UNISEM (M) BERHAD
Registration No.: 198901006009 (183314-V)

ANNUAL REPORT 2019

CONTENTS

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 6,300 employees worldwide, Unisem has 2 semiconductor packaging and testing facilities and 2 wafer bumping facilities, and they are located in Ipoh, Perak, Malaysia and Chengdu, People's Republic of China (China). The company is headquartered in Kuala Lumpur, Malaysia.

Unisem group has a customer base comprising primarily fabless companies (76%) and integrated device manufacturers (24%). About 49% of Unisem group's sales are to customers in North America, 15% 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 GROUP

UNISEM (M) BERHAD (the "Company")

IPOH, MALAYSIA

- commenced operations in 1992
- 3,700 employees
- Total built-up area 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 with EMI shielding option
- Fully certified with ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, 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 year 2006
- 350 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 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 9001:2008, ISO/TS 16949:2009, ISO 14001:2004 and ANSI/ESD S20.20-2007, Certificate of Green Partner (Sony), Samsung ECO Partner, RBA VAP

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

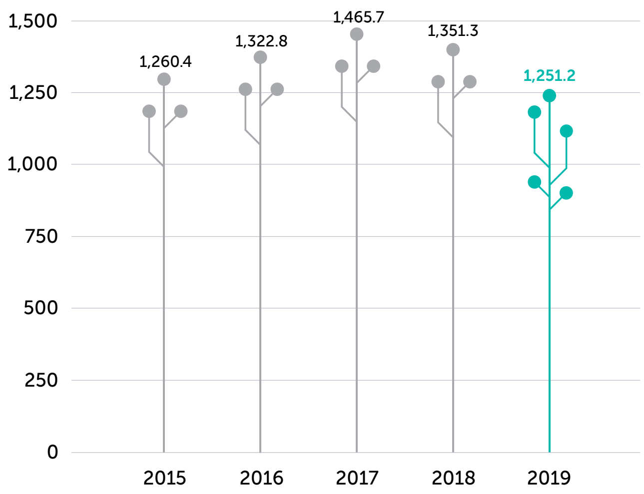
CHENGDU, PR CHINA

- commenced operations in 2006
- 2,200 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, IECQ QC080000 : 2017 - HSPM (Hazardous Substance Process Management) Certificate, GSV (Global Security Verification) Certificate

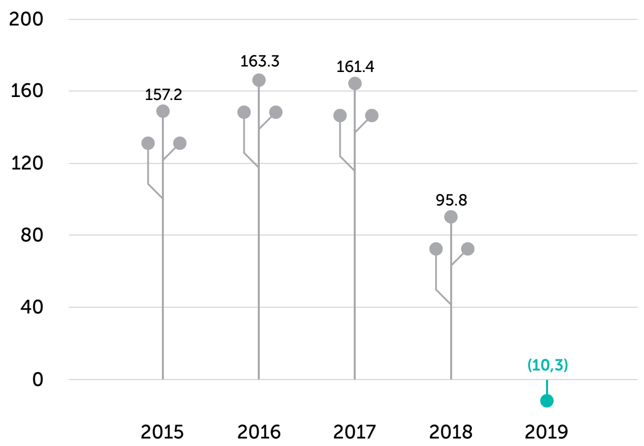
FIVE-YEAR **FINANCIAL HIGHLIGHTS**

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Highlights from Consolidated Income Statements for the year ended 31 December					
Revenue	1,260,425	1,322,780	1,465,727	1,351,276	**1,251,205**
EBITDA	355,621	356,812	345,830	273,831	**206,628**
Profit/(Loss) before taxation	173,105	187,158	180,779	111,063	**13,621**
Profit/(Loss) after taxation	157,248	163,343	161,404	95,833	**(10,261)**
Highlights from Consolidated Statements of Financial Position As of 31 December					
Property, Plant and Equipment	1,177,693	1,128,975	1,099,138	1,094,094	**1,100,076**
Current Assets	485,520	632,624	724,509	690,882	**655,350**
Non-Current Assets	27,537	24,565	21,414	18,617	**17,061**
Total Assets	**1,690,750**	**1,786,164**	**1,845,061**	**1,803,593**	**1,772,487**
Current Liabilities	278,241	303,207	320,360	294,371	**254,353**
Deferred Tax Liabilities	3,896	8,326	4,877	10,994	**24,522**
Other Non-Current Liabilities	52,467	55,623	57,081	60,101	**138,357**
Total Liabilities	**334,604**	**367,156**	**382,318**	**365,466**	**417,232**
Share Capital	366,915	366,915	595,367	595,367	**595,367**
Treasury Shares	-	-	-	(15,888)	**(15,888)**
Reserves	984,930	1,046,738	860,078	851,351	**775,776**
Non-controlling Interests	4,301	5,355	7,298	7,297	**-**
Shareholders' Equity	**1,356,146**	**1,419,008**	**1,462,743**	**1,438,127**	**1,355,255**
Key Financial Ratios					
EBITDA margin	28%	27%	24%	20%	**17%**
Net earnings / (loss) per share - Basic (sen)	22.04	22.12	21.73	13.13	**(1.31)**
Net dividend per share (sen)	10.00	11.00	11.00	7.50	**6.00**
Debt / Equity ratio	0.08	0.04	0.03	0.05	**0.13**
Net assets per share (RM)	1.84	1.93	1.98	1.97	**1.86**

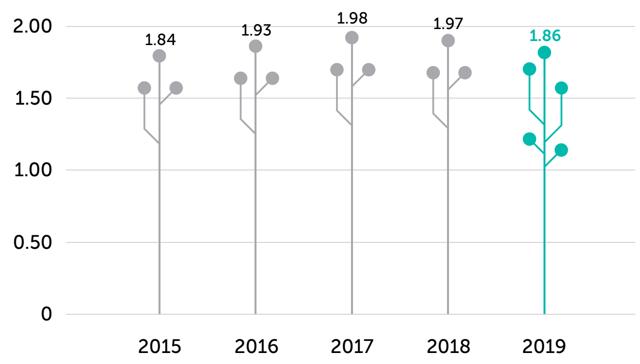
REVENUE
(RM'million)



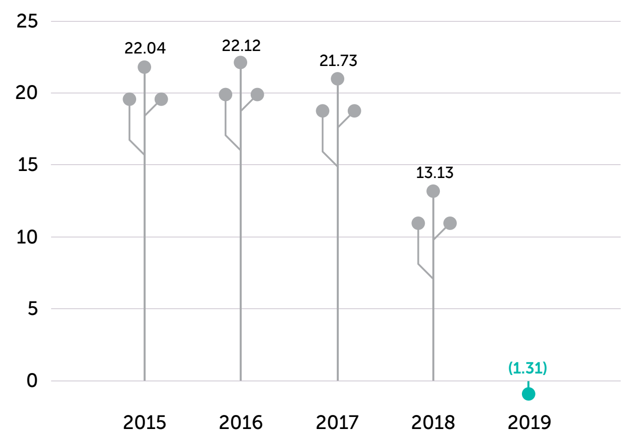
PROFIT/(LOSS) AFTER TAXATION
(RM'million)



NET ASSETS PER SHARE
(RM)



NET EARNINGS / (LOSS) PER SHARE
(Sen)



CHAIRMAN'S LETTER **TO THE SHAREHOLDERS**

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the 31st Annual Report and the Audited Consolidated Financial Statements of Unisem (M) Berhad and its subsidiaries for the financial year ended 31 December 2019.

JOHN CHIA SIN TET
Chairman

FINANCIAL PERFORMANCE

The global semiconductor industry experienced several challenges due to the continuing US/China trade and tariffs dispute and other competing protectionist policies that cumulatively had the effect of reducing consumption and global trade.

For the financial year ended 31 December 2019, the Group generated revenue of RM1.251 billion, EBITDA of RM206.6 million and a net loss of RM10.3 million, after accounting for the one-time net expenses incurred on severance benefits and impairment charges relating to the termination of operations in PT Unisem (an indirect subsidiary of the Company) in Batam, Indonesia, amounted to RM81.5 million.

The financial position of the Group remains healthy. As at 31 December, 2019, the Group had cash and cash equivalents amounting to RM342.8 million as compared to RM344.1 million in FY2018. Total bank borrowings of the Group increased from RM73.6 million in FY2018 to RM174.1 million in FY2019. We invested approximately RM212.5 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.

CLOSURE OF PT UNISEM

On 28 June 2019, PT Unisem made an announcement to discontinue the operations in Batam, Indonesia effective 30 September 2019. The decision to discontinue operations was arrived at due to continuing losses over the years since 2011. Despite recent investments the business outlook for PT Unisem continued to be weak.

The management worked in phases to scale back the operations ahead of closure of the facility. The operations were subsequently extended to March 2020 at the request of several customers.

The financial impact associated with the plant closure is detailed in the Management Discussion and Analysis on page 10 of this annual report.

PROSPECTS AND OUTLOOK

The outlook for the years ahead remains challenging due to global uncertainties and supply chain shifts. However, we believe the prospects of the industry remain bright and the demand for semiconductors will be propelled by advancement in technology such as 5G, artificial intelligence, green technology, as well as opportunities for expansion in industrial electronics for security, automation, solid-state lighting, transportation and energy management. Unisem remains optimistic and is well placed to participate and benefit from an up-swing in the industry.

CHAIRMAN'S LETTER **TO THE SHAREHOLDERS**

SUSTAINABILITY INITIATIVES

Sustainability initiatives remain as our priority this year. I am pleased to report that Unisem (M) Berhad was awarded the Industry Excellence Award in Asean Corporate Governance 2018 by the Minority Shareholders Watch Group ("MSWG"), and the Award of Excellence in Corporate Social Responsibility by the American Chamber of Commerce ("AMCHAM").

