN-KIND* RM'000
Executive Directors					
Mr. John Chia Sin Tet	268	3,547	426	4,241	108
Mr. Lee Hoong Leong	145	2,130	256	2,531	15
Mr. Francis Chia Mong Tet	145	1,309	157	1,611	28
Mr. Alexander Chia Jhet-Wern	145	371	42	558	7
	703	7,357	881	8,941	158
Non-executive Directors					
Dato' Wong Guang Seng	220	-	-	220	-
Mr. Yen Woon @ Low Sau Chee	145	-	-	145	-
Mr. Ang Chye Hock	195	-	-	195	-
Mdm. Lim Siew Eng	195	-	-	195	-
Puan Mahani Binti Amat	145	-	-	145	-
Mr. Martin Giles Manen	75	-	-	75	-
Tan Sri Dato' Wong See Wah	50	-	-	50	-
	1,025	-	-	1,025	-
	1,728	7,357	881	9,966	158

* Represents estimated monetary value of benefits-in-kind received and receivable by the directors other than in cash.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors and/or officers of the Company. The amount of insurance premium paid/payable during the year amounted to RM48,000.

There was no indemnity given to or insurance effected for auditors of the Company.

HOLDING COMPANIES

The immediate and ultimate holding companies of the Company are Huatian Technology (Malaysia) Sdn. Bhd., a company incorporated in Malaysia and Tianshui Huatian Technology Co., Ltd, a company incorporated in People's Republic of China and listed on the Shenzhen Stock Exchange respectively.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended December 31, 2018 is as follows:

	THE GROUP RM'000	THE COMPANY RM'000
Fees paid/payable to external auditors:		
Statutory audit - current year	**(806)**	**(288)**
Others	**(9)**	**(9)**

Signed on behalf of the Board
in accordance with a resolution of the Directors,

JOHN CHIA SIN TET

DATO' WONG GUANG SENG

Kuala Lumpur
March 8, 2019

INDEPENDENT
AUDITORS' REPORT

to the members of Unisem (M) Berhad (Incorporated In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **UNISEM (M) BERHAD**, which comprise the statements of financial position of the Group and of the Company as of December 31, 2018, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 122 to 183.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Impairment review of loss making subsidiary, PT Unisem in relation to property, plant and equipment and investment in subsidiary	
PT Unisem recorded operating losses for the current and prior financial years arising from lower than expected demand from its major customers. Based on management's assessment, there are indications of impairment in relation to property, plant and equipment of the Group and investment in subsidiary of the Company due to recurring losses. The potential impairment losses might significantly impact the results of the Group and of the Company. Moreover, the assessment of the recoverable amount of the Group's property, plant and equipment and of the Company's investment in subsidiary, which is determined based on fair value less costs to sell, requires significant management judgements in relation to the estimated fair values of landed properties and machineries of PT Unisem provided by independent external valuers, as described in Notes 3, 12 and 14 to the financial statements.	Our audit procedures included testing the design and implementation of key controls around the impairment review process, and challenging the methodologies used by the independent external valuers in estimating the fair values of landed properties and machineries of PT Unisem. We evaluated the competency, capability and objectivity of the independent external valuers in the context of their ability to generate a reliable estimate of the fair values of landed properties and machineries, by assessing their professional qualification, experience and independence from Unisem Group. In performing our audit procedures, we used internal valuation specialists to assess the methodologies used and the appropriateness of key assumptions used by independent external valuers based on their knowledge of the semiconductor industry and recent disposal values of landed properties and machineries within the industry.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the directors' report and the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

LIM KENG PEO
Partner - 02939/01/2020 J
Chartered Accountant

Ipoh
March 8, 2019

STATEMENTS OF
PROFIT OR LOSS
for the year ended December 31, 2018

		THE GROUP		THE COMPANY	
		2018	2017	2018	2017
	NOTE	RM'000	RM'000	RM'000	RM'000
Revenue	5	**1,351,276**	1,465,727	**622,062**	683,943
Investment income	9	**5,401**	4,966	**65,989**	3,371
Other gains/(losses)	6	**10,670**	(8,347)	**2,337**	(4,398)
Other operating income	6	**20,181**	18,712	**10,807**	10,853
Changes in inventories of finished goods and work-in-progress		**(4,477)**	4,540	**(3,018)**	(737)
Raw materials and consumables used		**(484,012)**	(513,087)	**(174,203)**	(193,156)
Depreciation of property, plant and equipment	12	**(162,782)**	(164,867)	**(64,388)**	(65,169)
Impairment loss on investment in a subsidiary	14	**-**	-	**(39,463)**	(49,500)
Employee benefit expenses	6	**(369,847)**	(376,132)	**(172,432)**	(173,390)
Directors' remuneration	7	**(9,966)**	(10,656)	**(9,966)**	(10,656)
Amortisation of prepaid interests in leased land	13	**(549)**	(573)	**(44)**	(44)
Finance costs	8	**(4,089)**	(3,241)	**(273)**	(285)
Other operating expenses	6	**(240,743)**	(236,263)	**(132,879)**	(136,002)
Profit before tax		**111,063**	180,779	**104,529**	64,830
Taxation	10(a)	**(15,230)**	(19,375)	**(6,874)**	(8,649)
Profit for the year		**95,833**	161,404	**97,655**	56,181
Attributable to:					
Owners of the Company		**95,834**	159,461	**97,655**	56,181
Non-controlling interests		**(1)**	1,943	**-**	-
		95,833	161,404	**97,655**	56,181
Earnings per share					
Basic and diluted (sen)	11	**13.13**	21.73		

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2018

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year	**95,833**	161,404	**97,655**	56,181
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**(22,582)**	(29,283)	**-**	-
Changes in fair value of available-for-sale investments	**-**	280	**-**	252
Reclassification adjustments relating to available-for-sale investments disposed of during the year	**-**	(309)	**-**	(281)
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligations	**8,443**	(10,183)	**-**	-
Deferred tax relating to remeasurement of defined benefit obligations	**(2,111)**	2,547	**-**	-
Total other comprehensive loss for the year	**(16,250)**	(36,948)	**-**	(29)
Total comprehensive income for the year	**79,583**	124,456	**97,655**	56,152
Total comprehensive income attributable to:				
Owners of the Company	**79,584**	122,513	**97,655**	56,152
Non-controlling interests	**(1)**	1,943	**-**	-
	79,583	124,456	**97,655**	56,152

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

as of December 31, 2018

	NOTE	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000	THE COMPANY 2018 RM'000	THE COMPANY 2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,094,094**	1,099,138	**444,872**	470,380
Prepaid interests in leased land	13	**17,901**	18,703	**3,474**	3,518
Investments in subsidiaries	14	**-**	-	**359,590**	336,012
Intangible assets	15	**-**	1,362	**-**	-
Deferred tax assets	10(c)	**716**	1,349	**616**	616
Amount owing by subsidiaries	18	**-**	-	**49,453**	-
Total non-current assets		**1,112,711**	1,120,552	**858,005**	810,526
Current assets					
Inventories	16	**177,557**	162,677	**94,776**	85,401
Trade receivables	17	**154,148**	173,733	**74,370**	97,365
Other receivables, deposits and prepaid expenses	17	**14,863**	13,742	**6,243**	8,067
Amount owing by subsidiaries	18	**-**	-	**583**	31,129
Tax recoverable		**204**	25,698	**-**	-
Cash and cash equivalents	19	**344,110**	348,659	**129,298**	158,862
Total current assets		**690,882**	724,509	**305,270**	380,824
Total assets		**1,803,593**	1,845,061	**1,163,275**	1,191,350

		THE GROUP		THE COMPANY	
		2018	2017	2018	2017
	NOTE	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20(a)	**595,367**	595,367	**595,367**	595,367
Treasury shares	20(b)	**(15,888)**	-	**(15,888)**	-
Reserves	21	**851,351**	860,078	**465,046**	429,463
Equity attributable to owners of the Company		**1,430,830**	1,455,445	**1,044,525**	1,024,830
Non-controlling interests		**7,297**	7,298	**-**	-
Total equity		**1,438,127**	1,462,743	**1,044,525**	1,024,830
Non-current liabilities					
Borrowings	22	**11,416**	8,948	**-**	-
Deferred income	23	**12,709**	8,036	**-**	-
Deferred tax liabilities	10(c)	**10,994**	4,877	**-**	-
Retirement benefit obligations	24	**35,976**	40,097	**-**	-
Total non-current liabilities		**71,095**	61,958	**-**	-
Current liabilities					
Trade payables	25	**85,783**	89,431	**37,881**	42,075
Other payables and accrued expenses	25	**145,913**	190,076	**65,177**	96,612
Amount owing to subsidiaries	18	**-**	-	**15,574**	27,688
Borrowings	22	**62,139**	35,972	**-**	-
Provision for taxation		**536**	4,881	**118**	145
Total current liabilities		**294,371**	320,360	**118,750**	166,520
Total liabilities		**365,466**	382,318	**118,750**	166,520
Total equity and liabilities		**1,803,593**	1,845,061	**1,163,275**	1,191,350

The accompanying Notes form an integral part of the financial statements.

STATEMENT OF **CHANGES IN EQUITY**

for the year ended December 31, 2018

				← NON-DISTRIBUTABLE RESERVES →							
THE GROUP	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	SHARE PREMIUM RM'000	CAPITAL RESERVE RM'000	INVESTMENT REVALUATION RESERVE RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	DISTRIBUTABLE RESERVE RETAINED EARNINGS RM'000	ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL RM'000
Balance as of January 1, 2017		366,915	-	228,452	24,632	29	190,263	603,362	1,413,653	5,355	1,419,008
Profit for the year		-	-	-	-	-	-	159,461	159,461	1,943	161,404
Other comprehensive loss for the year, net of income tax		-	-	-	-	(29)	(29,283)	(7,636)	(36,948)	-	(36,948)
Total comprehensive income/(loss) for the year		-	-	-	-	(29)	(29,283)	151,825	122,513	1,943	124,456
Adjustments for effects of Companies Act, 2016	20(a)	228,452	-	(228,452)	-	-	-	-	-	-	-
Dividends	26	-	-	-	-	-	-	(80,721)	(80,721)	-	(80,721)
Transfer to statutory reserve fund		-	-	-	5,958	-	-	(5,958)	-	-	-
Balance as of December 31, 2017											
As previously stated		595,367	-	-	30,590	-	160,980	668,508	1,455,445	7,298	1,462,743
Effect on early adoption of IC Int. 23		-	-	-	-	-	1,058	(27,297)	(26,239)	-	(26,239)
As restated	2(b)	595,367	-	-	30,590	-	162,038	641,211	1,429,206	7,298	1,436,504
Profit for the year		-	-	-	-	-	-	95,834	95,834	(1)	95,833
Other comprehensive income/(loss) for the year, net of income tax		-	-	-	-	-	(22,582)	6,332	(16,250)	-	(16,250)
Total comprehensive income/(loss) for the year		-	-	-	-	-	(22,582)	102,166	79,584	(1)	79,583
Purchase of treasury shares	20(b)	-	(15,888)	-	-	-	-	-	(15,888)	-	(15,888)
Dividends	26	-	-	-	-	-	-	(62,072)	(62,072)	-	(62,072)
Transfer to statutory reserve fund		-	-	-	4,935	-	-	(4,935)	-	-	-
Balance as of December 31, 2018		**595,367**	**(15,888)**	**-**	**35,525**	**-**	**139,456**	**676,370**	**1,430,830**	**7,297**	**1,438,127**

The accompanying Notes form an integral part of the financial statements.

THE COMPANY	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	NON-DISTRIBUTABLE RESERVES SHARE PREMIUM RM'000	NON-DISTRIBUTABLE RESERVES INVESTMENT REVALUATION RESERVE RM'000	DISTRIBUTABLE RESERVE RETAINED EARNINGS RM'000	TOTAL RM'000
Balance as of January 1, 2017		366,915	-	228,452	29	454,003	1,049,399
Profit for the year		-	-	-	-	56,181	56,181
Other comprehensive income/(loss) for the year, net of income tax		-	-	-	(29)	-	(29)
Total comprehensive income/(loss) for the year		-	-	-	(29)	56,181	56,152
Adjustments for effects of Companies Act, 2016	20(a)	228,452	-	(228,452)	-	-	-
Dividends	26	-	-	-	-	(80,721)	(80,721)
Balance as of December 31, 2017		595,367	-	-	-	429,463	1,024,830
Profit for the year		-	-	-	-	97,655	97,655
Other comprehensive income for the year, net of income tax		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	97,655	97,655
Purchase of treasury shares	20(b)	-	(15,888)	-	-	-	(15,888)
Dividends	26	-	-	-	-	(62,072)	(62,072)
Balance as of December 31, 2018		**595,367**	**(15,888)**	**-**	**-**	**465,046**	**1,044,525**

The accompanying Notes form an integral part of the financial statements.

STATEMENT OF
CASH FLOWS
for the year ended December 31, 2018

	NOTE	THE GROUP 2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**95,833**	161,404
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**162,782**	164,867
Taxation		**15,230**	19,375
Provision for retirement benefit		**5,629**	3,687
Finance costs		**4,089**	3,241
Amortisation of intangible assets		**1,362**	2,263
Amortisation of prepaid interests in leased land		**549**	573
Allowance for/(Write-back of) slow-moving inventories		**99**	(279)
Property, plant and equipment written off		**37**	17
Unrealised (gain)/loss on foreign exchange		**(4,875)**	1,389
Investment income		**(5,401)**	(4,966)
Gain on disposal of property, plant and equipment		**(658)**	(1,566)
Amortisation of deferred income		**(409)**	(212)
Gain on liquidation of a subsidiary		**(119)**	-
Changes in fair value of available-for-sale investments classified as cash and cash equivalents		**-**	280
Cumulative gain reclassified from equity on disposal of available-for-sale investments		**-**	(309)
		274,148	349,764
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		**(15,833)**	(26,772)
Trade receivables		**17,102**	24,001
Other receivables, deposits and prepaid expenses		**(1,059)**	1,318
(Decrease)/Increase in:			
Trade payables		**(4,089)**	2,211
Other payables and accrued expenses		**(16,669)**	18,602
Cash Generated From Operations		**253,600**	369,124
Income tax paid		**(15,092)**	(29,012)
Defined benefit obligations paid	24	**(1,461)**	(1,158)
Net Cash From Operating Activities		**237,047**	338,954

	NOTE	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Investment income received		**5,696**	4,579
Proceeds from disposal of property, plant and equipment		**525**	3,646
Additions to property, plant and equipment	19	**(171,947)**	(156,505)
Net Cash Used In Investing Activities		**(165,726)**	(148,280)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from term loans		**43,201**	4,945
Proceeds from deferred income		**5,431**	-
Dividends paid		**(87,756)**	(80,721)
Repurchase of treasury shares		**(15,888)**	-
Repayment of term loans		**(14,344)**	(11,341)
Finance costs paid		**(4,353)**	(2,792)
(Repayment of)/Proceeds from revolving credit - net		**(1,816)**	4,945
Net Cash Used In Financing Activities		**(75,525)**	(84,964)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,204)**	105,710
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**348,659**	253,788
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(345)**	(10,839)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**344,110**	348,659

The accompanying Notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended December 31, 2018

	NOTE	THE COMPANY 2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**97,655**	56,181
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**64,388**	65,169
Impairment loss on investment in a subsidiary		**39,463**	49,500
Taxation		**6,874**	8,649
Finance costs		**273**	285
Amortisation of prepaid interests in leased land		**44**	44
Property, plant and equipment written off		**10**	17
Investment income		**(65,989)**	(3,371)
Unrealised gain on foreign exchange		**(445)**	(1,257)
Gain on disposal of property, plant and equipment		**(266)**	(144)
Changes in fair value of available-for-sale investments classified as cash and cash equivalents		**-**	252
Cumulative gain reclassified from equity on disposal of available-for-sale investments		**-**	(281)
		142,007	175,044
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		**(9,375)**	(8,063)
Trade receivables		**22,063**	9,323
Other receivables, deposits and prepaid expenses		**1,723**	(1,166)
(Decrease)/Increase in:			
Trade payables		**(3,577)**	(901)
Other payables and accrued expenses		**(5,819)**	828
Cash Generated From Operations		**147,022**	175,065
Income tax paid		**(6,901)**	(10,190)
Net Cash From Operating Activities		**140,121**	164,875

	NOTE	THE COMPANY 2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**802**	7,923
Investment income received		**2,241**	3,048
Additions to property, plant and equipment	19	**(39,076)**	(93,481)
Advances to subsidiaries		**(17,086)**	(10,504)
Net Cash Used In Investing Activities		**(53,119)**	(93,014)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid		**(87,756)**	(80,721)
Repurchase of treasury shares		**(15,888)**	-
Repayment to subsidiaries		**(12,210)**	(2,048)
Finance costs paid		**(273)**	(285)
Net Cash Used In Financing Activities		**(116,127)**	(83,054)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(29,125)**	(11,193)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**158,862**	171,013
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(439)**	(958)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**129,298**	158,862

The accompanying Notes form an integral part of the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The Company is principally involved in the manufacturing of semiconductor devices.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 14.

The registered office of the Company is located at Letter Box # 95, 9th Floor, UBN Tower, No. 10, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at No. 1, Persiaran Pulai Jaya 9, Kawasan Perindustrian Pulai Jaya, 31300 Ipoh, Perak Darul Ridzuan, Malaysia.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on March 8, 2019.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 2016 in Malaysia.

(a) Adoption of new and amendments to MFRSs and Interpretations

In the current year, the Group and the Company adopted all of the new and amendments to MFRSs and Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018.

MFRS 9 *Financial Instruments*

MFRS 9 introduces new requirements that are relevant to the Group and to the Company in respect of:

1) The classification and measurement of financial assets and financial liabilities; and
2) Impairment of financial assets

The Group and the Company have elected not to restate comparatives when applying the requirements for the classification and measurement of financial assets and financial liabilities and impairment of financial assets, which is allowed under the transition provisions of MFRS 9. Any cumulative effect of initial application of MFRS 9 is therefore adjusted to retained earnings as of January 1, 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(a) Adoption of new and amendments to MFRSs and Interpretations (cont'd)

MFRS 9 *Financial Instruments (cont'd)*

The impact of MFRS 9 on the Group's and the Company's financial statements is described as follows:

1) Classification and measurement of financial assets

All recognised financial assets that are within the scope of MFRS 9 are required to be measured subsequently at amortised cost or at fair value on the basis of the Group's and the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income ("FVTOCI");
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss ("FVTPL").

The directors of the Group and of the Company reviewed and assessed the Group's and the Company's existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of MFRS 9 does not have any impact on the classification and measurement of the Group's and the Company's financial assets whereby the financial assets classified as loans and receivables under MFRS 139 that were measured at amortised cost continue to be measured at amortised cost under MFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

2) Classification and measurement of financial liabilities

The application of MFRS 9 does not have any impact on the classification and measurement of the Group's and of the Company's financial liabilities whereby the financial liabilities classified as other financial liabilities under MFRS 139 that were measured at amortised cost continue to be measured at amortised cost under MFRS 9.

3) Impairment of financial assets

In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss ("ECL") model, as opposed to an incurred loss model under MFRS 139. The ECL model requires the Group and the Company to account for ECL and changes in those ECL at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, MFRS 9 requires the Group and the Company to recognise a loss allowance for expected credit losses on:

- Trade and other receivables; and
- Inter-company balances (in the financial statements of the Company only).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(a) Adoption of new and amendments to MFRSs and Interpretations (cont'd)

MFRS 9 *Financial Instruments (cont'd)*

3) Impairment of financial assets (cont'd)

In particular, MFRS 9 requires the Group and the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group and the Company are required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. MFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables in certain circumstances.

There is no loss allowance to be recognised under the ECL model based on the assessment made by the directors.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 has superseded the current revenue recognition guidance including MFRS 118 *Revenue,* MFRS 111 *Construction Contracts* and the related Interpretations.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

When applying MFRS 15, the Group and the Company shall recognise revenue by applying the following steps:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when the entity satisfies a performance obligation

The Group and the Company have applied practical expedients by electing not to disclose the value of unsatisfied performance obligations for contracts of which the revenue has been recognised as the expected duration of completing each contract or performance obligation is one year or less. Similar practical expedients is applied when excluding commission expenses as part of contract costs as the commission is incurred and paid within one year.

The directors of the Group and of the Company have assessed the application of MFRS 15 and are of the opinion that there is no material impact on the amounts reported for the Group and for the Company.

2. **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)**

(a) Adoption of new and amendments to MFRSs and Interpretations (cont'd)

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

This Interpretation clarifies how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income when consideration for that item has been paid or received in advance in a foreign currency which resulted in recognition of a non-monetary asset or non-monetary liability.

This Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, this interpretation required the determination of the date of transaction for each payment or receipt of advance consideration.

There is no material impact on the application of this interpretation on the financial statements of the Group and of the Company.

(b) Early application of an IC Interpretation in issue

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

This Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

The Group, through its tax lawyer, has been actively following up with relevant parties on the ongoing appeal and judiciary reviews throughout the current financial year. Despite such close monitoring, no judgements were issued by the Court of Appeal/Supreme Court as of the end of the reporting period. Details of the cases are summarised in Note 10(b).

The Group has studied the clarification on tax treatment set out in IC Interpretation 23, which is effective for the financial period beginning on or after January 1, 2019. Upon reassessment of the latest development with due consideration, the Group decided to early apply IC Interpretation 23 by adopting the modified retrospective approach and recognised the full cumulative amount paid against the balance of retained earnings and foreign currency translation reserve as of January 1, 2018 as follows:

THE GROUP	AS PREVIOUSLY REPORTED RM'000	EFFECT ON EARLY ADOPTION OF IC INTERPRETATION 23 RM'000	AS RESTATED RM'000
As of January 1, 2018			
Retained earnings	668,508	(27,297)	641,211
Foreign currency translation reserve	160,980	1,058	162,038

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(c) Standards in issue but not yet effective

The Group and the Company have not elected for early adoption of the relevant new and amendments to MFRSs and Interpretations which have been issued but not yet effective until future periods, at the date of authorisation for issue of these financial statements. The directors anticipate that the adoption of these Standards when they become effective will have no material impact on the financial statements of the Group and of the Company in the period of initial application, except as discussed below:

MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards[2]
MFRS 16	Leases[1]
MFRS 17	Insurance Contracts[3]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to MFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures[1]
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle[1]
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlements[1]
Amendments to MFRS 3	Definition of a Business[2]
Amendments to MFRS 101 and MFRS 108	Definition of Material[2]

[1] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

MFRS 16 *Leases*

MFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

When MFRS 16 becomes effective, the Group and the Company will elect to adopt the modified retrospective approach when applying MFRS 16 to lease commitments on January 1, 2019 and elects to adjust the opening balance of retained earnings for any financial impact, if any.

The directors of the Group and of the Company have assessed the application of MFRS 16 and are of the opinion that there is no material impact for the Group and for the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for the financial instruments that are measured at fair value in accordance with MFRS 9 and retirement benefit obligations which include actuarial gains and losses in accordance with MFRS 119 *Employee Benefits (revised)*.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company and its subsidiaries:

- have power over the investee;
- are exposed, or have rights, to variable returns from their involvement with the investee; and
- have the ability to use their power to affect the returns.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or a loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Subsidiaries

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations

The acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under MFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Revenue Recognition

Contracts with customers

Revenue from semiconductor assembly and testing services is recognised when each distinct performance obligation is satisfied which is dependent on the customer's contract (customer's Purchase Order) and when the Group and the Company have an enforceable right to payment for each distinct performance obligation completed. There are two main categories when determining the completion of distinct performance obligations which are either full turnkey or process billings.

Certain customers' contracts are based on full turnkey arrangement whereby the customers only recognised the completion of all assembly and test services for a single production lot as a single performance obligation. Only then will the enforceable right for payment be satisfied and revenue is recognised when a single billing is raised evidencing the transfer of control over the goods to the customers.

On the other hand, customers' contracts which are based on process billings, the completion of each process (i.e. assembly, test, etc.) is treated as a distinct performance obligation. In this situation, the customers will usually have multiple contracts for different production processes rendered for a single production lot. The enforceable right for payment is satisfied when each distinct performance obligation is fulfilled and revenue is recognised when billing is raised for each distinct performance obligation evidencing the transfer of control over each production process to the customers.

The transaction price for each distinct performance obligation is based on the price agreed with customers and will be included in the customer's contract.

Volume discounts (Tier Pricing) are given to certain customers by way of adjustment to transaction price when the customer's contract attaining certain production volume. Credit Notes would be issued to the customers for the volume discounts and offset against the previously recognised revenue. The Group and the Company have applied practical expedient in charging out the commission costs of obtaining a contract as an expense when incurred as the ammortisation period is one year or less.

Other income

Interest income is recognised on an accrual basis that reflects the effective yield on the assets.

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Marketing support and management services fees are recognised as and when the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statements of profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign Currencies

The individual financial statements of each group entity are presented in its functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and also the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences are recognised in the statements of profit or loss in the period in which they arise except for exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gains and losses are recognised in other comprehensive income.

Financial statements of foreign operations denominated in functional currencies other than Ringgit Malaysia

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparative figures) are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparative figures) are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation accumulated in a separate component of equity shall be reclassified from equity to the statements of profit or loss when the gain or loss on disposal is recognised.

Goodwill and fair value adjustments on identifiable assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in a separate component of equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statements of profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised in the statement of profit or loss over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the statement of profit or loss in the period in which they become receivable.

Employee Benefits

Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Group has no further payment obligations once these contributions have been paid.

Defined benefit plans

Contributions to defined benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Group has no further payment obligations once the contributions have been paid.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or a credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the statement of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits (cont'd)

Defined benefit plans (cont'd)

The Group presents the first two components of defined benefit costs as "employee benefit expenses" in the statement of profit or loss. Curtailment gains and losses are accounted for as past service costs.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax

Current tax is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes determined based upon the taxable income of each entity and is measured using the tax rates which are applicable at the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and their related tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or to settle the carrying amount of its assets and liabilities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on a net basis.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and subsequent accumulated impairment losses, if any.

Capital work-in-progress are not depreciated.