Unisem was also recognised as amongst the top 10 achievers by the Malaysian Institute of Corporate Governance ("MICG") in its Transparency in Corporate Reporting 2019. This report focused on the level of transparency of the top 100 companies in the reporting of their anti-corruption programmes in the public domain. The assessment conducted also looked into the preparedness of the companies for corporate liability under section 17A of the Malaysian Anti-Corruption Commission Act 2009 as reported in the public domain.

RECLASSIFY DIVIDEND

On 26 February 2020, Unisem announced in its quarterly financial results announcement for the fourth financial quarter ended 31 December 2019 that the Board of Directors recommended a final dividend of 2.0 sen per share tax-exempt for the financial year ended 31 December 2019 subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM") to be held on a date to be announced later ("Proposed Final Dividend").

Due to the Coronavirus / COVID-19 outbreak and the movement control orders ("MCO") declared by the government on 16 March 2020, where mass gathering was disallowed, the timing as to when an AGM can be held (usually around end-April) became uncertain. The Board of Directors therefore resolved on 31 March 2020 to reclassify the Proposed Final Dividend to an interim dividend of 2.0 sen per share tax-exempt for the financial year ended 31 December 2019 ("Third Interim Dividend") payable on 29 April 2020.

The Third Interim Dividend is in addition to the two tax-exempt interim dividends of 2.0 sen per share each paid during the financial year.

ACKNOWLEDGEMENT

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.

On Behalf of the Board

JOHN CHIA SIN TET
Chairman

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 2 semiconductor packaging and testing facilities as well as 2 wafer bumping facilities and they are located in Ipoh, Perak, Malaysia and in Chengdu, People's Republic of China (China).

  The operations in PT Unisem, located in Batam, Indonesia had been discontinued on 31 March 2020.

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 RM1.25 billion in the financial year ended 31 December 2019 (FY2019), a decrease of 7% against RM1.35 billion recorded in the financial year ended 31 December 2018 (FY2018) as a result of lower sales volume. The packaging/testing services volume dropped by 6% with average selling prices decreased by 2% whilst wafer bumping volume decreased by 1% with average selling prices increased by 5%.

The Group incurred net loss in FY2019 of RM10.3 million as compared to RM95.8 million net profits in FY2018 primarily attributable to the following impact arising from the discontinued operations in PT Unisem, an indirect subsidiary of the Company:

a) Net expenses incurred on severance and reversal of retirement benefits amounted to RM39.3 million.

b) Impairment losses on fixed assets and write down of inventory to net realizable value amounted to RM24.7 million and RM9.9 million respectively.

c) Net deferred tax expense on the reversal of retirement benefits amounted to RM9.0 million.

Liquidity and Capital Resources

As at 31 December, 2019, the Group has cash and cash equivalents amounting to RM342.8 million as compared to RM344.1 million in FY 2018. The Group has unutilized banking facilities amounting to RM116.7 million as compared to RM165.2 million in FY2018.

MANAGEMENT DISCUSSION & ANALYSIS

The Group's bank borrowings have increased to RM174.1 million in FY2019 from RM73.6 million in FY2018. The increase in bank borrowings was mainly used to finance the severance (plus reward and compensation) payments in PT Unisem.

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. The Group's capital expenditure for FY2019 amounted to RM212.5 million.

4 OPERATIONAL AND FINANCIAL RISKS

Operational Risks

Political, economic and regulatory risks

Political and economic conditions and regulatory development in Malaysia and other countries where our Group operate could have a significant effect on the financial performance of our Group. Any adverse development or uncertainties in the above external factors could materially affect the financial condition and business prospects of our Group. These political, economic and regulatory uncertainties include (but not limited to) risks of war, expropriation, nationalisation, changes in political leadership and environment, changes in government policies, global economic downturn, epidemic outbreaks, social unrests, changes in currency exchange rates, interest rates and accounting standards and unfavourable changes in government policies such as introduction of new regulations, import duties, tariffs and taxation laws.

While our Group continues to take measures to mitigate these risks including close monitoring of the Government's masterplan in respect of long-term economic and development policies so that we can stay ahead as well as capitalise on any regulatory changes in the industries that our Group operates, there is no assurance that any changes to the political, economic and regulatory factors will not have a material and adverse effect on our business, profitability, prospects and the semiconductor industry in which we operate.

Dependence on management and experienced personnel

Our continued success depends to a certain extent upon the abilities and continued efforts of our existing Directors, key management and technical personnel. The loss of any member of our Directors or key management or technical personnel could negatively affect our Group's continued ability to manage our operations effectively and competitively. Our design capabilities depend substantially on the number of skilled, professional and knowledge workers with a high level of competence and commitment. Software engineers, system architects, chip design engineers and developers are highly required in the semiconductor industry. If we are unable to retain our skilled workers, staff replacement costs as well as associated opportunity costs may be considerable.

Our Directors recognize the importance of our Group's ability to attract and retain its key personnel and retain a sufficient number of highly skilled employees. We have in place a human resource strategy, which includes suitable compensation packages and human resource training and development programmes for all supporting employees in all key functions of our Group's operation. We have also made continuous efforts to strategically develop a dynamic and strong management team and groom our personnel in assisting senior key personnel to operate and manage our activities. However, there can be no assurance that the above measures will be successful in retaining key personnel or ensuring a smooth transition should changes occur.

Dependence on major customers

Our Group is dependent on its major customers for a significant portion of its revenue. Our ability to retain the major customers and attract new customers is essential for continued growth. In the absence of long-term sales contracts, there is no assurance that our Group's major customers will be sustained at current levels. If there were cessation of orders by any major customers, our Group's business and profitability will be adversely affected. In addition, reliance on major customers may expose our Group to significant bad debts in the event that these major customers face financial difficulties and are unable to make payment on the relevant trade receivables.

Operational Risks relating to semiconductor industry

Cyclical nature of the semiconductor industry

Our portfolio of products and services in wafer bumping, assembly and test operations through our Group is affected by the cyclical changes of the semiconductor industry and have experienced downturns, driven by factors such as demand volatility and excessive buildup of inventories. Depending on the severity of the downturn, our Group's business and financial performance may be adversely affected resulting in lower utilisation rates which will ultimately result in an erosion in average selling prices

Although our Group is taking the necessary steps to mitigate the cyclical nature of the semiconductor industry, there is no assurance that the measures we have taken will be adequate and will not have material adverse effect on us if there is an industry downturn.

Competitive industry environment

The semiconductor assembly and test industry is highly competitive. There is no assurance that our Group will be able to continue competing successfully with its competitors. As many of our Group's competitors are larger players in the semiconductor industry, they may have greater research and development resources to keep abreast of technological changes, greater manufacturing, financial and marketing resources as well as wider access to capital. They may therefore be able to compete more successfully over a longer period of time. Should our existing or new competitors offer manufacturing services at a lower cost or engage in aggressive pricing in order to increase market share, our Group's turnover may decline if our Group is not able to provide more competitive pricing in order to retain our existing customers and attract new customers. A reduction in the pricing without any cost reduction will adversely affect our Group's profitability. Any investment and/or capacity expansion in new plants could improve the Group's competitiveness due to the potential synergies that will arise such as cost effectiveness and economies of scale.

The Group's financial risks are set out in Note 26 under the Notes to the financial statements.

5. PROSPECTS AND OUTLOOK

High inventory levels, declining demand and lower prices resulted in worldwide semiconductor revenue falling 12.8 per cent to $409 billion in 2019 (Source : World Semiconductor Trade Statistics WSTS).

Much of the semiconductor revenue decline was due to falling sales for memory ICs and by a steep drop of chip prices in 2019. Demand for Handsets were saturated while PC/ car sales declined and data centers eased back on purchases of servers (Source : IC Insights).

According to Gartner in April 2020 *"Overall, 2020 global semiconductor revenue has been reduced from the previous quarter's forecast by $55 billion, to $415.4 billion . . . 2020 total market growth has been reduced from 12.5% to a decline of 0.9%, with nonmemory expected to decline 6.1%, while memory is forecast to grow 13.9%." (Source : Gartner 2020-04-09).*

The outbreak of Covid-19 pandemic in early 2020 and the various movement control measures/lockdowns implemented globally have deeply impacted global economic activities and consumer behavior.

Our facilities in Chengdu were not materially impacted by the Covid-19 pandemic in the first quarter of 2020. In Malaysia, the ensuing enforcement of the Movement Control Orders (implemented under the Malaysia's Prevention & Control of Infectious Diseases Act 1988 and the Police Act 1967) ("MCO") had restricted our Ipoh plant from operating at full capacity since 18 March 2020.

At Unisem, the management has implemented measures to control costs, capex and streamlined its operations to mitigate the adverse consequences of the Covid-19 pandemic. Unisem will continue to focus on growing customers, build its strengths in radio frequency (RF), analog and micro-electro-mechanical systems (MEMs) to support the growing end-market segments in 5G, Internet-Of-Things and power management. Our plants will be streamlined to complement each other, drive down costs and strive for continuous productivity and innovation.

The Directors expect the outlook of the Group for 2020 to be challenging.