Capital work-in-progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of property, plant and equipment (other than capital work-in-progress) less their estimated residual value over their estimated useful lives, using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (cont'd)

The annual depreciation rates are as follows:

Buildings	2% to 20%
Plant and machinery	10% to 33.33%
Electrical installation	10%
Office equipment	10% to 33.33%
Air-conditioners	10% to 20%
Motor vehicles	20%
Furniture and fittings	10% to 33.33%
Production support equipment	10%

The estimated useful lives, residual values and depreciation method are reviewed periodically, with the effect of any changes in estimates accounted for prospectively.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Prepaid Interests in Leased Land

Leasehold land that normally has an indefinite economic life and where the title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. Payments made on entering into or acquiring leasehold land are accounted as prepaid interests in leased land and amortised over the remaining lease terms ranging from 30 to 99 years.

Goodwill

Goodwill acquired in a business combination is initially recognised at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the date of the combination. Subsequent to the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment loss is recognised immediately in the statement of profit or loss and any impairment loss recognised for goodwill is not subsequently reversed. Gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Intangible Assets

Intangible assets are measured at purchase cost less accumulated amortisation and impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives ranging from three to ten years upon commencement of full scale commercial business operations.

The estimated useful lives and the amortisation method for intangible assets with finite useful lives are reviewed at each year end, with the effect of any changes in accounting estimate being recognised on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Research and Development Costs

Research costs relating to the original and planned investigations undertaken with the prospect of gaining new technical knowledge and understanding, are recognised as an expense when incurred.

Development costs represent costs incurred in the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use. Development costs are charged to the statements of profit or loss in the year in which they are incurred except where a clearly-defined project is undertaken and it is probable that the development costs will give rise to future economic benefits. Such development costs are recognised as an intangible asset and amortised on a straight-line method over the life of the project from the date of commencement of full scale commercial business operations.

Impairment of Assets

At the end of each reporting period, the Group and the Company review the carrying amounts of their tangible and intangible assets (other than inventories, goodwill, deferred tax assets and financial assets which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit ("CGU"), to which the asset belongs, is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statements of profit or loss. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. A reversal is recognised immediately in the statements of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the "Weighted Average" method. The cost of raw materials and factory supplies comprised the original purchase price plus cost incurred in bringing the inventories to their present location. The cost of work-in-progress and finished goods comprises the cost of raw materials, direct labour and a proportion of production overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less costs of completion and costs necessary to make the sale.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets under MFRS 9 with effect from January 1, 2018

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirely at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at amortised cost.

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at fair value through other comprehensive income ("FVTOCI").

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

(a) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI.

Financial assets of the Group and of the Company measured subsequently at amortised cost are short-term deposits, cash and bank balances, trade receivables, other receivables (excluding Goods and Services Tax receivable), refundable deposits and inter-company indebtedness.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets under MFRS 9 with effect from January 1, 2018 (cont'd)

(i) Classification of financial assets (cont'd)

(b) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the statement of profit or loss.

Investments in money market funds of the Group and of the Company are classified as at FVTPL.

(ii) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost and at FVTPL, exchange differences are recognised in the statement of profit or loss.

(iii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised cost such as trade receivables, other receivables and inter-company indebtedness (for company level). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial assets.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for that financial assets at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the end of the reporting period.

(a) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets under MFRS 9 with effect from January 1, 2018 (cont'd)

(iii) Impairment of financial assets (cont'd)

(b) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in the statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

(iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the assets carrying amount and the sum of the consideration received and receivable is recognised in the statement of profit or loss.

(b) Financial Assets under MFRS 139

Financial assets of the Group and of the Company are classified into "loans and receivables" category.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets of the Group and of the Company categorised as loans and receivables are short-term deposits, cash and bank balances, trade receivables, other receivables (excluding Goods and Services Tax receivable) and deposits and inter-company indebtedness.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(b) Financial Assets under MFRS 139 (cont'd)

(ii) Available-for-sale financial assets

Financial assets categorised as available-for-sale are measured at fair values with the gain or loss recognised in other comprehensive income. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.

Financial assets of the Group and of the Company categorised as available-for-sale are quoted investments.

(iii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(c) Financial Liabilities and Equity Instruments under MFRS 9 with effect from January 1, 2018

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised at cost including transaction costs, and deducted directly in equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(c) Financial Liabilities and Equity Instruments under MFRS 9 with effect from January 1, 2018 (cont'd)

(iii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities of the Group and of the Company are trade payables, other payables (excluding Goods and Services Tax payable) and accrued expenses, bank borrowings and inter-company indebtedness.

(iv) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial liabilities. These foreign exchange gains and losses are recognised in the statement of profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in the statement of profit or loss as the modification gain or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Financial Instruments (cont'd)

(d) Financial Liabilities and Equity Instruments under MFRS 139

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

Financial liabilities of the Group and of the Company are classified as "other financial liabilities" category.

(iv) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities of the Group and of the Company are trade payables, other payables (excluding Goods and Services Tax payable) and accrued expenses, finance leases, bank borrowings and inter-company indebtedness.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements used in preparing the financial statements are continuously evaluated by the management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are outlined below.

(a) Impairment of Property, Plant and Equipment

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e. the carrying amount of the asset is more than the recoverable amount.

The Group performs an impairment indicator test annually for signs of impairment of its property, plant and equipment. If there are signs of impairment, the recoverable amounts will be estimated. The recoverable amount is determined based on fair value less costs to sell approach. The fair values of property, plant and equipment are determined based on valuations carried out by independent external valuers.

(b) Estimated Useful Lives of Property, Plant and Equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the carrying amount of property, plant and equipment.

(c) Income Taxes

The Group is subject to income taxes of several jurisdictions. Judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Deferred Tax Assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This involves the use of judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

(e) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consultations with legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(f) Loss Allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancement.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(g) Allowance for Slow-Moving Inventories

The Group makes allowance for slow-moving inventories based on an assessment of the recoverability of the inventories through sales and recycling for alternative uses. Allowance is applied to inventories where events or changes in circumstances indicate that the costs may not be recoverable.

The identification of slow-moving inventories requires use of judgement and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and slow-moving inventories expenses in the period in which such estimate is changed.

(h) Impairment of Investments in Subsidiaries

The Company holds unquoted shares in subsidiaries that are not traded in an active market. The Company performs an impairment indicator assessment annually for signs of impairment of its investments in subsidiaries. If there are signs of impairment, the recoverable amounts of the investments will be determined. The recoverable amount is determined based on fair value less costs to sell, adjusted for net tangible assets approach. This approach will take into consideration the fair values of property, plant and equipment performed by independent external valuers.

4. SEGMENT INFORMATION

The segment reporting is presented in a manner which is consistent with internal reporting provided to the chief operating decision maker.

Business segment

The Group operates within one industry, i.e., in the manufacturing of semiconductor devices and other related services; as such, information by business segment on the Group's operations is not presented.

4. SEGMENT INFORMATION (CONT'D)

Geographical segment

The Group's operations are located in Malaysia, People's Republic of China and Indonesia.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance are based on the geographical segments by location of customers.

Segment revenue from external customers is based on the country in which the customers' business operations are located.

Segment assets, liabilities and capital expenditure information are not presented as it cannot be reasonably allocated to an individual segment.

THE GROUP	ASIA 2018 RM'000	ASIA 2017 RM'000	EUROPE 2018 RM'000	EUROPE 2017 RM'000	UNITED STATES OF AMERICA 2018 RM'000	UNITED STATES OF AMERICA 2017 RM'000	CONSOLIDATED 2018 RM'000	CONSOLIDATED 2017 RM'000
Geographical segments by location of customers								
Statement of Profit or Loss								
Revenue								
External sales	**492,963**	596,588	**223,247**	208,044	**635,066**	661,095	**1,351,276**	1,465,727
Results								
Segment results	**49,236**	77,295	**(7,559)**	369	**68,215**	101,532	**109,892**	179,196
Non-reportable segments							**(141)**	(142)
Finance costs							**(4,089)**	(3,241)
Investment income							**5,401**	4,966
Profit before tax							**111,063**	180,779
Taxation							**(15,230)**	(19,375)
Profit for the year							**95,833**	161,404

5. REVENUE

	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000	THE COMPANY 2018 RM'000	THE COMPANY 2017 RM'000
Single Billing - Turnkey	**805,602**	901,826	**317,721**	382,269
Multiple Billings - Process Billings	**545,674**	563,901	**304,341**	301,674
	1,351,276	1,465,727	**622,062**	683,943

6. OTHER GAINS/(LOSSES), OTHER OPERATING INCOME/(EXPENSES) AND EMPLOYEE BENEFIT EXPENSES

Included in other gains/(losses) and other operating income/(expenses) are the following:

	NOTE	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000	THE COMPANY 2018 RM'000	THE COMPANY 2017 RM'000
Foreign exchange:					
Realised gain/(loss)		**4,088**	(8,887)	**986**	(6,121)
Unrealised gain/(loss)		**4,875**	(1,389)	**445**	1,257
Rental income		**1,729**	2,243	**2,313**	2,402
Gain arising on financial assets designated as at FVTPL		**930**	-	**640**	-
Gain on disposal of property, plant and equipment		**658**	1,566	**266**	144
Grant income received		**628**	2,762	**-**	-
Amortisation of deferred income	23	**409**	212	**-**	-
Gain on liquidation of a subsidiary		**119**	-	**-**	-
Research and development expenses		**(8,847)**	(8,401)	**(6,340)**	(5,649)
Amortisation of intangible assets	15	**(1,362)**	(2,263)	**-**	-
Rental expenses		**(907)**	(1,026)	**(336)**	(328)
Property, plant and equipment written off		**(37)**	(17)	**(10)**	(17)
Cumulative gain reclassified from equity on disposal of available-for-sale investments		**-**	309	**-**	281
Gain on disposal of available-for-sale investments		**-**	53	**-**	41

Included in employee benefit expenses of the Group and of the Company are the following charges:

	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000	THE COMPANY 2018 RM'000	THE COMPANY 2017 RM'000
Defined benefit plans	**5,629**	3,687	**-**	-
Defined contribution plans	**28,875**	28,599	**9,764**	9,407

7. DIRECTORS' REMUNERATION

	THE GROUP AND THE COMPANY 2018 RM'000	THE GROUP AND THE COMPANY 2017 RM'000
Directors of the Company		
Executive:		
Fees	**703**	661
Other emoluments	**7,357**	7,874
Defined contribution plans	**881**	942
	8,941	9,477
Non-executive fees	**1,025**	1,179
	9,966	10,656

The estimated monetary value of benefits-in-kind received and receivable by the directors other than in cash from the Group and the Company amounted to approximately RM158,000 (2017: RM192,000).

8. FINANCE COSTS

	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000	THE COMPANY 2018 RM'000	THE COMPANY 2017 RM'000
Interest on:				
Revolving credit	**1,955**	1,733	**-**	-
Term loans	**1,233**	581	**-**	-
Bank charges and commissions	**790**	898	**273**	285
Loan and facility arrangement fees	**111**	29	**-**	-
Total interest expense for financial liabilities not classified as at FVTPL	**4,089**	3,241	**273**	285

9. INVESTMENT INCOME

	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000	THE COMPANY 2018 RM'000	THE COMPANY 2017 RM'000
Interest income from:				
Short-term deposits with licensed banks	**5,113**	4,966	**1,852**	3,208
Loan granted to a subsidiary (Note 18)	**-**	-	**808**	163
Income from investments	**288**	-	**288**	-
Dividend income from subsidiary	**-**	-	**63,041**	-
	5,401	4,966	**65,989**	3,371

The following is an analysis of investment income by category of assets:

	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000	THE COMPANY 2018 RM'000	THE COMPANY 2017 RM'000
Interest income from:				
Short-term deposits	**5,113**	4,966	**1,852**	3,208
Financial assets measured at amortised cost	**-**	-	**808**	163
Total interest income earned on financial assets that are not designated as at FVTPL	**5,113**	4,966	**2,660**	3,371
Dividend income earned on non-financial assets	**-**	-	**63,041**	-
Income on financial assets designated as at FVTPL	**288**	-	**288**	-
	5,401	4,966	**65,989**	3,371

10. TAXATION

(a) Taxation recognised in profit or loss

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax expense comprises:				
Current tax in respect of the financial year:				
Malaysian	**(7,549)**	(9,306)	**(7,163)**	(9,041)
Foreign	**(3,426)**	(10,877)	**-**	-
Deferred tax relating to origination and reversal of temporary differences	**(4,584)**	397	**-**	-
Adjustments recognised in the current year in relation to the taxes of prior years:				
- income tax	**329**	411	**289**	392
Total tax expense	**(15,230)**	(19,375)	**(6,874)**	(8,649)

Malaysian income tax is calculated at the statutory tax rate of 24% for the year of assessment 2018 (2017: 24%) on the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax expense for the year can be reconciled to the accounting profit as follows:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	**111,063**	180,779	**104,529**	64,830
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2017: 24%)	**(26,655)**	(43,387)	**(25,087)**	(15,559)
Effect of reduced tax rate for a foreign subsidiary operating in promoted area	**5,229**	6,367	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**46**	(56)	**-**	-
Tax effects of:				
Utilisation of unutilised tax losses and reinvestment allowances not recognised as deferred tax assets	**13,604**	24,613	**13,034**	18,124
Income that is exempted from taxation	**15,023**	1,243	**14,876**	1,233
Unabsorbed capital allowances and unutilised tax losses not recognised as deferred tax assets	**(5,842)**	(6,243)	**-**	-
Expenses that are not deductible in determining taxable profit	**(16,964)**	(2,323)	**(9,986)**	(12,839)
	(15,559)	(19,786)	**(7,163)**	(9,041)
Adjustments recognised in the current year in relation to the taxes of prior years:				
- income tax	**329**	411	**289**	392
Taxation recognised in the statements of profit or loss	**(15,230)**	(19,375)	**(6,874)**	(8,649)

10. TAXATION (CONT'D)

(b) Tax Recoverable and Provision for Taxation

Tax recoverable relates to tax refundable and provision for taxation relates to income tax payable.