SUSTAINABILITY **REPORT**

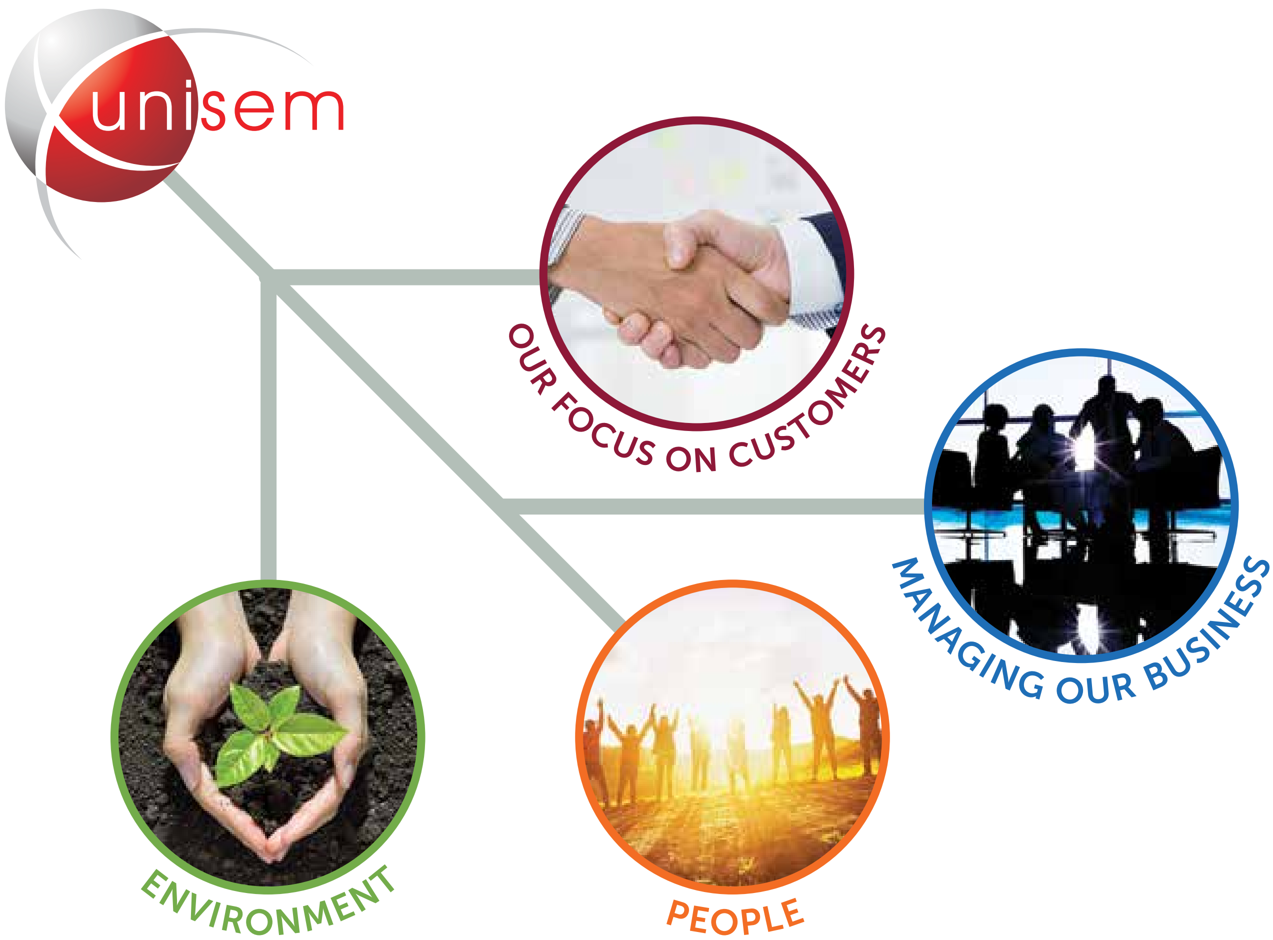
CONTENTS

SUSTAINABILITY **REPORT**

ABOUT THE SUSTAINABILITY REPORT

Since our inception, Unisem (M) Bhd has strived to demonstrate our commitment to sustainability related issues - business growth, labour rights, management of workplace safety and monitoring our environment impacts – as seen from our programmes and reporting disclosures.

During the reporting year, we are pleased to be awarded the Industry Excellence Award in Asean Corporate Governance 2018 by the Minority Shareholders Watch Group ("MSWG") Award, Excellence in Corporate Social Responsibility by the American Chamber of Commerce ("AMCHAM") in 2019 and Transparency in Corporate Reporting 2019 by the Malaysian Institute of Corporate Governance ("MICG").



BASIS OF PREPARATION

Reporting Period and Boundary

Information disclosed in the Sustainability Report ("the Report") includes performance metrics and data from the period of 1st January 2019 to 31st December 2019, unless otherwise stated. There are no changes to the reporting boundary for FY 2019's report. The following entities include:

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.

Basis Of Reporting

Responsible Business Alliance ("RBA")

Since 2013, we have aligned our Report on top of our business practices to the RBA Code of Conduct ("RBA Code of Conduct"). The RBA Code of Conduct covers areas on Labour, Health and Safety, Environment, Ethics and Management systems – all of which are key components in the electronics supply chain. This has served as an encouragement to go beyond legal compliance, and to benchmark our business practices against recognised international standards to advance social and environmental responsibility and business ethics.

GRI Standards

Continuing our efforts from FY 2018, this Report is compiled according to the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") – Core Option to report on the impacts related to specific economic, social and environmental topics. The GRI Content Index can be found on pages 63 to 71.

Bursa's Malaysia Listing Requirements

This Report is prepared in accordance to the Main Market Listing Requirements issued by Bursa Malaysia. In preparation of the Report, the Materiality Assessment, Stakeholders Engagement exercise and the selection of reporting indicators are guided by Bursa's updated Sustainability Toolkits – 2nd Edition.

SUSTAINABILITY **REPORT**

SUSTAINABILITY GOVERNANCE

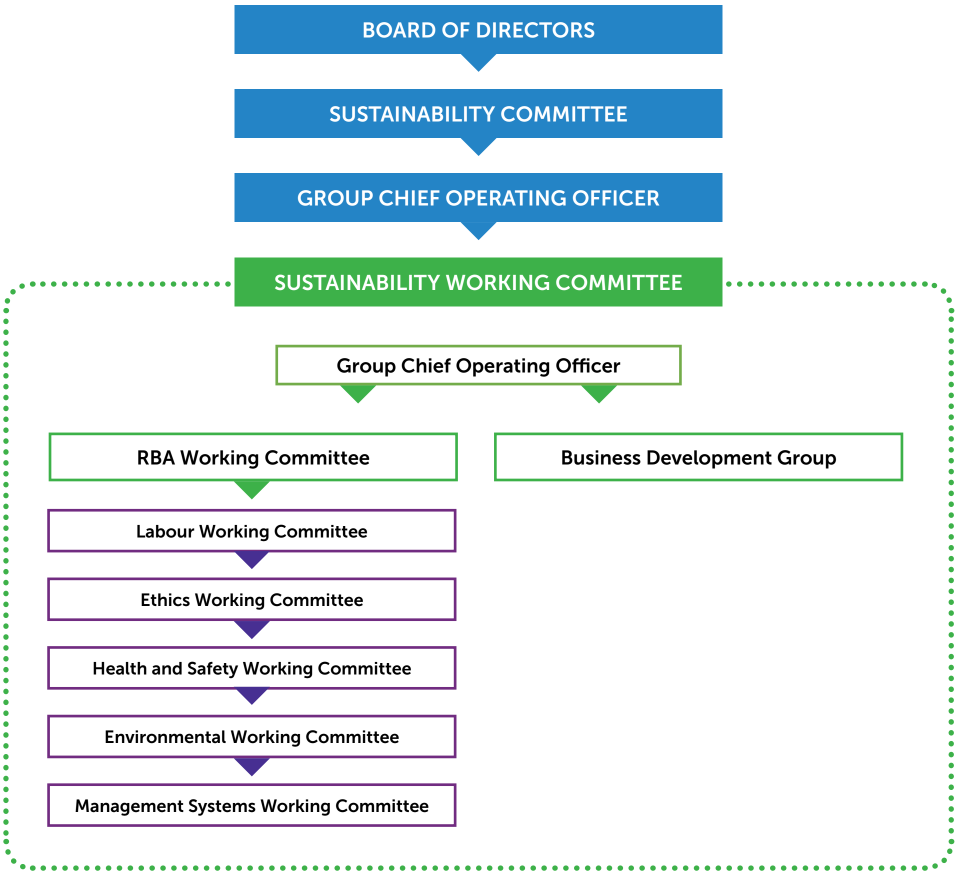


Diagram 1

Unisem's sustainability governance ensures the Group fulfils its social and environmental responsibilities. Established in 2017, the Board of Directors 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. It also monitors 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. The SC is currently chaired by the Senior Independent Director of the Company.

Supporting the SC is the Group Chief Operating Officer, who is responsible for leading the Sustainability Working Committees ("SWC"). The SWC is chaired by the sites' Chief Operating Officers ("COOs") in conjunction with the RBA Working Committees ("RBA WCs") and Business Development Groups ("BDGs"). As an adopter of the RBA Code of Conduct, segmental working committees are established to manage and monitor the five elements – Labour, Ethics, Health and Safety, Environmental and Management Systems set forth by the RBA. For detailed responsibilities of each working committee please refer to Table 2.

To ensure a holistic sustainability culture across the Group, a SWC was also formalised in People's Republic of China ("PRC") in 2018. The SWC primarily provides oversight and monitors the daily operations, ranging from conflict-free mineral sourcing to ensuring a safe working environment for employees. The table below illustrates our governance structure for sustainability.

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
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 Customer Service organisations • Research and development programmes

Table 2

SUSTAINABILITY **REPORT**

STAKEHOLDER INCLUSIVITY

Stakeholder Prioritisation

As a global provider of semiconductor assembly and test services provider, the operational success of our business is dependent on long-term relationships with our stakeholders. Regular engagement with our stakeholders allows us to understand stakeholders' expectations and areas of interest which influence their decisions towards us. Table 3 summarises our engagement platforms and sustainability concerns of 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
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

Stakeholder Group	Engagement Approach	Sustainability Concerns
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 • Ethics queries/Whistle Blower	• Fair tender practices • Competitive prices • Business continuity • Quality materials/parts/services • Freely chosen labour • Fair wages • Responsible Mineral Initiative
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

Table 3

SUSTAINABILITY REPORT

Stakeholder Engagement

This year we continue to engage additional internal and external representatives in our operations in Chengdu and Ipoh. Stakeholders were engaged directly through survey forms, where they rated the level of importance of significant economic, social and environmental topics to Unisem. We have engaged the following stakeholder groups during the stakeholder engagement exercise:

Unisem Ipoh and UAT	Unisem Chengdu
Director	Senior Management
Senior Management	Employees
Employees	Suppliers/ Contractors
Suppliers/ Contractors	In-house Union
In-house Union	

Table 4

Upon completion, the SWC presented feedback of the stakeholder engagement exercise to the Board Sustainability Committee for endorsement. Subsequently, this was presented to the Board for their endorsement and acknowledgement. The results from the stakeholder engagement were incorporated in the materiality assessment process detailed in the next section of this Report.