Contingent tax expenses pending outcome of court cases are as follows:

	THE GROUP	
	2018 RM'000	**2017 RM'000**
Years of Assessment:		
2009	**10,857**	10,630
2010	**1,913**	1,874
2011	**9,096**	8,831
2012	**4,373**	4,356
Contingent tax expense pending outcome of court cases (included in tax recoverable of the Group)	**26,239**	25,691
Less: Amount recognised as tax expense upon early adoption of IC Int. 23	**(26,239)**	-
	-	25,691

PT Unisem received revised tax assessments from the local tax authorities in respect of Years of Assessment 2009 to 2012 and had filed objections/appeals accordingly with the exception of Year of Assessment 2010 in which PT Unisem had to revise the tax computation due to the flowover impacts from Year of Assessment 2009 revised tax assessment. The stages of objections/appeals range from Tax Court and Supreme Court in which the final outcome of the objections/appeals have yet to be obtained.

PT Unisem had paid a significant portion of the tax payable arising from the revised tax assessments so as to reduce any potential penalty payments imposed as the Indonesia tax laws permit the local tax authorities to do so.

The details of the tax assessments and late payment interest for the respective years of assessment are explained below:

<u>Year of Assessment 2009 (YA 2009)</u>

PT Unisem had an outstanding appeal on tax assessment received for YA 2009 showing an underpayment of corporate income tax amounting to RM4,609,270 and interest of RM1,474,967 instead of an overpayment of RM459,146.

PT Unisem had made a partial payment of RM1,826,830, RM1,239,930 and RM3,017,477 in year 2011, 2012 and 2015 respectively for the assessed underpayment amount inclusive of interest of RM6,084,237 subsequent to the rejection of appeal by both the Director General of Tax and Tax Court. Following the rejected appeal, a penalty of RM4,253,646 was imposed on the late payment of the outstanding balance.

In June 2015, PT Unisem submitted a judicial review to the Supreme Court for the result of the Tax Court.

In March 2017, PT Unisem received additional tax assessment for YA 2009 of RM60,347 and made a full payment within the same year.

As at the date of this audit report, the outcome of the appeal has yet to be obtained.

10. TAXATION (CONT'D)

(b) Tax Recoverable and Provision for Taxation (cont'd)

Year of Assessment 2010 (YA 2010)

Based on the revised tax assessment for YA 2009 disclosed above, PT Unisem amended the corporate income tax for YA 2010 due to the utilisation of fiscal loss carried forward disputed for YA 2009. The revision of tax assessment had resulted in an underpayment for YA 2010 including interest of RM1,629,797, instead of an overpayment of RM283,427. PT Unisem had made a full payment on the assessed underpayment of corporate income tax in year 2010.

As at the date of this audit report, the outcome of the appeal has yet to be obtained.

Year of Assessment 2011 (YA 2011)

PT Unisem has an outstanding appeal on tax assessment received for YA 2011 showing an underpayment of corporate income tax amounting to RM2,513,123 and withholding tax amounting to RM469,657 respectively and interest of RM753,939, instead of an overpayment of RM1,621,456.

In 2017, PT Unisem had made full payment of the underpayment amount inclusive of the interest and withholding tax. Following the rejected appeal, a penalty of RM3,267,063 and RM469,657 respectively were imposed on the late payment of the outstanding balances. PT Unisem made a full payment of the penalty imposed within the same year.

In May 2017, PT Unisem submitted a judicial review to the Supreme Court for the result of the Tax Court.

As at the date of this audit report, the outcome of the appeal has yet to be obtained.

Year of Assessment 2012 (YA 2012)

PT Unisem has an outstanding appeal on tax assessment received for YA 2012 showing an underpayment of corporate income tax amounting to RM3,197,627 and interest of RM1,023,240, instead of an overpayment of RM152,251.

In 2014, PT Unisem made a full payment of the assessed underpayment amount inclusive of interest of RM4,373,117. Appeal submitted to the Director General of Tax on the underpayment had been rejected. Following the rejected appeal, PT Unisem submitted an appeal to the Tax Court.

At the date of this audit report, the outcome of the appeal has yet to be obtained.

10. TAXATION (CONT'D)

(c) Deferred Tax Balances

Certain deferred tax assets and deferred tax liabilities have been offset in accordance with the Group's and the Company's accounting policy. Deferred tax balances are presented in the statements of financial position after appropriate offsetting as follows:

THE GROUP 2018	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets					
Unutilised reinvestment allowances	64,203	(990)	-	-	**63,213**
Unabsorbed investment tax allowances and tax capital allowances and unutilised tax losses	8,886	(223)	-	-	**8,663**
Retirement benefits	10,215	1,083	(2,111)	194	**9,381**
Provisions	676	761	-	(32)	**1,405**
	83,980	631	(2,111)	162	**82,662**
Offsetting					**(81,946)**
Deferred tax assets (after offsetting)					**716**
Deferred tax liabilities					
Property, plant and equipment	(87,508)	(5,215)	-	(217)	**(92,940)**
Offsetting					**81,946**
Deferred tax liabilities (after offsetting)					**(10,994)**

THE GROUP 2017	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets					
Unutilised reinvestment allowances	64,540	(337)	-	-	64,203
Unabsorbed investment tax allowances and tax capital allowances and unutilised tax losses	10,221	(1,285)	-	(50)	8,886
Retirement benefits	8,268	383	2,547	(983)	10,215
Provisions	750	(43)	-	(31)	676
	83,779	(1,282)	2,547	(1,064)	83,980
Offsetting					(82,631)
Deferred tax assets (after offsetting)					1,349
Deferred tax liabilities					
Property, plant and equipment	(90,876)	1,679	-	1,689	(87,508)
Offsetting					82,631
Deferred tax liabilities (after offsetting)					(4,877)

10. TAXATION (CONT'D)

(c) Deferred Tax Balances (Cont'd)

THE COMPANY 2018	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	AT END OF YEAR RM'000
Deferred tax assets			
Unutilised reinvestment allowances	64,203	(990)	**63,213**
Offsetting			**(62,597)**
Deferred tax assets (after offsetting)			**616**
Deferred tax liabilities			
Property, plant and equipment	(63,587)	990	**(62,597)**
Offsetting			**62,597**
Deferred tax liabilities (after offsetting)			**-**

THE COMPANY 2017	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	AT END OF YEAR RM'000
Deferred tax assets			
Unutilised reinvestment allowances	64,540	(337)	64,203
Offsetting			(63,587)
Deferred tax assets (after offsetting)			616
Deferred tax liabilities			
Property, plant and equipment	(63,924)	337	(63,587)
Offsetting			63,587
Deferred tax liabilities (after offsetting)			-

Subject to agreement by the respective tax jurisdictions, the components of deferred tax assets of the Group and of the Company not recognised at the end of the reporting period are as follows:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unutilised investment tax allowances	**16,026**	16,108	**-**	-
Unutilised reinvestment allowances	**2,888**	10,134	**1,795**	9,601
Unabsorbed capital allowances and unutilised tax losses	**4,751**	18,620	**-**	-
	23,665	44,862	**1,795**	9,601

10. TAXATION (CONT'D)

(c) Deferred Tax Balances (Cont'd)

The deferred tax assets not recognised for one of the foreign subsidiaries will expire as follows:

	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000
Unutilised tax losses and reinvestment allowances expiring in:		
2018	**-**	3,893
2019	**73**	1,162
2020	**548**	2,977
2021	**1,145**	4,485
2022	**1,446**	6,103
2023	**1,539**	-
	4,751	18,620

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year, net of tax attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year, excluding treasury shares held by the Company.

	THE GROUP 2018	THE GROUP 2017
Profit for the year attributable to owners of the Company (RM'000)	**95,834**	159,461
Number of ordinary shares in issue as of January 1 ('000)	**733,831**	733,831
Weighted average number of ordinary shares bought back during the year and held as treasury shares ('000)	**(3,972)**	-
Weighted average number of shares in issue as of December 31 ('000)	**729,859**	733,831
Basic and diluted earnings per share (sen)	**13.13**	21.73

12. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	BUILDINGS RM'000	PLANT AND MACHINERY RM'000	ELECTRICAL INSTALLATION RM'000	OFFICE EQUIPMENT RM'000	AIR-CONDITIONERS RM'000	MOTOR VEHICLES RM'000	FURNITURE AND FITTINGS RM'000	PRODUCTION SUPPORT EQUIPMENT RM'000	CAPITAL WORK-IN-PROGRESS RM'000	TOTAL RM'000
Cost										
As of January 1, 2017	381,646	3,024,763	16,243	80,845	13,077	4,253	16,777	60,131	11,375	3,609,110
Additions	788	82,885	490	2,640	1,155	382	318	127	77,198	165,983
Translation reserve	(17,471)	(82,841)	-	(2,407)	(187)	(51)	(875)	(2,148)	(2,443)	(108,423)
Disposals	(4,958)	(58,461)	-	(4,567)	-	(536)	-	-	-	(68,522)
Write offs	-	-	-	(519)	-	-	-	-	-	(519)
Transfers	1,756	68,498	-	-	-	-	-	124	(70,378)	-
As of December 31, 2017	361,761	3,034,844	16,733	75,992	14,045	4,048	16,220	58,234	15,752	3,597,629
Additions	672	70,724	1,289	2,790	1,327	188	268	177	94,464	171,899
Translation reserve	(3,382)	(19,706)	-	(230)	(163)	(14)	29	(1,893)	(1,414)	(26,773)
Disposals	-	(34,998)	-	(4,671)	-	-	(114)	-	-	(39,783)
Write offs	-	(36,574)	-	(5)	-	-	-	-	-	(36,579)
Transfers	4,638	82,353	-	384	-	-	-	1,224	(88,599)	-
As of December 31, 2018	**363,689**	**3,096,643**	**18,022**	**74,260**	**15,209**	**4,222**	**16,403**	**57,742**	**20,203**	**3,666,393**
Accumulated depreciation and impairment losses										
As of January 1, 2017	161,560	2,180,356	15,042	60,158	11,254	2,895	15,428	33,442	-	2,480,135
Charge for the year	8,723	145,663	489	4,628	280	378	299	4,407	-	164,867
Translation reserve	(11,610)	(63,362)	-	(2,248)	(167)	(39)	(862)	(1,279)	-	(79,567)
Disposals	(2,972)	(58,402)	-	(4,548)	-	(520)	-	-	-	(66,442)
Write offs	-	-	-	(502)	-	-	-	-	-	(502)
As of December 31, 2017	155,701	2,204,255	15,531	57,488	11,367	2,714	14,865	36,570	-	2,498,491
Charge for the year	8,080	145,071	471	3,772	344	418	289	4,337	-	162,782
Translation reserve	1,009	(11,985)	-	(189)	(147)	(8)	50	(1,246)	-	(12,516)
Disposals	-	(35,131)	-	(4,671)	-	-	(114)	-	-	(39,916)
Write offs	-	(36,537)	-	(5)	-	-	-	-	-	(36,542)
As of December 31, 2018	**164,790**	**2,265,673**	**16,002**	**56,395**	**11,564**	**3,124**	**15,090**	**39,661**	**-**	**2,572,299**
Carrying amounts										
As of December 31, 2017	206,060	830,589	1,202	18,504	2,678	1,334	1,355	21,664	15,752	1,099,138
As of December 31, 2018	**198,899**	**830,970**	**2,020**	**17,865**	**3,645**	**1,098**	**1,313**	**18,081**	**20,203**	**1,094,094**

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE COMPANY	BUILDINGS RM'000	PLANT AND MACHINERY RM'000	ELECTRICAL INSTALLATION RM'000	OFFICE EQUIPMENT RM'000	AIR-CONDITIONERS RM'000	MOTOR VEHICLES RM'000	FURNITURE AND FITTINGS RM'000	CAPITAL WORK-IN-PROGRESS RM'000	TOTAL RM'000
Cost									
As of January 1, 2017	94,199	1,436,492	15,904	43,458	8,071	3,172	5,377	3,235	1,609,908
Additions	788	78,834	483	2,480	1,155	92	70	412	84,314
Disposals	-	(58,502)	-	(74)	-	(57)	-	-	(58,633)
Write offs	-	-	-	(519)	-	-	-	-	(519)
Transfers	1,756	-	-	-	-	-	-	(1,756)	-
As of December 31, 2017	96,743	1,456,824	16,387	45,345	9,226	3,207	5,447	1,891	1,635,070
Additions	672	33,549	404	2,362	1,327	187	159	766	39,426
Disposals	-	(7,636)	-	-	-	-	-	-	(7,636)
Write offs	-	(1,845)	-	-	-	-	-	-	(1,845)
Transfers	766	-	-	-	-	-	-	(766)	-
As of December 31, 2018	**98,181**	**1,480,892**	**16,791**	**47,707**	**10,553**	**3,394**	**5,606**	**1,891**	**1,665,015**
Accumulated depreciation and impairment losses									
As of January 1, 2017	26,141	1,070,656	13,900	27,038	6,750	1,850	4,542	-	1,150,877
Charge for the year	2,141	58,753	461	3,085	280	285	164	-	65,169
Disposals	-	(50,734)	-	(62)	-	(58)	-	-	(50,854)
Write offs	-	-	-	(502)	-	-	-	-	(502)
As of December 31, 2017	28,282	1,078,675	14,361	29,559	7,030	2,077	4,706	-	1,164,690
Charge for the year	2,162	57,902	420	3,129	344	279	152	-	64,388
Disposals	-	(7,100)	-	-	-	-	-	-	(7,100)
Write offs	-	(1,835)	-	-	-	-	-	-	(1,835)
As of December 31, 2018	**30,444**	**1,127,642**	**14,781**	**32,688**	**7,374**	**2,356**	**4,858**	**-**	**1,220,143**
Carrying amounts									
As of December 31, 2017	68,461	378,149	2,026	15,786	2,196	1,130	741	1,891	470,380
As of December 31, 2018	**67,737**	**353,250**	**2,010**	**15,019**	**3,179**	**1,038**	**748**	**1,891**	**444,872**

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment review of property, plant and equipment

One of the foreign subsidiaries, PT Unisem, has been making losses for the current and prior financial years due to lower than expected demand from its major customers, which is considered as a triggering event for impairment review on the subsidiary's property, plant and equipment.

The directors have performed an impairment assessment on the carrying amount of PT Unisem's property, plant and equipment as at December 31, 2018 by estimating the recoverable amount using fair value less costs to sell valuation model. The fair values of property, plant and equipment are determined based on valuations carried out by independent external valuers using the following approaches:

(a) Land and plant and machinery - market comparable approach using the recent transaction prices for similar properties;

(b) Building - depreciated replacement cost approach with consideration given to cost of reproduction of the replaceable properties with current construction costs and adjusted for physical deterioration, functional obsolescence and economic obsolescence; and

(c) Plant and machinery - cost approach that reflects the cost that a market participant will pay for the purchase or the construction of similar assets and age.

Based on assessment, no impairment will be required to be recognised on PT Unisem's property, plant and equipment.

13. PREPAID INTEREST IN LEASED LAND

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost:				
At beginning of year	**28,743**	29,885	**4,354**	4,354
Translation reserve	**(201)**	(1,142)	**-**	-
At end of year	**28,542**	28,743	**4,354**	4,354
Less: Amortisation				
At beginning of year	**10,040**	10,174	**836**	792
Charge for the year	**549**	573	**44**	44
Translation reserve	**52**	(707)	**-**	-
At end of year	**10,641**	10,040	**880**	836
Net	**17,901**	18,703	**3,474**	3,518

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost		
At beginning of year	**533,328**	533,328
Additions	**63,041**	-
At end of year	**596,369**	533,328
Accumulated impairment losses		
At beginning of year	**197,316**	147,816
Additions	**39,463**	49,500
At end of year	**236,779**	197,316
Carrying amount	**359,590**	336,012

Impairment review of investments in subsidiaries

PT Unisem has been making losses for the current and prior financial years which is considered as a triggering event for impairment review on the investment of Unisem (Mauritius) Holdings Limited group ("Unisem Mauritius group") since PT Unisem is the only operating entity within that group.

The directors have performed an impairment assessment on the carrying amount of the investment as at December 31, 2018 by estimating the recoverable amount using fair value less costs to sell valuation model. For the purpose of determining the recoverable amount, PT Unisem as a whole is considered as the CGU. In arriving at the equity value of the investment, the fair values of the property, plant and equipment of PT Unisem are estimated based on valuations carried out by independent external valuers and adjusted for other assets that will be recovered and liabilities that will be paid as at December 31, 2018.

Based on assessment, the Company had recognised additional impairment loss of RM39,463,000 (2017:RM49,500,000) during the financial year.

14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries as at the end of the reporting period are as follows:

NAME OF COMPANIES	PLACE OF INCORPORATION	PROPORTION OF OWNERSHIP INTEREST/ VOTING RIGHTS HELD BY THE COMPANY 2018 %	2017 %	PRINCIPAL ACTIVITIES
Direct subsidiaries				
Unisem (Ipoh) Sdn. Bhd. #	Malaysia	**100.00**	100.00	Pre-operating.
Unisem Advanced Technologies Sdn. Bhd.	Malaysia	**92.41**	92.41	Wafer bumping and packaging and testing of semiconductor devices and other related services.
Unisem Chengdu Co., Ltd.	People's Republic of China	**100.00**	100.00	Packaging and testing of semiconductor devices.
Unisem (Mauritius) Holdings Limited @	Republic of Mauritius	**99.98**	99.98	Investment holding and the provision of management services.
Unisem Chengdu International Import & Export Co., Ltd.^ #	People's Republic of China	**100.00**	100.00	Marketing of semiconductor devices and provision of related services.
Subsidiaries of Unisem (Mauritius) Holdings Limited:				
PT. Unisem	Indonesia	**99.98**	99.98	Provision of assembly and test services.
Unisem International (Hong Kong) Limited ^	Hong Kong	**99.98**	99.98	Contracting entity for the provision of assembly and test services.
Unisem GmbH @	Germany	**99.98**	99.98	Liquidated on August 27, 2018.
Unisem (Sunnyvale), Inc. @	United States of America	**99.98**	99.98	Marketing and other support services.

\# Dormant during the financial year.
^ The financial statements of these companies were examined by auditors other than the auditors of the Company.
@ No statutory audit required.

The accumulated non-controlling interests as of December 31, 2018 of RM7,297,000 (2017: RM7,298,000) is attributable to Unisem Advanced Technologies Sdn. Bhd. and is considered not material to the Group.

15. INTANGIBLE ASSETS

THE GROUP	LICENSE FEES AND INTELLECTUAL PROPERTY RIGHT RM'000	TECH-TRANSFER SUPPORT FEES RM'000	CAPITALISED DEVELOPMENT EXPENSES RM'000	TOTAL RM'000
Cost				
As of January 1, 2017	24,165	27,714	1,954	53,833
Translation reserve	(713)	(2,198)	(191)	(3,102)
As of December 31, 2017	23,452	25,516	1,763	50,731
Translation reserve	141	433	38	612
As of December 31, 2018	**23,593**	**25,949**	**1,801**	**51,343**
Accumulated amortisation and impairment losses				
As of January 1, 2017	21,340	26,914	1,954	50,208
Charge for the year	1,728	535	-	2,263
Translation reserve	(713)	(2,198)	(191)	(3,102)
As of December 31, 2017	22,355	25,251	1,763	49,369
Charge for the year	1,097	265	-	1,362
Translation reserve	141	433	38	612
As of December 31, 2018	**23,593**	**25,949**	**1,801**	**51,343**
Carrying amounts				
As of December 31, 2017	1,097	265	-	1,362
As of December 31, 2018	**-**	**-**	**-**	**-**

The amortisation expenses have been included in "other operating expenses" in the statement of profit or loss of the Group.

The intangible assets comprise mainly license fees and tech-transfer support fees incurred to acquire and bring to use specific technology capabilities relating to the bumping and packaging of semiconductor devices. The carrying amounts of these license fees and tech-transfer support fees have been fully amortised during the year. (2017: 1 year).

16. INVENTORIES

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost:				
Raw materials	**95,465**	78,207	**42,764**	36,223
Factory supplies	**64,503**	61,277	**46,656**	40,794
Work-in-progress	**15,237**	18,859	**4,631**	7,374
Finished goods	**2,719**	4,782	**686**	961
Goods-in-transit	**39**	49	**39**	49
	177,963	163,174	**94,776**	85,401
Less: Allowance for slow-moving inventories:				
At beginning of year	**(497)**	(1,252)	**-**	(253)
(Allowance)/Reversal	**(99)**	279	**-**	-
Write off	**177**	428	**-**	253
Translation reserve	**13**	48	**-**	-
At end of year	**(406)**	(497)	**-**	-
	177,557	162,677	**94,776**	85,401

The costs of inventories of the Group and of the Company recognised as an expense during the year were approximately RM1,195,074,000 (2017: RM1,212,691,000) and RM520,928,000 (2017: RM539,811,000) respectively.

17. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables	**154,148**	173,752	**74,370**	97,365
Less: Allowance for doubtful debts				
At beginning of year	**(19)**	(19)	**-**	-
Write off	**19**	-	**-**	-
At end of year	**-**	(19)	**-**	-
	154,148	173,733	**74,370**	97,365

Trade receivables comprise amounts receivable for sale of goods and services rendered. The credit terms granted range from 30 to 60 days (2017: 30 to 60 days).

The Group and the Company measure the loss allowance for trade receivables at an amount equal to lifetime ECL using a simplified approach. The expected credit losses on trade receivables are estimated based on past default experience and an analysis of the trade receivables' current financial position, adjusted for factors that are specific to the trade receivables such as liquidation, bankruptcy, etc.. The Group and the Company do not have much historical bad or doubtful debts as amounts due from trade receivables are usually collectible, although at times the trade receivables took longer than the credit terms given for the settlement of accounts. The delayed in repayment by trade receivables is mainly due to disagreement of pricing and quality issue. Based on the above assessment, no loss allowance is required.

The trade receivables of the Group and of the Company are denominated in US Dollar.

17. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Other receivables, deposits and prepaid expenses consist of:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	**5,377**	6,196	**1,978**	5,330
Deposits	**3,197**	3,214	**374**	376
Prepaid expenses	**6,289**	4,332	**3,891**	2,361
	14,863	13,742	**6,243**	8,067

Other receivables comprise mainly payments made on behalf and advances granted that are unsecured, interest-free and are repayable on demand.

Transactions with related parties are disclosed in Note 18.

The currency profile of other receivables is as follows:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**1,816**	5,439	**1,978**	5,330
Chinese Renminbi	**2,408**	569	**-**	-
US Dollar	**1,153**	188	**-**	-
	5,377	6,196	**1,978**	5,330

18. HOLDING COMPANIES AND AMOUNT OWING BY/(TO) SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

The immediate and ultimate holding companies of the Company are Huatian Technology (Malaysia) Sdn. Bhd., a company incorporated in Malaysia and Tianshui Huatian Technology Co., Ltd, a company incorporated in People's Republic of China and listed on the Shenzhen Stock Exchange respectively.

The amounts owing by/(to) subsidiaries are unsecured, interest-free and are repayable upon demand except for loans granted to a subsidiary of RM24,799,000 (2017: RM8,093,000) which bear interest rate of 5.00% (2017: 5.00%) per annum.

The amounts owing by subsidiaries are expected to be repaid as follows:

	THE COMPANY	
	2018 RM'000	2017 RM'000
Amount due within 12 months	**583**	31,129
Amount due after 12 months	**49,453**	-
	50,036	31,129

The Company measures the loss allowance for amount owing by subsidiaries if there are indications that the subsidiaries are having financial difficulties or inactive. The expected credit losses on amount owing by subsidiaries are estimated using the adjusted net tangible assets approach. In arriving at the net tangible assets, the estimated fair values of the subsidiaries' property, plant and equipment are incorporated. Based on review, no loss allowance is required.

18. HOLDING COMPANIES AND AMOUNT OWING BY/(TO) SUBSIDIARIES AND RELATED PARTY TRANSACTIONS (CONT'D)

The currency profile of amount owing by subsidiaries is as follows:

	THE COMPANY	
	2018 RM'000	2017 RM'000
US Dollar	**41,600**	22,863
Ringgit Malaysia	**8,436**	8,194
Euro	**-**	72
	50,036	31,129

The amounts owing to subsidiaries are denominated in US Dollar.

During the financial year, related party transactions are as follows:

	THE COMPANY	
	2018 RM'000	2017 RM'000
Subsidiaries		
Dividend received	**63,041**	-
Loan granted	**16,127**	8,093
Marketing support fee paid/payable	**2,717**	3,359
Purchase of property, plant and equipment	**2,137**	953
Management fees received/receivable	**576**	576
Rental income	**834**	400
Other marketing support fees paid/payable	**410**	398
Marketing support fees received/receivable	**131**	193
Interest received/receivable on loan granted (Note 9)	**808**	163
Disposal of property, plant and equipment	**-**	7,646

The outstanding balances as at the end of the reporting period are as follows:

	THE GROUP	
	2018 RM'000	2017 RM'000
Related parties		
Included in other payables	**322**	322

Compensation of key management personnel

The remuneration of other members of key management during the year is as follows:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefit	**8,287**	8,123	**2,898**	2,757
Post employment benefit	**73**	77	**-**	-
	8,360	8,200	**2,898**	2,757

19. CASH AND CASH EQUIVALENTS

	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000	THE COMPANY 2018 RM'000	THE COMPANY 2017 RM'000
Cash on hand and at banks	**241,991**	188,312	**70,369**	109,687
Short-term deposits with licensed banks	**58,900**	160,347	**28,000**	49,175
Other cash equivalents classified as at FVTPL	**43,219**	-	**30,929**	-
	344,110	348,659	**129,298**	158,862

The currency profile of deposits and other cash and cash equivalents is as follows:

	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000	THE COMPANY 2018 RM'000	THE COMPANY 2017 RM'000
US Dollar	**197,902**	225,300	**36,777**	76,496
Ringgit Malaysia	**139,209**	117,005	**92,521**	82,365
Chinese Renminbi	**6,773**	5,916	**-**	-
Indonesian Rupiah	**168**	141	**-**	-
Singapore Dollar	**58**	138	**-**	-
Euro	**-**	158	**-**	-
Others	**-**	1	**-**	1
	344,110	348,659	**129,298**	158,862

The average effective interest rates per annum are as follows:

	2018 %	2017 %
Short-term deposits		
The Group	**1.48 - 4.00**	1.85 - 4.00
The Company	**1.48 - 3.80**	3.65 - 3.95
Bank current account		
The Group	**1.50 - 3.15**	2.05 - 2.85
The Company	**2.35 - 3.15**	2.05 - 2.85

The average maturities as at the end of the reporting period are as follows:

	2018 DAYS	2017 DAYS
Short-term deposits		
The Group	**14 - 90**	30 - 90
The Company	**14 - 90**	30 - 90

19. CASH AND CASH EQUIVALENTS (CONT'D)

Other cash equivalents

Other cash equivalents of the Group and of the Company comprise investments in money market funds which are measured as at FVTPL. Other cash equivalents are classified in Level 1 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 during the current financial year.