MATERIALITY ASSESSMENT

Review of Sustainability Matters

For FY 2019, the Group has undertaken a structured materiality process to update the Materiality Matrix. Firstly, the list of sustainability matters was reviewed by the SWC and deem still relevant to the business and the current operating environment. The matters were reviewed to reflect our risks and opportunities, stakeholder feedback, focus areas of peer groups, global economic landscape and sector-specific information from international frameworks and reporting guidelines such as the RBA, GRI and Sustainability Accounting Standards Board ("SASB").

Prioritisation of Sustainability Matters

Guided by Bursa's Materiality Assessment Toolkit, the SWC performed the risk assessment exercise to gauge the level of importance of sustainability matters by considering its impact and likelihood on Unisem Ipoh and Unisem Chengdu. As a result of the prioritisation exercise, the sustainability matters - Customer Satisfaction and Occupational Health and Safety as well as Growing the Business remain to be most important to the business and stakeholders. Like FY 2018, our sustainability matters are clustered under four overarching themes: Managing Our Business, Our Focus on Customers, People and Environment. The results of the materiality assessment are then presented and validated by the Board. This is to ensure material economic, environment and social topics reflect the priorities of Unisem and its stakeholders for 2019. Below, we illustrate the outcome of our Materiality Matrix.

Materiality Matrix

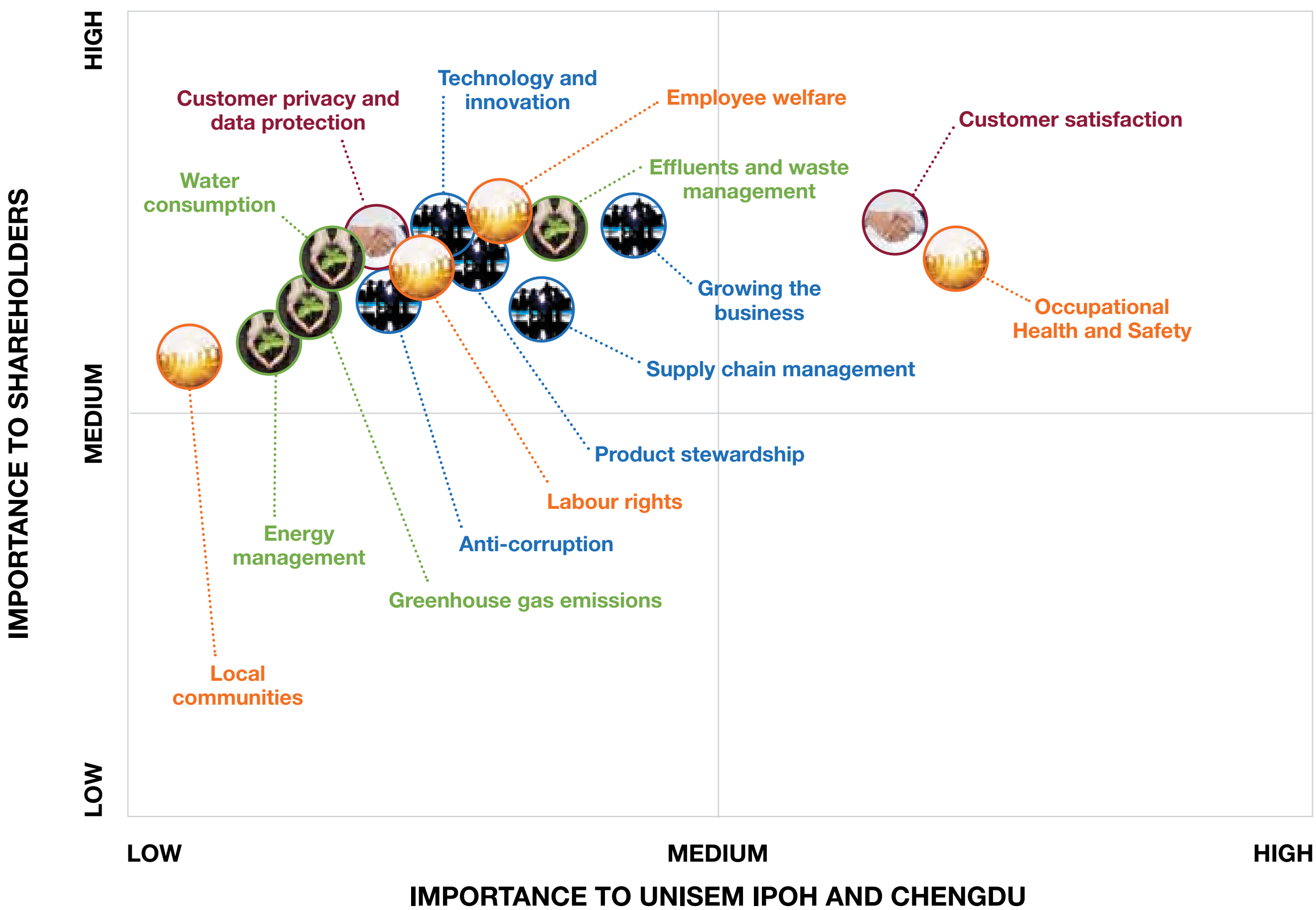


Diagram 2

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

Table 5

SUSTAINABILITY **REPORT**

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

Table 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 values

VALUE CREATION MODEL

We create value from managing our resources efficiently, such as financial stability, our skilled workforce, manufacturing capabilities and relationships with our stakeholders. While we utilise our resources, we ensure our business activities are aligned with our Mission and Core Values. Our business activities and initiatives are communicated across four themes - Managing Our Business, Our Focus on Customers, People and Environment - is a demonstration of Unisem's holistic business management, incorporating environmental, societal and governance considerations alongside financial ones, to become a global multinational company. This is depicted in the Diagram 3 below.

INPUT	
	Financial Resources Our financial capital depends on our **equity** and funds generated from **investment** and **operations**.
	Manufacturing Capital Our machinery and technology process serve to improve operational efficiency without compromising quality.
	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

CORE VALUES

SUSTAINABLE GOVERNANCE

ENFORCEMENT OF SUSTAINABILITY INITIATIVES

PERFORMANCE MONITORING & FUTURE ORIENTATION

OUTCOME HIGHLIGHTS	
	89% Satisfied key customers
	-7.4% Annual movement in revenue
	60% Achieved project completion targets of the **Technology Road Map**
	73.2% of employees received a minimum of 6 hours of training
	49% of total scheduled waste is recycled **Compliant** with effluent regulations

Diagram 3

SUSTAINABILITY **REPORT**

SUSTAINABILITY PERFORMANCE HIGHLIGHTS

89% satisfied key customers

1.80 injury frequency rate for industrial accidents

-7.4% MYR annual movement of revenue

Achieved project completion targets of the Technology Road Map

73.2% of employees received a minimum of 6 hours of training

Compliant with effluents regulations

49% total scheduled waste recycled

Top 6 Sustainability Matters	KPI	2019 Target	2019 Performance	Status
Customer Satisfaction	Satisfied key customers rate	85%	89%	✓
Occupational Health and Safety	Injury frequency rate for industrial accidents	<2.00	1.80	✓
Growing the Business	Revenue growth	To achieve revenue growth	-7.4%	✗
Technology and Innovation	Technology growth and development as per Technology Road Map	To achieve target project completion dates	Achieved	✓
Employee Welfare	Average training hours per employee	60% of employees received a minimum of 6 hours of training per year	73.2%	✓
Effluents and Waste Management	Compliance with regulatory standards	Compliance	Compliant	✓
	Total scheduled (hazardous) waste recycling rate	50%	49%	✗

LEGEND: ✓ Achieved ✗ Challenging

MANAGING OUR BUSINESS

From everyday business management to strategic decision-making for the Group, Unisem focuses on long-term value creation via our differentiation factors. We keep abreast to trends in the industry and market, as well as key stakeholders' interests and expectations.

GROWING THE BUSINESS

KPI	To achieve revenue growth		
Target	On-going growth of revenue		
Performance	+10.8% in 2017	-7.8% in 2018	-7.4% in 2019

The global semiconductor industry faced a challenging year due to economic uncertainties such as the US-China trade war and large supply chain shifts. Nonetheless, demand within the industry persists, which is driven mainly by advancement in technology such as 5G, artificial intelligence, green technology, as well as opportunities for expansion in industrial electronics for security, automation, solid-state lighting, transportation and energy management.

This year we recorded a decrease of 7.4% in revenue primarily due to the reduction in sales volume caused by adverse market conditions.

For a detailed discussion on changes in our operating environment and business growth, please refer to the Management Discussion & Analysis of this Annual Report 2019.

Unisem Group	**Revenue generated by customers' region (RM '000)**		
	2017	**2018**	**2019**
United States of America	661,095	635,066	606,887
Europe	208,044	223,247	190,241
Asia	596,588	492,963	454,077
Total Group Revenue	1,465,727	1,351,276	1,251,205

Our customers are predominantly located in US and Asia. For more information on how we manage our customers' expectations, please refer to page 29 – 31.

For more information on the Group's growth and strategic decision-making, please refer to the Chairman's Letter to Shareholders, the Management Discussion & Analysis and the Financial Statements in this Annual Report.

SUSTAINABILITY **REPORT**

SUPPLY CHAIN MANAGEMENT

We are aware of our responsibility to ensure our sourcing strategy enables us to deliver products on time and allow us to remain compliant with relevant laws and regulations. In applying the RBA Code of Conduct, we extend our practices to our supply chain to improve the integrity of the supply chain.

Governing our supply chain with RBA Code of Conduct

Provisions of our Group CSR Policy and Unisem Code of Ethics ("COE") are developed closely based on the RBA Code of Conduct. This ensures our supply chain management practices are aligned with industry and customer expectations, and we are able to adhere to industry best practice.

Our Group CSR Policy stipulates that we engage suppliers whose CSR policies are in line with provisions within Unisem's Group CSR Policy. 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. Furthermore, our Business Ethics letter is sent to these suppliers.

We also assist key direct material suppliers and service providers in keeping abreast with latest sustainability best practices and RBA requirements through: annual updates on latest RBA requirements, regular briefings on the RBA Code of Conduct, Anti-Corruption and Bribery Policy and Unisem COE. With other suppliers, we practice continuous engagement as guided by Unisem COE and the RBA Code of Conduct to encourage good practice.

Supplier Screening and Audits

Assessments of sustainability performance of our key direct material suppliers and service providers are performed using the RBA tools, such as the Validated Audit Program ("VAP") Operations Manual 6.0 ("VAP Manual") and RBA Self-Assessment Questionnaire ("SAQ"). Our shared key direct material suppliers comprise 25 suppliers, covering 85% of our total direct material spending.

As part of our due diligence process, all key direct material suppliers are required to complete the SAQ on their own sites. The results of the questionnaire identify high-risk areas in labour, ethics, health, safety and environmental management systems, and potential gaps against the RBA Code of Conduct. This is part of our effort to integrate our suppliers within our Environmental Management System ("EMS").

All key direct material suppliers will be physically audited periodically based on their levels of conformance and overall performance in line with RBA and Unisem's requirements. Included in the supplier audit scope, we will verify the effectiveness and impacts of their environmental programs, objectives and targets. Below is our supplier audit plan for physical on-site audits of key direct material suppliers. 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: Labour, Health and Safety, Ethics, Environmental, and Management Systems.

Moving forward, we are aiming to complete 10 key direct material supplier audits in the year 2020.

Year	Target	Performance
2017	Perform 8 key direct material suppliers audit	Completed 9 audits
2018	Perform 8 key direct material suppliers audit	Completed 9 audits
2019	Perform 9 key direct material suppliers audit	Completed 10 audits
2020	Perform 10 key direct material suppliers audit	Target to complete 10 audits

Table 8

We have positioned the Suppliers Audits as a tool to develop and educate our key suppliers on RBA standards and best practises in line with Manufacturing Excellence.

Suppliers are provided with the CAPA (Corrective Action and Preventive Action) process template to complete and submit their responses to our audit findings within 7 working days. Implementation of agreed upon corrective action was verified by the Unisem audit team for closure. Below is a summary list of key corrective actions from suppliers for audits performed in 2019.

RBA Category	Summary of key corrective actions
Labour	• Prepare employment contract according to employee native language • Establish policy and procedure for hiring of apprentice/ intern/ student workers • Removal of unfair employment clauses from Employee Handbook • Removal of personal information and data in recruitment documents • No evidence of monitoring for compliance to 60 working hours per week
Occupational safety and health	• Carry out risk assessment of working conditions for pregnant women and nursing mothers • Conduct periodic work inspections and enhance awareness on emergency exits and evacuation plan • Place emergency exit signage at focal locations • To conduct fire drill twice a year for all employees • To conduct first-aid training once every two years
Environmental	• To provide designated scheduled waste and non-scheduled waste area according to standard • To revise the current monitoring system for water effluent discharge to every 2 years. This will be updated in the monitoring & measurement analysis master list
Ethics	• Establish policy and procedure on gifts and entertainment • Establish policy and procedure for whistle-blowing
Management Systems	• Include risk assessment exercise into RBA checklist as a mandatory activity • Prepare internal audit schedule to conduct audit assessments

Table 9

Following the issuance of corrective actions plans for supplier audits performed in 2019, 85% of supplier audits and implementation of respective corrective action plans have been completed by the end of the year.

New Supplier Screenings

As part of Unisem's quality system management and BCP (Business Continuity Plan) process requirements, sourcing and selection of new suppliers continue to receive greater focus and attention by our sourcing team. 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 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 31 for further information on Unisem's application of RBA and its Code of Conduct.

SUSTAINABILITY **REPORT**

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 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.

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 29.20% of Unisem Ipoh and Chengdu's direct material spending in 2019, as illustrated below.

	Proportion of direct material spending on local suppliers (%)		
	Unisem Ipoh	Unisem Chengdu	Group Total
Local suppliers	30.16%	27.99%	29.20%

Table 10

Our ability to expand and increase local direct material spending is impacted by the lack of and suitability of valuable natural resources in the countries we operate in. Nonetheless, we actively continue to seek out business opportunities where appropriate and possible such as general goods and services. Our support towards the local community is further described on pages 46 - 48.

[1] *https://www.unisemgroup.com/wp-content/uploads/2017/06/Conflict-Minerals-Policy-2017.pdf*

OUR FOCUS ON CUSTOMERS

We have always promoted a customer-centric business that identifies the true value of our products to different customers. Therefore, we have created a value-driven pricing model that reflects main elements of our value proposition: value pricing, robust management systems, trained personnel, delivering quality, meeting our social and environmental obligations through RBA, and promoting open and transparent relationships.

CUSTOMER SATISFACTION

KPI	Satisfaction of key customers		
Group Target	To achieve 85% of satisfied key customers		
Performance	89% in 2017	89% in 2018	89% in 2019

Delivering Customer Value

Our dedicated personnel at Quality Assurance and Marketing teams closely monitor and manage customer satisfaction rates by identifying and delivering on the expectations of different customers. In 2019, we reviewed our performance trends against our previous target of 80% satisfied key customers and revised our target to 85% of satisfied key customers. This year, we have achieved 89% satisfied key customers.

SUSTAINABILITY **REPORT**

We emphasise a proactive approach towards customer management, where feedback from customers are reviewed and shared with Senior Management. Feedback is fed into strategic decision making, where action plans are developed to meet customers' needs:

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.

Goal achieved
- Achieve internal target on 85% of satisfied customers
- Effective customer engagement
- Implementation of closed-cycled process

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 4 - Feedback is translated into action plans
Customers' feedback are developed into appropriate improvement plans that address improvement opportunities in the areas assessed.

Phase 3 - Management
Customer feedback is routinely reviewed and considered by Management.

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

Diagram 4

Different platforms used to actively engage customers, and analyse customer feedback are shown below:

Modes of Assessing Customer Satisfaction	Frequency	Details
Balanced scorecard	Quarterly	Approximately 85% 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.

Over the years, our customers have acknowledged our value proposition, and awarded us with Supplier of the Year / Outstanding Supplier Award by various customers. Refer to the Annual Report for our awards and recognitions from suppliers.

Quality and Lean Operations

Operations in Ipoh and Chengdu are certified with internationally-recognised Quality and Environmental standards. Refer to our Company Profile in the Annual Report for the list of certifications.

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 practices 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.

Our RBA Obligations

As a member of the supply chain in the electronics industry, we acknowledge our responsibility to meet the requirements as stipulated in the RBA Code of Conduct, as well as our obligation towards applying the same expectations in our supply chain. Measuring ourselves against RBA produces standardised and comparable results for our customers and other stakeholders.

To monitor and manage our performance, we develop appropriate governance structures and programmes. The RBA WCs assess the Group's facilities on risks relating to labour issues, human rights issues and corruption issues. 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.

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 and monitored.

Furthermore, 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 underwent its first VAP in 2019. Further information on our VAP and SAQ scores available under Labour Rights on pages 42 – 43.

SUSTAINABILITY 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 13 for progress of our projects as per our Technology Road Map

To stay ahead of competitors, technology and innovation is key to achieving business synergies and gain competitive edge. In view of this, we continuously invest in innovation and technology to enhance our manufacturing capabilities, improve cost performance and upgrade the quality of our intellectual property.

Annual Investment in R&D

To capture business opportunities in the semiconductor market, we have invested RM8,115,000 on R&D expenditure into programmes that promote innovation and strengthen product performance.

Unisem Group	Unisem Group research and development expenditure		
	2017	2018	2019
Unisem Group Research and development expenditure (RM '000)	8,401	8,847	8,115
Research and development expenditure as a percentage of Unisem Group revenue (%)	1%	1%	1%

Table 12

Key Technology Achievements

This year we continue to collaborate closely with our customers to meet their business objectives and needs. Some of our noteworthy achievements include:

1. Developed a Metal Lid Module LGA with high power and package size up to 23x18mm. This package solution drives assembly process flow simplification, high assembly ASP and excellent product performance. A series of products with higher power product performance is currently in its engineering phase.

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

Key Projects and R&D Achievements during the Year:

1. Developed X4MIS 0.3mm max package thickness for mobile application. – Internal & customer qualification has been completed. Technology capability is in place. Pending for customer product introduction and launching.

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

3. Developed a thin WLCSP Capability for mobile application. Technology capability is in place. Pending for customer product introduction and launching.

4. A total of five new processes/materials were qualified in 2019. To date, Unisem has obtained 31 patents with another 4 patents in progress.

5. Implementation of AOI (Automatic Optical Inspection) for 2nd & 3rd Optical inspection on critical products to replace human dependence visual inspection. This process will reduce the risk of human induced error and reduce operator resources through automation and cycle-time reduction. This is one of the few efforts to embrace Industry 4.0 to achieve quality enhancement and automotive excellence.

Our R&D Awards & Recognitions

We are pleased to announce the recognition awards we have received for our R & D successes from our customers and recognition bodies.:

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 and faster throughput than other players in the industry.

2. Recognition from Skyworks Solutions Inc., for introducing MIS package as one of the alternatives for EMI Shielded solution for high RF module application.

Technology Road Map

We aspire to effectively organise and prioritise our resources and manpower to meet short, medium and long-term technological investment goals. In 2019, we continue to monitor our technology roadmap to ensure projects are delivered on time and in accordance with industry demands.