Additions to property, plant and equipment

During the financial year, property, plant and equipment were acquired by the following means:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Additions during the year	**171,899**	165,983	**39,426**	84,314
Outstanding balances	**(38,149)**	(38,197)	**(12,812)**	(12,462)
Cash payment in respect of additions in:				
Current year	**133,750**	127,786	**26,614**	71,852
Prior year	**38,197**	28,719	**12,462**	21,629
	171,947	156,505	**39,076**	93,481

20. SHARE CAPITAL AND TREASURY SHARES

(a) Share Capital

	NUMBER OF ORDINARY SHARES		AMOUNT		
	ORDINARY SHARES '000 UNITS	TREASURY SHARES '000 UNITS	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	TREASURY SHARES RM'000
Issued and fully paid:					
The Group and The Company					
As of January 1, 2017	733,831	-	366,915	228,452	-
Transfer from share premium	-	-	228,452	(228,452)	-
As of December 31, 2017	733,831	-	595,367	-	-
Purchase of own shares during the year	-	(6,745)	-	-	(15,888)
As of December 31, 2018	**733,831**	**(6,745)**	**595,367**	**-**	**(15,888)**

20. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) Treasury Shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ("AGM") held on April 25, 2018, granted the approval to the Company to repurchase up to 10% of its issued and paid-up share capital.

During the financial year, the Company repurchased 6,745,200 units of its own shares. The total amount paid for the acquisition of shares was RM15,887,863 and it has been deducted from equity. The repurchase transactions were financed by internally generated funds and the average price paid for the shares was RM2.36 per share. The repurchased shares have been held as treasury shares in accordance with Section 127(4)(b) of the Companies Act, 2016.

As at December 31, 2018, 6,745,200 out of the total issued and paid-up ordinary shares of 733,831,055 are held as treasury shares by the Company. The number of ordinary shares in issue and paid-up as at December 31, 2018 after excluding the treasury shares is 727,085,855.

21. RESERVES

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable reserves:				
Foreign currency translation reserve	**139,456**	160,980	**-**	-
Capital reserve	**35,525**	30,590	**-**	-
Distributable reserve:				
Retained earnings	**676,370**	668,508	**465,046**	429,463
	851,351	860,078	**465,046**	429,463

Foreign currency translation reserve

Exchange rate differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Ringgit Malaysia are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Capital reserve

Capital reserve is an account where a percentage of the retained earnings of a foreign subsidiary is transferred as required by the laws and regulations of the domicile country where that foreign subsidiary is incorporated.

Retained earnings

The entire retained earnings of the Company as of December 31, 2018 is available for distribution as dividends to the shareholders of the Company.

22. BORROWINGS

	THE GROUP	
	2018 RM'000	2017 RM'000
Secured:		
Revolving credit	**25,005**	26,302
Term loans	**15,274**	4,653
Unsecured:		
Term loans	**33,276**	13,965
	73,555	44,920
Less: Amount due within 12 months (shown under current liabilities)	**(62,139)**	(35,972)
Non-current portion	**11,416**	8,948

The non-current portion is repayable as follows:

	THE GROUP	
	2018 RM'000	2017 RM'000
Financial years ending December 31:		
2019	**-**	5,874
2020	**3,858**	1,052
2021	**3,858**	1,052
2022	**3,700**	970
	11,416	8,948

The Group's borrowings are entirely denominated in US Dollar.

The Company has RM40,000,000 (2017: RM40,000,000) unsecured revolving credit and bank guarantee facilities with a local bank.

The subsidiaries have the following banking facilities:

i) RM159,124,000 (2017: RM34,395,000) Islamic term loan facilities with two (2017: one) local banks which are repayable over four (2017: four) years commencing from years ranging from 2016 to 2019. These facilities are guaranteed by the Company;

ii) RM16,532,000 (2017: RM16,186,000) term loan facility with a foreign bank which is repayable over five (2017: five) years commencing from year 2018. This facility is guaranteed by the Company; and

iii) RM61,677,000 (2017: RM61,126,000) revolving credit, overdrafts, supplier financing and bank guarantee facilities with three (2017: two) foreign and local banks. These facilities are guaranteed by the Company.

22. BORROWINGS (CONT'D)

The term loans, revolving credit and bank overdrafts bear interest at floating rates.

The details of interest rates charged are as follows:

Term loans	-	1.30% - 1.50% (2017: 1.50%) per annum plus LIBOR
	-	5.00% (2017: 4.25%) per annum below bank term lending rate
Revolving credit	-	5.25% (2017: 4.75%) per annum below bank term lending rate
Supplier financing	-	5.60% (2017: 5.60%) per annum below bank term lending rate

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

THE GROUP	BALANCE AS OF JANUARY 1, 2018 RM'000	FINANCING CASH FLOWS[(1)] RM'000	NON-CASH CHANGES: EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES RM'000	NON-CASH CHANGES: AMORTISATION OF LOAN ARRANGEMENT FEES RM'000	NON-CASH CHANGES: UNREALISED GAIN ON FOREIGN EXCHANGE RM'000	BALANCE AS OF DECEMBER 31, 2018 RM'000
2018						
Revolving credit	**26,302**	**(1,816)**	**519**	**-**	**-**	**25,005**
Term loans	**18,618**	**28,857**	**348**	**29**	**698**	**48,550**
2017						
Revolving credit	24,000	4,945	(2,634)	-	-	26,302
Term loans	27,618	(6,396)	(374)	29	(2,259)	18,618

(1) The cash flows from bank borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

23. DEFERRED INCOME

	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000
At beginning of year	**8,036**	8,562
Additions	**5,431**	-
Amortisation	**(409)**	(212)
Translation reserve	**(349)**	(314)
At end of year	**12,709**	8,036

The deferred income relates to government grants, primarily in respect of capital investments, received by a direct foreign subsidiary.

24. RETIREMENT BENEFIT OBLIGATIONS

The Group operates an unfunded defined benefit plan for qualifying employees of its subsidiary in Indonesia. Under the plans, the employees are entitled to retirement benefits on attainment of the retirement age of 55.

The defined benefit plan exposes the Group to actuarial risks, such as longevity risk and salary risk.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the present value of the defined benefit obligations was carried out on December 31, 2018 by PT Towers Watson Purbajaga. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Amount recognised in the statement of profit or loss in respect of the retirement benefit obligations is as follows:

	THE GROUP	
	2018 RM'000	**2017 RM'000**
Current service costs	**2,114**	576
Interest on obligations	**2,415**	2,031
Other adjustments	**1,100**	1,080
	5,629	3,687

Movements in the present value of the retirement benefit obligations in the current year are as follows:

	THE GROUP	
	2018 RM'000	**2017 RM'000**
At beginning of year	**40,097**	31,574
Benefits paid	**(1,461)**	(1,158)
Remeasurement recognised in other comprehensive income	**(8,443)**	10,183
Expense recognised in the statement of profit or loss	**5,629**	3,687
Translation reserve	**154**	(4,189)
At end of year	**35,976**	40,097

The currency profile of the defined benefit obligations is as follows:

	THE GROUP	
	2018 RM'000	**2017 RM'000**
US Dollar	**22,156**	26,565
Indonesian Rupiah	**13,820**	13,532
	35,976	40,097

24. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The principal assumptions used for the purposes of the actuarial valuations are as follows:

	THE GROUP 2018 %	2017 %
Actuarial Assumptions		
Discount rate		
US Dollar based salary	**3.75**	3.00
Indonesian Rupiah ("IDR") based salary	**9.25**	7.00
Future salary increases:		
US Dollar based salary	**2.00**	2.00
IDR based salary	**7.00**	7.00
Mortality rate:	**Indonesia Mortality Table 2011 ("TMI'2011")**	Indonesia Mortality Table 2011 ("TMI'2011")
Disability rate:	**10% of TMI'2011**	10% of TMI'2011
Early retirement rate:	**1% per annum for age 45 years up to age 55 years**	1% per annum for age ≥ 45 years
Withdrawal rate:	**10% at age 25 reducing linearly to 1% at age 45 years**	10% at age 25 reducing linearly to 1% at age 45 years

Significant actuarial assumptions for the determination of the present value of the defined benefit obligations are discount rate and expected salary increase. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% (2017: 1%) higher/(lower), the defined benefit obligations would decrease by RM5,129,000 (2017: RM3,860,000) or increase by RM810,000 (2017: RM4,415,000).

- If the expected future salary growth increases/(decreases) by 1% (2017: 1%), the defined benefit obligations would increase by RM847,000 (2017: RM4,378,000) or decrease by RM5,212,000 (2017: RM3,901,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations recognised in the statement of financial position.

The Group expects to make a contribution of RM476,000 (2017: RM470,000) during the next financial year.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to the Group and to the Company range from 30 to 60 days (2017: 30 to 60 days).

The currency profile of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
US Dollar	**82,618**	86,241	**36,048**	40,552
Ringgit Malaysia	**1,833**	1,674	**1,833**	1,517
Japanese Yen	**434**	852	**-**	-
Singapore Dollar	**314**	216	**-**	6
Indonesian Rupiah	**201**	210	**-**	-
Chinese Renminbi	**323**	114	**-**	-
Others	**60**	124	**-**	-
	85,783	89,431	**37,881**	42,075

Other payables and accrued expenses consist of:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables	**84,376**	125,402	**38,123**	65,462
Accrued expenses	**61,537**	64,674	**27,054**	31,150
	145,913	190,076	**65,177**	96,612

Other payables comprise mainly outstanding balances for purchases of plant and machinery, indirect materials and spare parts. The amounts owing are interest-free and the credit terms granted to the Group and the Company range from 30 to 60 days (2017: 30 to 60 days).

Transactions with related parties are disclosed in Note 18.

The currency profile of other payables and accrued expenses is as follows:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
US Dollar	**56,806**	72,247	**19,821**	19,776
Ringgit Malaysia	**53,875**	81,645	**44,355**	75,469
Chinese Renminbi	**19,970**	22,295	**-**	-
Indonesian Rupiah	**9,904**	8,484	**-**	-
Singapore Dollar	**4,088**	4,051	**941**	1,349
Euro	**975**	1,138	**-**	-
Japanese Yen	**295**	216	**60**	18
	145,913	190,076	**65,177**	96,612

26. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2018 RM'000	2017 RM'000
1st Interim dividend paid:		
2.5 sen per share, tax-exempt (3.5 sen per share, tax-exempt for 2017)	**18,177**	25,684
2nd Interim dividend paid/payable:		
2.0 sen per share, tax-exempt (3.5 sen per share, tax-exempt for 2017)	**14,542**	25,684
Final dividend paid:		
4.0 sen per share, tax-exempt for 2017 (4.0 sen per share, tax-exempt for 2016)	**29,353**	29,353
	62,072	80,721

The first and second interim dividends in respect of the current financial year was paid on September 7, 2018 and December 6, 2018 respectively.

The directors have proposed a final dividend of 3.0 sen per share, tax-exempt, for the current financial year. The proposed final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

27. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's financial risk management objective is to optimise the value creation for shareholders. The main financial risks faced by the Group are as follows:

(a) Market risk

(i) Foreign currency risk management

The Group is exposed to foreign currency exchange risk when the Company or its subsidiaries enter into transactions that are not denominated in their functional currencies. Currently, the Group's revenue, cost of sales, operating expenses, capital expenditure and bank borrowings are denominated primarily in US Dollar, Ringgit Malaysia and Chinese Renminbi.

The Group attempts to significantly limit the foreign currency exchange risk by having a natural hedge between its receivables and a substantial portion of its payables/bank borrowings and may also enter into forward currency exchange contracts.

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the Group and of the Company at the end of the reporting period are disclosed in Notes 17, 18, 19, 22, 24 and 25.

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(i) Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of US Dollar and Chinese Renminbi.