Projects	Descriptions	Challenges	Target for Production Readiness**	Completion date
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	Deferred to Quarter 1 of 2020. All 12" equipment has been installed in UAT. Currently in progress for internal buyoff.
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 1 of 2020	Completed. Ready for customer qualification & production
Pre-molded Lead Frame with Wettable Flank	To get ready MIS package into one of the key automotive requirements – Wettable Flank.	• Higher frame cost • Technical challenge is etching depth control, package sawing burr at the etched dimples	Quarter 3 of 2019	Completed. Ready for customer qualification & production.
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	Completed. Ready for customer qualification & production
008004 passive	With the trend of package miniaturisation, smaller passive components are required.	• High material cost i.e. passive & solder paste • New equipment is required • Technical challenges are high risk of SMT defects e.g. tombstone, solder bridge	2019	Deferred to Quarter 4 of 2020. Completed paper technical assessment. Need new investment on equipment. Hence, currently on-hold.

SUSTAINABILITY **REPORT**

Projects	Descriptions	Challenges	Target for Production Readiness**	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 end of 2020 due to some unsolved technical challenges & more focus on 12" bumping readiness, the project target completion date will be deferred.
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.	End of 2019	Completed. Ready for customer qualification & production
Low Cost Pre-molded Frame*	As an alternative solution to have low cost pre-molded frames as compare to standard MIS, which is costlier	• Currently single source	Quarter 1 of 2020	In progress of assembly evaluation
High RF Performance Compound	Introduce & assess the key material to enable sub-6GHz & mm Wave product (key for 5G)	• High material cost • Unknown material assembly performance	Quarter 2 of 2020	In progress of assembly evaluation
High RF Performance Laminate Substrate	Introduce & assess the key material to enable sub-6GHz & mm Wave product (key for 5G)	• High material cost • Unknown material assembly performance	Quarter 2 of 2020	In progress of tooling up laminate substrate with high RF performance

*** As reported in Unisem's 2018 Sustainability Statement, Annual Report 2018*

** New projects commenced in 2019*

Table 13

ANTI CORRUPTION

Unisem's COE[2] and Anti-Corruption and Bribery Policy[3] governs the professional and business conduct of employees across all levels in the Group. These policies aim to shape Unisem's culture of honesty and responsibility to committing to the highest ethical standards in all its business activities. Under the COE, general business practices and legal requirements are detailed to guide decision making and business activities. It emphasises integrity and trust when dealing with third parties, accurate financial reporting, the responsible use and management of Unisem's assets and promotes a culture of diversity, cooperation and productivity. On the other hand, the Anti-Corruption and Bribery Policy clearly states Unisem's zero tolerance stance and prohibits all Unisem employees from engaging in any form of bribery, anti-corruption, fraud, extortion or embezzlement in business relationships and dealings. The COE and Anti-Corruption and Bribery Policy is communicated annually to all employees across the Group and on our corporate website.

[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*

Unisem's COE and Anti-Corruption and Bribery Policy had been reviewed and approved by the Board during the year.

In 2019, 3,568 employees in Unisem Ipoh and 1,590 employees in Unisem Chengdu have received training on anti-corruption through our annual COE briefings. Additionally, there were no cases of non-compliance with our Anti-Corruption and Bribery Policy as well as laws and regulations against acts of corruption. 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.

CUSTOMER PRIVACY & DATA PROTECTION

To safeguard our customer's proprietary information, we have in place robust security management systems and the "IT Acceptable Use Policy" to strengthen internal security controls. The policy defines the standard operating procedures of accessing, transferring and managing information and data in a responsible manner. The table below details our key internal controls of the Group.

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

Table 15

There were no complaints received from outside parties and regulatory bodies. We have also not identified any cases of leaks, theft, and loss of consumer data.

SUSTAINABILITY
REPORT

PEOPLE

At Unisem, we endeavour to create a safe and healthy work space that provides employees a conducive and productive environment to perform their job responsibilities. We do this by ensuring our operations and processes are compliant to local health and safety regulations, in addition to following industry best practices. We embrace a diverse pool of talent and provide fair and equal opportunities in areas of career development, compensation, and welfare benefits. We are committed to our social responsibility of engaging and developing the communities we operate in.

Group employee diversity

		Male	Female
Employee category – by gender			
Senior Management		44	4
Management		68	14
Executives		428	269
Operators		400	3,187
Non-Operators		1,271	426
Employee category – by age group			
	under 30 years old	**30-50 years old**	**over 50 years old**
Senior Management	-	18	30
Management	-	58	24
Executives	119	555	23
Operators	2,422	1,065	100
Non-Operators	705	951	41
Local Employment			
		Senior Management	Non-senior Management
Unisem Ipoh		67%	47%
Unisem Chengdu		50%	86%

Table 14

EMPLOYEE WELFARE

As Unisem continues to grow, investing in the well-being of our employees is necessary to enable us to maintain our innovative momentum and competitive edge. To achieve this, we provide competitive compensation, employee benefits and a working environment that promotes employee morale and productivity.

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		Insurance / Medical Coverage	
Unisem Chengdu	Unisem Ipoh	Unisem Chengdu	Unisem Ipoh
• social insurance • housing funds • annual, sick, marriage, funeral, maternity and paternity leave	• minimum wages order • contribution to the employees' provident fund • contribution to employees' social security • provision of annual leave	• social insurance • commercial 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 monthly salary during festive periods. Flexible working hours are also made available to support a health work-life balance.

Facilities	Privileges
Unisem Ipoh	
• surau • 24-hour canteen • mini sundry shop operated by Koperasi Pekerja-Pekerja Unisem (M) Berhad • gated parking space • library • in-house clinic with full-time industrial nurses • dedicated lactation room for breastfeeding mothers • hostel for operators who do not have homes in Ipoh	• dedicated parking spaces for our special needs employees (those with disabilities) and pregnant women • dedicated rest area for female workers

SUSTAINABILITY **REPORT**

SPORTS & RECREATION List of Activities / Events Organised in 2019	
Unisem Ipoh	
• Congkak Competition • Fun Ride • Bowling Tournament • Self Defense Workshop • Henna Art Competition • Wall Climbing Challenge • Archery Competition	• Mystery Box Guessing • Football League Final Match • Fishing Competition • Knee Pain Management Workshop • Ipoh Car Free Day Fun Run • Futsal Tournament • Badminton Tournament
Unisem Chengdu	
• Tug of war • Annual dinner • Football league	• Badminton Competition • Parent-child campaign

Table 15

Employee Learning and Talent Development

KPI	Average training hours per employee[4]		
Group Target	60% of employees have minimum 6 hours training per year		
Performance	76.9% in 2017	86.8% in 2018	73.2% in 2019

To attract and retain an ensemble of talents, we cultivate a working environment that encourages lifelong learning, sharing and innovation.

For the year, Unisem continues to invest in comprehensive training programmes for employees. We emphasise on developing employees' technical skillsets and compliance to standard operating procedures in addition to sharpening soft skills required in team work and leadership.

At Unisem, the Training Department is responsible of monitoring annual training hours per employee for operators and non-operators. Employees are required to complete a minimum of 6 hours of training annually. The charts below demonstrate our employee learning and talent development performance indicators for non-operators.

[4] *The performance indicator excludes operators.*

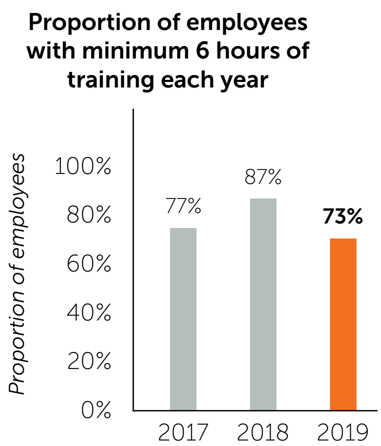


Chart 1

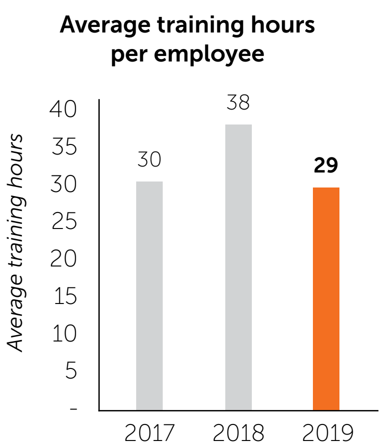


Chart 2

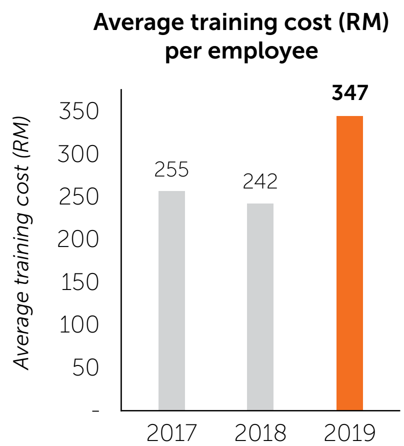


Chart 3

Training programmes provided include an array of technical and non-technical offerings, which aims to equip employees with relevant functional skills and knowledge that are aligned with professional needs, job specifications and industry demands. These trainings typically take the form of on-the-job training and development programme series. The table below details the types of training programmes offered at Unisem.

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, Statistical Method 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 / ISO45001 / SST / X-Ray etc.)	Catering to the needs of customers, regulatory agency/government and international standards.

Table 16

SUSTAINABILITY REPORT

Based on employee performance, peer-to-peer feedback and performance reviews are conducted at least once a year between managers and team members. The performance evaluation sessions encourage open communication and transparency of employee performance results and discuss career aspirations and plans. This platform also ensures employees remain driven, motivated and aligned with organisational direction and goals.

Employee Communication

Unisem takes on an active role in building an open communication culture among its employees. Our platforms which include our Ethics Hotline, Employee Climate Survey and 'Open Door' policy encourages employees to provide constructive feedback and report grievances in a safe and confidential manner.

Unisem's Group Ethics Hotline

At Unisem, an Ethics Hotline is available to internal and external parties to report inappropriate or unethical behaviour and workplace grievance. Cases reported in 2019 have been investigated and resolved without consequential action on suspected parties.

Additionally, our Whistle Blowing policy stipulates the process and procedures for employees to report any improper conduct and malpractice in a safe and confidential manner. We are committed to keeping the whistle blower's identity and reporting contents confidential and providing protection from any unfair treatment or retaliation as a result of the violation reporting. Please refer to our website for further details of this policy[5].

Types of cases	No. of cases 2018	No. of cases 2019
Workplace grievances from employees	14	8
Whistleblowing from employees	1	4
Whistleblowing from external parties	0	0

Table 17

Cases in 2019		
Types of cases	Description of cases	Actions taken by Management
Whistleblowing from employees	Unprofessional conduct	Investigation conducted and employee was temporarily suspended.
	Sexual harassment	Investigation conducted and employee was temporarily suspended.
	Discrimination based on nationality	Investigation conducted and found no discrimination.

Table 18

[5] *https://www.unisemgroup.com/wp-content/uploads/2019/10/Whistleblower-and-Hotline_withlogo_24Oct2019.pdf*

Employee Climate Survey ("Survey")

To better understand the needs and concerns of our employees, the survey is participated by employees of all levels across the Group. Where Unisem Ipoh conducts its survey annually, Unisem Chengdu conducts its survey bi-annually. Topics covered in the survey include leadership by management, job satisfaction, career development and top-down communication. Feedback received are then analysed and discussed with the Management to address employee concerns with appropriate improvement measures. Following this, the survey outcome and improvement measures are communicated to employees.

Employee Retention

KPI	Annual turnover rate			
Target	Unisem Ipoh	Annual turnover rate below 25%		
	Unisem Chengdu	Annual turnover rate below 45%		
Performance	Unisem Ipoh	21.0% in 2017	21.9% in 2018	20.6% in 2019
	Unisem Chengdu	44.2% in 2017	58.9% in 2018	57.9% in 2019

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 mismatch of employee experience and job roles.

To retain our employees, the Group will continue to align compensation and benefits against local offerings and applicable local regulations in addition to creating safe and healthy working environments. We also continue to emphasise employee engagement and the recruitment of skilled talents as the crux of our human resource function. In 2019, employees entering managerial and supervisory roles are required to attend Unisem Core Values workshop that develops their skills in organisational management by understanding and implementing Unisem's core values into day-to-day operations. A total of 55 employees have benefitted from this programme. This is an effort to groom managers to go beyond the conventional role of just managing employees, but also build a supportive culture that inspires and motivate employees to grow and contribute to the organisation.

SUSTAINABILITY **REPORT**

LABOUR RIGHTS

Unisem places great emphasis on fair labour practices. As adopters of the RBA Code of Conduct, our employees across the Group are expected to comply with standards of international labour rights. This applies the same to the suppliers, customers and business partners we work with along our supply chain. Our commitment to upholding and respecting human rights are incorporated in the COE and Group CSR Policy, which have been aligned with the RBA Code of Conduct.

Protecting our Operations

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 foreign workers are made aware and provided with information on the minimum mandatory fees allowableas per RBA requirement in their own language.

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 affiliation, union membership. covered veteran status, protected genetic information or marital status in hiring and employment practices such as wages, promotions, rewards, and access to training.

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).

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 labor, involuntary prison labor, slavery or trafficking of persons are prohibited at all times. **There is no unreasonable restriction of employees’ freedom of movement.** Unisem does not withhold empliyees’ 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.

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 5

To ensure our operations are free from labour rights issues, we conduct risk assessments guided by the RBA. We conduct risk assessments through RBA’s Self-Assessment Questionnaire (“SAQ”) and Validated Assessment Program (“VAP”) at all operating sites. For Unisem Ipoh, the VAP is conducted every 2 years by a third-party auditor appointed by RBA. These assessments have proven to be an important business practice to Unisem as it monitors the social, environmental and ethical risks within our supply chains and identifies measures to mitigate these risks.

Location	SAQ Performed in 2019	SAQ Score*	VAP Performed in 2018/2019	VAP Score*	Level of Risk?
Malaysia	Completed in Mar 2019	91.3	Completed in Sept 2018	151.6	Low
China	Completed in Mar 2019	94.6	Completed in Nov 2019	134.8	Low

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

Table 19

In 2019, Unisem Ipoh and Unisem Chengdu continued to improve its SAQ results. Additionally, Unisem Chengdu's reported satisfactory VAP results. Based on the audit findings, improvement opportunities were identified in relation to supplier's management of working hours for their workers. In response to this, Unisem Chengdu's RBA Chairman has directed the RBA committee to collaborate with the identified supplier to resolve this issue. We are pleased to report no incidences of human rights violations nor violations of labour standards within the Group.

OCCUPATIONAL HEALTH & SAFETY

The safety culture of our work environment is an important element to the Group's success. Via our Safety and Health Policy, Unisem COE and Group CSR Policy, Unisem aims to create a safe, healthy and conducive work environment.

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. In 2019, Unisem Ipoh is working towards being certified ISO 45001. To date, we have successfully passed stage 1 audit and is scheduled to undergo stage 2 audit next year to obtain full certification. This is an ongoing initiative in addition to achieving the highest level (5 - excellent) of implementation of the Systematic Occupational Health Enhancement Level Programme ("SOHELP") in 2016. Designed by the Department of Occupational Health and Safety Malaysia ("DOSH"), SOHELP is an enhancement programme focused on occupational health in areas including noise control, chemical handling and management as well as ergonomics issues. At Unisem Chengdu, OHS management systems are OHSAS18001:2007 certified and compliant with local health and safety regulations.

The Safety and Health Committees ("Committees") headed by the senior manager of the respective Facility Departments are tasked with the responsibility of daily monitoring and implementation of action plans and initiatives.

Ensuring Workplace Safety

KPI	Injury frequency rate for industrial accidents		
Group Target	Injury frequency rate for industrial accidents below 2 accidents per million hours worked[6]		
Performance	1.78 in 2017	1.69 in 2018	1.80 in 2019

	2017	2018	2019
Fatality rate	0	0	0

Table 20

[6] *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)*

SUSTAINABILITY **REPORT**

Among safety performance indicators monitored by the Safety and Health committee are work-related accidents 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. The number of major and minor work-related accidents in the last three years is shown below.

Number of Major and Minor Work-Related Accidents

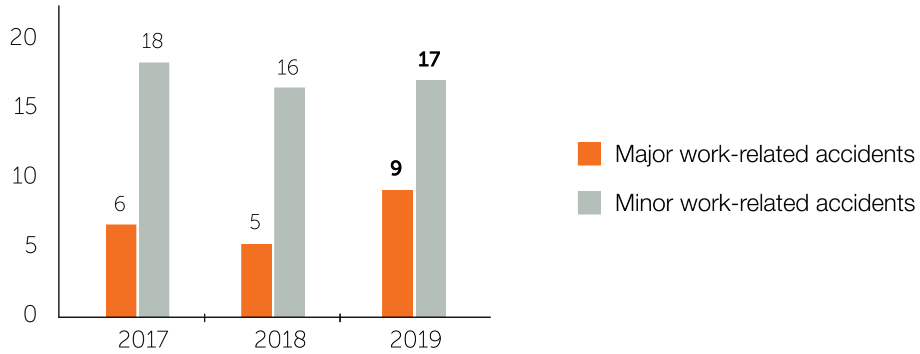


Chart 4

In 2019, the number of work-related accidents has increased from the year 2018. Minor work-related accidents were mainly trip and falls arising from safety negligence. The 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. We are also pleased to report no recorded incidents of work-related ill health or cases with high consequence injury during the reporting period.

Among other initiatives conducted to strengthen our safety environment include: on-site chemical and personal protective equipment management and storage, workplace inspection, machinery and work instruction and inspection, and radiation monitoring. Another important element to our safety practices is the Hazard Identification Risk Assessment and Risk Control (“HIRARC”) process, which aims to identify hazards and risk factors arising from our operating sites and establish control procedures where needed. Safety findings from these initiatives are reported to the site COO and Management at meetings where remedial action plans are established to resolve these issues.

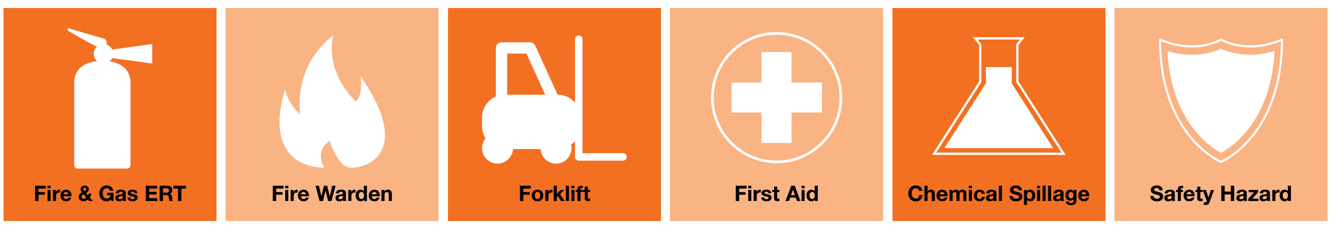
Our operating sites have established incident reporting and management procedures to provide a structured and accessible platform for employees to report any potentially unsafe act or workplace condition arising from unsafe or unhealthy work conditions and processes. The diagram below illustrates Unisem’s incident reporting process.

1. Occurence of incident or near-miss
2. 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.
3. Designated safety officer and investigation team shall undergo an investigation
4. Corrective action plan shall be identified and implemented
5. 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 6

Health and Safety Training

To enhance employee safety awareness and prevent workplace accidents, Unisem provides ongoing training programmes that are tailored to meet the requirements of specific types of work, and its associated health and safety risks. The Facility Departments are responsible of reviewing and developing annual training programme schedules to ensure programmes conducted reflect any operational, industry, regulatory changes and changes to health and safety performance within the Group. The types of training programmes conducted during the reporting year is illustrated below.