For illustration purposes, the following sensitivity analysis includes the outstanding foreign currency denominated monetary items of the Group and of the Company. If the foreign currency denominated monetary items at the end of the reporting period were translated into Ringgit Malaysia with a 0.2% (2017: 0.5%) weakening/ strengthening of Ringgit Malaysia against the following relevant foreign currencies, the effect on profit or loss (after tax) and equity will be higher/lower by approximately:

THE GROUP	PROFIT OR LOSS 2018 RM'000	PROFIT OR LOSS 2017 RM'000	EQUITY 2018 RM'000	EQUITY 2017 RM'000
US Dollar impact	**289**	877	**144**	308
Chinese Renminbi impact	**-**	-	**22**	80
THE COMPANY				
US Dollar impact	**124**	445	**-**	-

The sensitivity rate represents management's assessment of the possible fluctuation in the exchange rates of the relevant foreign currencies in the next 12 months.

(ii) Interest rate risk management

The Group's exposure to interest rate risk relates primarily to the use of floating rate borrowings. Management is positioned to utilise interest rate swap contracts or other hedging measures to reduce the impact of interest rate fluctuations.

Interest rate sensitivity analysis

For illustration purposes, if the annual effective interest rates increase/decrease by 1.0% (2017: 0.5%) with all other variables including tax rate being held constant, the effect on profit or loss (after tax) will be lower/higher as follows:

	THE GROUP 2018 RM'000	THE GROUP 2017 RM'000
Profit or loss	**559**	171

The assumed movement in the interest rates for the interest rate sensitivity analysis is based on the current observable market environment.

27. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk

The Group's exposure to credit risk arises mainly from trade receivables and other receivables as well as cash and other cash equivalents.

Credit risk with respect to receivables is limited as the Group does not have any significant exposure to any individual customer. Credit limits are set and credit history is reviewed to minimise potential losses.

The Group places its cash and other cash equivalents with a number of creditworthy financial institutions and the risks arising therefrom are minimised in view of the financial strength of these financial institutions. The Group's policy also limits the concentration of financial exposure to any single financial institution.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the statements of financial position, except as follows:

	THE COMPANY	
	2018 RM'000	2017 RM'000
Corporate guarantee provided to banks for subsidiaries' facilities	**73,557**	44,921

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables is as follows:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Neither past due nor impaired	**148,831**	164,866	**73,474**	92,161
Past due but not impaired:				
61 - 90 days	**2,957**	5,353	**687**	2,480
91 - 120 days	**1,588**	272	**163**	-
Above 120 days	**772**	3,242	**46**	2,724
	5,317	8,867	**896**	5,204
Past due and impaired:				
Above 120 days	**-**	19	**-**	-
	154,148	173,752	**74,370**	97,365

Receivables that are neither past due nor impaired

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group did not impair the past due trade receivables which are unsecured in nature. The Group monitors these receivables closely and is confident of their eventual recovery.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

27. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk

The Group practices prudent liquidity risk management by maintaining rolling forecasts to monitor that it has sufficient funds to meet operational needs and to maintain sufficient credit facilities for contingent funding of working capital requirements.

The Group and the Company have unutilised banking facilities of approximately RM165,190,000 and RM33,000,000 (2017: RM80,060,000 and RM33,799,000) respectively at the end of the reporting period.

The Group expects that the cash generated from its operations, its existing credit facilities and the trade terms provided by its suppliers will be sufficient to meet the Group's financial obligations, capital expenditure and working capital needs for at least the next 12 months. The Group may consider opportunities to obtain additional funds to support its working capital requirements and capital expenditures and may seek to raise additional funds through public or private debt or equity financing or from other sources.

The table below summarises the maturity profile of the Group's and of the Company's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. All financial assets of the Group and of the Company are either on demand or mature within 1 year.

THE GROUP	ON DEMAND OR WITHIN 1 YEAR RM'000	1 TO 5 YEARS RM'000	OVER 5 YEARS RM'000
As of December 31, 2018			
Trade payables, other payables and accrued expenses	**231,696**	**-**	**-**
Bank borrowings	**63,360**	**12,625**	**-**
As of December 31, 2017			
Trade payables, other payables and accrued expenses	279,124	-	-
Bank borrowings	36,829	9,578	-

THE COMPANY	ON DEMAND OR WITHIN 1 YEAR RM'000	1 TO 5 YEARS RM'000	OVER 5 YEARS RM'000
As of December 31, 2018			
Trade payables, other payables and accrued expenses	**103,058**	**-**	**-**
Amount owing to subsidiaries	**15,574**	**-**	**-**
As of December 31, 2017			
Trade payables, other payables and accrued expenses	138,687	-	-
Amount owing to subsidiaries	27,688	-	-

27. FINANCIAL INSTRUMENTS (CONT'D)

(d) Capital risk

The Group's objective when managing capital is to ensure that the Group continues as a going concern in order to provide returns for shareholders.

The Group monitors capital by maintaining a gearing ratio of less than 1.5 times. The gearing ratio is calculated as total borrowings divided by total capital. Total borrowings and total capital are defined as 'current and non-current borrowings' and 'equity attributable to owners of the Company' respectively as shown in the statement of financial position.

	THE GROUP	
	2018 RM'000	2017 RM'000
Total borrowings	**73,555**	44,920
Total equity attributable to owners of the Company	**1,430,830**	1,455,445
Gearing ratio	**0.05**	0.03

Financial instruments that are carried at fair value

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Fair values of financial instruments carried at amortised cost

The carrying amounts of the short-term financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The fair values of long-term financial liabilities have been determined by the present value of future cash flows estimated and discounted using the current interest rates for similar instruments at the end of the reporting period. There is no material difference between the fair values and carrying values of these financial liabilities as of the end of the reporting period.

Fair values of financial instruments carried at FVTPL

The fair value of quoted investments in money market funds are measured based on year-end quoted prices in active market.

28. COMMITMENTS

(a) Operating lease arrangements

At the end of the reporting period, the Group has outstanding operating lease rentals, which fall due as follows:

	THE GROUP	
	2018 RM'000	2017 RM'000
Within one year	**40**	14
In the second to fifth year inclusive	**57**	10
	97	24

Operating lease payments represent rentals payable by the Group for one of its subsidiaries' office and residential properties.

(b) Capital expenditure

As of December 31, 2018, the Group and the Company have the following commitments in respect of property, plant and equipment:

	THE GROUP		THE COMPANY	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Approved and contracted for	**123,996**	10,285	**12,447**	5,363

29. CONTINGENT LIABILITY

	THE GROUP AND THE COMPANY	
	2018 RM'000	2017 RM'000
Withholding tax payable	**6,300**	-

During the financial year, one of the Company's foreign subsidiaries distributed dividend to the Company which would attract withholding tax in accordance with the subsidiary's tax regime. However, as the dividend received would be reinvested into the subsidiary by way of increasing the share capital of the subsidiary, the payment of the withholding tax is allowed to be deferred. The withholding tax will become payable when the Company disposes its interest in the investment of the subsidiary by way of share transfer, share buy-back or liquidation.

STATEMENT BY DIRECTORS

The directors of **UNISEM (M) BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2018 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

JOHN CHIA SIN TET

DATO' WONG GUANG SENG

Kuala Lumpur,
March 8, 2019

DECLARATION
BY THE DIRECTOR

primarily responsible for the financial management of the company

I, **FRANCIS CHIA MONG TET**, the director primarily responsible for the financial management of **UNISEM (M) BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

FRANCIS CHIA MONG TET

Subscribed and solemnly declared by the abovenamed
FRANCIS CHIA MONG TET at **KUALA LUMPUR** this 8th
day of March, 2019

Before me,

No. W530
Tan Seok Kett
COMMISSIONER FOR OATHS

SHAREHOLDERS' STATISTICS

as at 28 February 2019

1. Issued Shares and Voting Right

The total number of issued shares of the Company stands at 733,831,055 ordinary shares, with voting right of one vote per ordinary share.

The total number of treasury shares held by the Company is 6,745,200.

2. Analysis of Shareholdings

NO. OF HOLDERS	SIZE OF HOLDINGS	NO. OF SHARES	% OF TOTAL ISSUED SHARES
423	Less than 100	5,623	0.00
716	100 to 1,000	426,583	0.06
2,199	1,001 to 10,000	9,317,277	1.28
599	10,001 to 100,000	15,845,663	2.18
91	100,001 to less than 5% of issued Shares	126,846,845	17.45
3	5% and above of issued Shares	574,643,864	79.03
4,031		**727,085,855**	**100.00**

3. Substantial Shareholders (as per the Register of Substantial Shareholders)

	NO. OF SHARES HELD			
NAME OF SHAREHOLDERS	DIRECT INTEREST	%	DEEMED INTEREST	%
Huatian Technology (Malaysia) Sdn Bhd	428,553,254	58.94	-	-
Huatian Technology (Hongkong) Industrial Development Co., Limited	-	-	428,553,254	58.94 (a)
Tianshui Huatian Technology Co., Ltd.	-	-	428,553,254	58.94 (b)
Jayvest Holdings Sdn Bhd	87,597,085	12.05	6,798,700	0.94 (c)
John Chia Sin Tet	58,493,525	8.04	121,527,213	16.71 (d)
The Estate of Soo Yut Kuan	-	-	94,395,785	12.98 (e)

Notes:

(a) Held indirectly through Huatian Technology (Malaysia) Sdn Bhd.
(b) Held indirectly through Huatian Technology (Malaysia) Sdn Bhd and Huatian Technology (Hongkong) Industrial Development Co., Limited.
(c) Held indirectly through SCQ Industries Sdn Bhd.
(d) Held indirectly through Jayvest Holdings Sdn Bhd, Lancar Indah Sdn Bhd, SCQ Industries Sdn Bhd, his son and nominee companies/ pledged securities accounts.
(e) Held indirectly through Jayvest Holdings Sdn Bhd and SCQ Industries Sdn Bhd.

4. **Thirty Largest Shareholders (as per the Record of Depositors, without aggregating securities from different securities accounts belonging to the same person)**

	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
1.	Huatian Technology (Malaysia) Sdn Bhd	428,553,254	58.94
2.	Jayvest Holdings Sdn Bhd	87,597,085	12.05
3.	John Chia Sin Tet	58,493,525	8.04
4.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For John Chia Sin Tet (PB)	18,945,000	2.61
5.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	13,195,800	1.81
6.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN For OCBC Securities Private Limited (Client A/C-R ES)	9,620,000	1.32
7.	Yen Woon @ Low Sau Chee	8,521,420	1.17
8.	SCQ Industries Berhad	6,798,700	0.94
9.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	5,199,200	0.72
10.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Emerging Markets Stock Index Fund	4,071,950	0.56
11.	Yen Woon @ Low Sau Chee	3,915,700	0.54
12.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Total International Stock Index Fund	3,714,750	0.51
13.	Lancar Indah Sdn.Bhd.	3,500,000	0.48
14.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank For Yen Woon @ Low Sau Chee (PBCL-0G0364)	3,150,000	0.43
15.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank Of New York Mellon For The Board Of Regents Of The University Of Texas System	3,105,443	0.43
16.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Francis Chia Mong Tet (CEB)	2,870,480	0.39
17.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For John Chia Sin Tet (01-00825-000)	2,636,428	0.36
18.	HSBC Nominees (Asing) Sdn Bhd TNTC For Ontario Public Services Employees Union Pension Plan Trust Fund	2,098,015	0.29
19.	Alexander Chia Jhet-Wern	2,000,000	0.28
20.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Yen Woon @ Low Sau Chee (PB)	2,000,000	0.28

4. **Thirty Largest Shareholders (as per the Record of Depositors, without aggregating securities from different securities accounts belonging to the same person) (cont'd)**

	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
21.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (CIMB-P 6939-404)	1,910,900	0.26
22.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank Of New York Mellon For Pension Reserves Investment Trust Fund	1,714,389	0.24
23.	Shi Geok Wah	1,693,000	0.23
24.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Yen Woon @ Low Sau Chee (PB)	1,350,000	0.19
25.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund WTAU For Wisdomtree Emerging Markets Smallcap Dividend Fund	1,315,600	0.18
26.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Teachers' Retirement System Of The City Of New York	1,139,790	0.16
27.	Lau Kok Ping	1,100,000	0.15
28.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund KPAL For KP International Equity Fund	1,037,622	0.14
29.	Lee Sock Kieng	976,400	0.13
30.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Zurich Life Insurance Malaysia Berhad (LIFE PAR EQ II)	948,000	0.13
		683,172,451	**93.96**

STATEMENT OF DIRECTORS' INTEREST

as at 28 February 2019

Directors' Shareholdings (as per the Register of Directors Shareholdings)

NAME OF DIRECTORS	NO. OF SHARES HELD			
	DIRECT INTEREST	%	DEEMED INTEREST	%
John Chia Sin Tet	58,493,525	8.04	121,527,213	16.71 [(a)]
Lee Hoong Leong	-	-	-	-
Francis Chia Mong Tet	-	-	2,870,480	0.39 [(b)]
Alexander Chia Jhet-Wern	2,050,000	0.28	-	-
Dato' Gregory Wong Guang Seng	-	-	-	-
Ang Chye Hock	-	-	-	-
Yen Woon @ Low Sau Chee	12,437,120	1.71	11,793,000	1.62 [(c)]
Lim Siew Eng	-	-	-	-
Mahani Binti Amat	-	-	-	-
Xiao Zhiyi	-	-	-	-
Cui Weibing	-	-	-	-
Wu Shutao	-	-	-	-

Notes:

(a) Held indirectly through Jayvest Holdings Sdn Bhd, Lancar Indah Sdn Bhd, SCQ Industries Sdn Bhd, his son and nominee companies/pledged securities accounts.

(b) Held indirectly through nominee companies/pledged securities accounts.

(c) Held indirectly through his spouse, Lancar Indah Sdn Bhd and nominee companies/pledged securities accounts

LIST OF PROPERTIES
HELD BY THE GROUP
as at 31 December 2018

LOCATION	DESCRIPTION	EXISTING USE	TENURE	LAND AREA/ BUILD-UP AREA (APPROXIMATE)	DATE OF ACQUISITION/ COMPLETION	APPROXIMATE AGE OF BUILDING (IN YEARS)	BOOK VALUE AS AT 31 DECEMBER 2018 (RM'000)
PT 2514 and PT 2515 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Industrial land	Factory	99 years leasehold expiring 2094	6.294 hectare	July 1991	-	**2,292**
	Factory building Phase I	Factory	-	130,000 sq ft	March 1992	27	**6,987**
	Factory building Phase II	Factory	-	110,000 sq ft	August 1996	23	**8,628**
	Factory building Phase III	Factory	-	330,000 sq ft	September 2000	18	**40,955**
	Factory building wafer bumping	Factory	-	22,000 sq ft	August 2005	13	**2,057**
PN 289781 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Industrial land	Vacant	99 years leasehold expiring 2100	115,500 sq m	October 2000	-	**6,057**
PT 19130 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Residential land	Hostel	99 years leasehold expiring 2104	20,429 sq m	June 2005	-	**1,182**
	Residential	Hostel	-	50,000 sq ft	June 2012	7	**9,110**

LOCATION	DESCRIPTION	EXISTING USE	TENURE	LAND AREA/ BUILD-UP AREA (APPROXIMATE)	DATE OF ACQUISITION/ COMPLETION	APPROXIMATE AGE OF BUILDING (IN YEARS)	BOOK VALUE AS AT 31 DECEMBER 2018 (RM'000)
Chengdu Hi-Tech Zone, West Zone, Chengdu, Sichuan, P.R. China 13-(02)-006	Industrial land	Factory	49 years leasehold expiring 2055	9.647 hectare	December 2005	-	**3,368**
	Industrial land	Factory	49 years leasehold expiring 2057	9.002 hectare	September 2007	-	**4,195**
	Factory building	Factory	-	366,000 sq ft	December 2005	13	**69,525**
	Factory building	Factory	-	254,000 sq ft	December 2012	6	**58,851**
Jalan S.Parman, Kav 201 Batamindo Industrial Park, Mukim Kuning, Batam, Indonesia	Industrial land	Factory	30 years leasehold expiring 2019*	21,280 sq m	November 1994	-	**205**
	Industrial land	Factory	30 years leasehold expiring 2019*	8,991 sq m	May 1998	-	**602**
	Factory Building Main Building	Factory	-	14,640 sq m	November 1991	27	**-**
	Factory Building East Wing	Factory	-	17,500 sq m	1998	20	**1,757**
	Factory Building East Wing Extension	Factory	-	1,600 sq m	2007	11.5	**1,029**

* PT. Unisem has applied for an extension of 20 years.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 30th Annual General Meeting of the Company will be held at the Concorde Ballroom, Lobby Level, Concorde Hotel Kuala Lumpur, No. 2, Jalan Sultan Ismail, 50250 Kuala Lumpur on 25 April 2019, Thursday at 10.30 a.m. to transact the following businesses:

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and the Auditors thereon.

2. To approve the declaration of a final dividend of 3 sen per share tax-exempt for the financial year ended 31 December 2018. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM1,728,000 for the financial year ended 31 December 2018. **Resolution 2**

4. To re-elect the following Directors who retire pursuant to Regulation 115 of the Constitution of the Company:-

   (i) Mr Lee Hoong Leong **Resolution 3**

   (ii) Mdm Lim Siew Eng **Resolution 4**

   (iii) Puan Mahani Binti Amat **Resolution 5**

5. To re-elect the following Directors who retire pursuant to Regulation 118 of the Constitution of the Company:-

   (i) Mr Xiao Zhiyi **Resolution 6**

   (ii) Mr Cui Weibing **Resolution 7**

   (iii) Mr Wu Shutao **Resolution 8**

6. To appoint Deloitte PLT as Auditors until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration. **Resolution 9**

   As Special Business:

   To consider and, if thought fit, to pass the following resolution:-

7. **Authority To Allot Shares**

   "That pursuant to Section 76(2) of the Companies Act, 2016 and subject to the approval of the relevant authorities (if any shall be required), the Directors be and are hereby empowered to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued in any one financial year of the Company does not exceed 10% of the issued share capital of the Company for the time being." **Resolution 10**

8. Any other business

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the record of depositors will be closed on 10 May 2019 to determine shareholders' entitlement to the final dividend of 3 sen per share tax-exempt for the financial year ended 31 December 2018. The dividend, if approved, will be paid on 28 May 2019.

A Depositor shall qualify for entitlement to the above dividend payment only in respect of:-

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 10 May 2019 in respect of transfers;
(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

CHUA HENG FATT (MACS 00264)
CHIN HOCK YEE (LS 8922)
Company Secretaries

27 March 2019
Kuala Lumpur

Notes:
1. *A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.*
2. *Only members whose names appear in the Record of Depositors as at 19 April 2019 are entitled to attend, speak and vote at the AGM of the Company to be held on 25 April 2019.*
3. *A member may appoint not more than two proxies to attend and vote at the same meeting. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or, if such appointor is a corporation, under its common seal or the hands of its attorney.*
5. *The instrument appointing a proxy shall be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or sent by facsimile to +603 2783 9222 or lodged electrically via TIIH Online at website: https://tiih.online not less than 48 hours before the time set for the meeting or any adjournment thereof. Kindly refer to the Annexure of the Proxy Form – Electronic Lodgement of Proxy Form for General Meeting for further details.*
6. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of a poll.*
7. *Explanatory Note on Special Business*

   Resolution 10
   The proposed Resolution 10, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue not more than 10% of the issued share capital of the Company. Such issuance of shares will still be subject to the approvals of the Securities Commission and the Bursa Malaysia Securities Berhad. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

   The Company had, at the 29th Annual General Meeting held on 25 April 2018, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 76(2) of the Companies Act, 2016. No new shares of the Company were issued or allotted during the year pursuant to this mandate.

   The proposed Resolution 10 is a renewal of the general mandate for issuance of shares by the Company under Section 76(2) of the Companies Act, 2016. At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

   The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS WHO ARE SEEKING RE-ELECTION AND RE-APPOINTMENT AT THE 30th ANNUAL GENERAL MEETING OF THE COMPANY

The details of the directors seeking re-election and re-appointment are set out in their respective profiles on pages 78 to 83 of this Annual Report. The details of their interest in the securities of the Company are set out in the Statement of Directors' Interest on page 189 of this Annual Report.

UNISEM (M) BERHAD (183314-V)
(Incorporated in Malaysia)

PROXY FORM

I/We ____________________________ NRIC/Passport No. ____________________________
of ____
being a Member/Members of Unisem (M) Berhad hereby appoint ____________________________
____________________________ NRIC/ Passport No. ____________________________
of ____
or failing him/her, ____
NRIC/Passport No. ____________________________ of ____________________________
as my/our proxy to vote on my/our behalf at the 30th Annual General Meeting of the Company to be held at the Concorde Ballroom, Lobby Level, Concorde Hotel Kuala Lumpur, No. 2, Jalan Sultan Ismail, 50250 Kuala Lumpur on 25 April 2019, Thursday at 10.30 a.m. and at any adjournment thereof, and to vote as indicated with √ in respect of the following resolutions. (If you do not do so, the proxy will vote or abstain from voting at his discretion):-

		FOR	AGAINST
Ordinary Resolution 1	To approve the declaration of a final dividend of 3 sen per share tax-exempt for the financial year ended 31 December 2018.		
Ordinary Resolution 2	To approve the payment of Directors' fees amounting to RM1,728,000 for the financial year ended 31 December 2018		
Ordinary Resolution 3	To re-elect Mr Lee Hoong Leong as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
Ordinary Resolution 4	To re-elect Mdm Lim Siew Eng as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
Ordinary Resolution 5	To re-elect Puan Mahani Binti Amat as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
Ordinary Resolution 6	To re-elect Mr Xiao Zhiyi as a Director who retires pursuant to Regulation 118 of the Constitution of the Company.		
Ordinary Resolution 7	To re-elect Mr Cui Weibing as a Director who retires pursuant to Regulation 118 of the Constitution of the Company.		
Ordinary Resolution 8	To re-elect Mr Wu Shutao as a Director who retires pursuant to Regulation 118 of the Constitution of the Company.		
Ordinary Resolution 9	To appoint Deloitte PLT as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 10	To authorise the Directors under Section 76(2) of the Companies Act, 2016 to issue new shares not exceeding 10% of the issued share capital of the Company.		

Dated this __________ day of ____________________, 2019.

CDS ACCOUNT NO.	
NO. OF SHARES HELD	

____
Signature/Common Seal

Tel No. : ____________________________

Notes:

1. *A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.*
2. *Only members whose names appear in the Record of Depositors as at 19 April 2019 are entitled to attend, speak and vote at the AGM of the Company to be held on 25 April 2019.*
3. *A member may appoint not more than two proxies to attend and vote at the same meeting. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or, if such appointor is a corporation, under its common seal or the hands of its attorney.*
5. *The instrument appointing a proxy shall be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or sent by facsimile to +603 2783 9222 or lodged electrically via TIIH Online at website: https://tiih.online not less than 48 hours before the time set for the meeting or any adjournment thereof. Kindly refer to the Annexure of the Proxy Form – Electronic Lodgement of Proxy Form for General Meeting for further details.*
6. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of a poll.*

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STAMP

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD (11324-H)
SHARE REGISTRAR FOR
UNISEM (M) BERHAD (183314-V)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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ANNEXURE

Dear Security Holders

ELECTRONIC LODGEMENT OF PROXY FORM FOR GENERAL MEETING

We are pleased to inform that security holders can have the option to lodge their proxy forms by electronic means through our system, TIIH Online ("**e-proxy form**").

TIIH Online is a web-based facility that provides an online platform for security holders (*individuals only*) to perform lodgement of document/form electronically which includes proxy form in paperless form ("e-lodgement"). Once you have successfully lodged your e-proxy form, you are no longer required to complete and lodge the physical proxy form to the company or Tricor office.

To assist you on how to engage with e-lodgement of proxy form, kindly read and follow the guidance notes which are detailed below:

1. Sign up as user of TIIH Online

(a) Using your computer, access our website at https://tiih.online.
(b) Sign up as a user by completing the registration form. Registration is free.
(c) Upload a softcopy of your MyKad (front and back) or your passport.
(d) Administrator will approve your registration within one working day and notify you via email.
(e) Activate your account by re-setting your password.

Notes: *(i) If you are already a user of TIIH Online, you are not required to sign up again.*
(ii) An email address is allowed to be used once to register as a new user account, and the same email cannot be used to register another user account.
(iii) At this juncture, only individual security holders are offered to register as user and participate in e-lodgement.

2. Proceed with e-lodgement of proxy form

(a) Login with your user name (i.e. e-mail address) and password.
(b) Select the corporate event: "**Lodgement of Proxy Form**".
(c) Read and agree to the Terms & Conditions and confirm the Declaration.
(d) Preview and select the CDS account number and indicate the number of securities for your proxy(s) to vote on your behalf.
(e) Appoint your proxy(s) or chairman and insert the required details of your proxy(s).
(f) Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.
(g) Review & confirm your proxy(s) appointment.
(h) Proceed to pay handling fee of RM5 for each CDS account through the online FPX payment gateway.
(i) Print payment receipt and e-proxy form for your record.

Our Contact

Should you need further clarification on the e-lodgement of proxy form, you can contact us at the following. Thank you.

Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia	Telephone No: 03-27839299 Fax No: 03-27839222 E-mail: is.enquiry@my.tricorglobal.com

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr John Chia Sin Tet
Chairman/Group Managing Director

Mr Lee Hoong Leong
Executive Director

Mr Francis Chia Mong Tet
Executive Director

Mr Alexander Chia Jhet-Wern
Executive Director

Y. Bhg. Dato' Gregory Wong Guang Seng
Independent Director

Mr Ang Chye Hock
Independent Director

Mr Yen Woon @ Low Sau Chee
Non-Executive Director

Mdm Lim Siew Eng
Independent Director

Puan Mahani Binti Amat
Independent Director

Mr Xiao Zhiyi
Non-Executive Director

Mr Cui Weibing
Non-Executive Director

Mr Wu Shutao
Non-Executive Director

AUDIT COMMITTEE

Y. Bhg. Dato' Gregory Wong Guang Seng
Chairman/Independent Director

Mr Ang Chye Hock
Member/Independent Director

Mdm Lim Siew Eng
Member/Independent Director

COMPANY SECRETARIES

Mr Chua Heng Fatt (MACS 00264)
Ms Chin Hock Yee (LS 8922)

REGISTERED OFFICE

Letter Box #95
9th Floor, UBN Tower
No. 10, Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia
Tel: (603) 2072 3760
Fax: (603) 2072 4018
Website: www.unisemgroup.com

SHARE REGISTRARS

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel: (603) 2783 9299
Fax: (603) 2783 9222

AUDITORS

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
Level 2, Weil Hotel
292, Jalan Sultan Idris Shah
30000 Ipoh, Perak
Malaysia

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

www.unisemgroup.com