Promoting Workplace Health

We promote workplace health by providing healthcare benefits such as regular health screenings, and access to medical treatments from panel clinics on top of conducting health and safety talks. Where Unisem Chengdu is located closely to medical facilities, Unisem Ipoh provides an in-house 24-hour clinic with experienced industrial nurses and visiting doctors to provide medical consultation and treatment.

SUSTAINABILITY **REPORT**

LOCAL COMMUNITIES

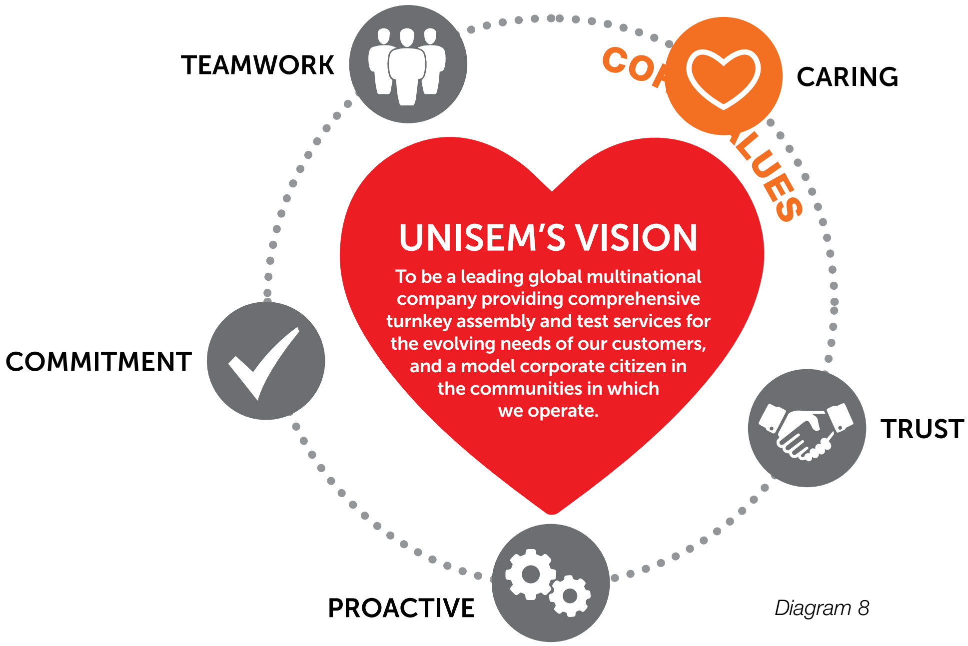


Diagram 8

Our Vision, Mission and Core Values guide the way we conduct our business and the relationships we have with our stakeholders. We recognise our obligations to our local communities to create shared value and reduce negative impacts.

Our local community engagement framework is represented by our three objectives:

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

Local hiring

In the countries we operate, we understand the value of supporting local job creation as it empowers households and contributes to national economic development. The people we hire are given access to a supportive work environment and career development opportunities, as described in this report. In Ipoh, Malaysia, we are one of the largest private sector employers.

Proportion (%) of local hires in Senior Management and Non-Senior Management roles		
	Senior Management	Non-Senior Management
Unisem Ipoh	67%	47%
Unisem Chengdu	50%	86%

Table 21

Youth development

In addition to permanent hires, we invest in youth development by providing them with career opportunities via our training programmes. Unisem Ipoh currently runs an annual training programme for industrial trainees from various universities and polytechnic institutions. As part of the programme, trainees are provided with career opportunities in various departments at Unisem Ipoh, such as Assembly, Final Test, Quality Assurance, Engineering, Maintenance, Finance, Management Information Systems and Human Resources.

In 2019, Unisem Ipoh provided opportunities to a total of 127 students from various local polytechnics and universities in Malaysia as trainees, of which 105 are pursuing Engineering Studies and 22 are from Non-Engineering backgrounds. 6 students have received permanent placements with Unisem.

Noise Monitoring

All sites practice open communications with local communities, and regular engagements via grievance channels and volunteering programmes. Operations in Unisem Ipoh[7] and Unisem Chengdu are both located at local industrial parks with residential areas surrounding our operating facilities.

We are cognisant of our potential negative impact to the local community due to the noise levels of our plants. In the past, we have received feedback from local communities on noise pollution. Since then we have implemented stringent noise monitoring programmes, including designating the responsibility to our dedicated facilities team, conducting Boundary Noise Monitoring exercise annually, and monitoring and reviewing reported noise levels regularly against local regulations.

Levels of noise pollution are maintained below thresholds as permitted by the guidelines on noise limits set by local authorities. Below, we disclose our performance against these parameters.

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

Table 22

Average Boundary Noise Levels (dB(A)) - Unisem Ipoh		
	Day	Night
2017	60	58
2018	60	58
2019	60	58

Table 23

[7] *According to the Guidelines for Siting and Zoning of Industry and Residential Areas (2012) issued by the Department of Environment, semiconductor industries are permitted to operate within a primary and overall buffer of 80 meters and 100 meters respectively. In the case of Unisem Ipoh, primary buffer is 40 meters. As residential areas were developed approximately 17 years after the commencement of our business activities in 1992, we have established monitoring and mitigation measures to ensure noise impact from our operations does not exceed the applicable and permitted noise levels (regulated by the relevant local authorities) at the most sensitive point of reception.*

SUSTAINABILITY REPORT

Average Boundary Noise Levels (dB(A)) - Unisem Chengdu		
	Day	Night
2017	54	49
2018	52	49
2019	51	49

Table 24

Community Investment

Donation programmes are reviewed annually to ensure that distribution of corporate contributions continues to effectively address the community's changing needs. These community investment decisions are made after engagements with municipal bodies and local communities. We have contributed to many facets of local development, including education, municipal infrastructure, underprivileged communities, and festive celebrations.

Unisem Ipoh donated RM106,547 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.

Long-term volunteer programmes continued this year, including the annual blood donation drive, 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. The blood donation drive was held at Unisem Ipoh with 339 employees volunteering.

In addition, our employees participated in numerous charity drives in conjunction with major festivities such as Thaipusam, Chinese New Year, Hari Raya and Deepavali. Other charitable activities organised during the year include monetary and non-monetary contributions to Sekolah Agama Serdang Permai, Sekolah Tabika Kemas Kamping Serdang Permai, and Good Shepherd Services.

ENVIRONMENT

As global agenda strives towards a sustainable future for generations to come, the semiconductor industry continues to be cognisant of environmental management through the introduction of low-energy-consumption products, utilising resource efficient technology and equipment, improving usage of ultra-pure water, pollution prevent and waste management.

We continue to manage and reduce environmental impact of our operations and our value chain, as well as improve our reported disclosure. In this section of the report, we discuss our measures and performance across our material matters.

Governing Our Environmental Management

Our environmental management systems are centred on the requirements of the RBA Code of Conduct and ISO 14001, an international standard with specific requirements for an effective environmental management system (EMS). All Unisem sites are ISO 14001:2015 certified, and annually perform the SAQ with biannual VAP. For more information on SAQ and VAP, please refer to page 43.

Performance of environmental management systems at all our sites are monitored by our Environmental Working Committees. This includes ensuring environmental management policies, processes, programmes, and performance are legally compliant, adhere to the RBA Code of Conduct, and that each site implements the requirements of ISO 14001. Outcomes are reviewed annually by our site COO and GM, who are responsible for sustainability initiatives and reporting to the Board.

The Unisem COE, Environmental Policy and Health & Safety Policy formalise our commitments towards environmental management. These are publicly available on our website[8].

EFFLUENTS AND WASTE MANAGEMENT

Hazardous waste management

KPI	Recycling rate of hazardous waste generated		
Target	To achieve 50% recycling rate of total scheduled (hazardous) waste generated		
Performance	49% in 2017	50% in 2018	49% in 2019

In 2019, 49% of hazardous waste generated was recycled by our waste contractors. We marginally missed the 50% recycling rate of total hazardous waste generated target due to lower electronic waste generated. This is due to lower sales volume during the reporting year. Types of hazardous waste generated in our operations are primarily electronic waste, spent solvents, spent cleaning solutions, sludges from wastewater treatment, and spent cyanide solutions.

[8] *https://www.unisemgroup.com/wp-content/uploads/2017/05/Environmental-Policy.pdf*
https://www.unisemgroup.com/wp-content/uploads/2016/05/Safety-and-Health-Policy.pdf

SUSTAINABILITY **REPORT**

Inappropriate handling or disposal of our hazardous waste would negatively affect the environment, health and safety of our workplace, and our surrounding communities. Therefore, all our sites practice stringent management of hazardous waste based on local laws and regulations. This includes measures taken to ensure appropriate storage, safe handling, movement and disposal of waste generated. In addition, our sites are regularly visited and audited by regulators to review the thoroughness of our measures.

To ensure proper disposal of hazardous waste Unisem only appoints licensed waste disposal contractors, as authorised by local regulators. Waste contractors are preferred based on their ability to perform high rates of recovery or recycling. Waste contractors are regularly audited to ensure their compliance to local laws and regulations concerning environmental, health and safety aspects.

Total Hazardous Waste Generated (MT)			
	2017	2018	2019
Unisem Ipoh	280	263	233
Unisem Chengdu	113	118	115

Table 25

E-waste management

Electrical and electronic waste, known as waste electrical and electronic equipment (WEEE) or e-waste, is one of the fastest growing waste streams in modern society. Both a challenge and opportunity; handling of e-waste is costly and hazardous, but appropriately recovering valuable substances and ensuring ethical disposal contributes towards global goals, such as SDG 12 for Responsible Consumption and Production.

E-waste primarily comprises defective wafers, ICs, frames, and waste gold wires. We follow strict protocol in ensuring that all proprietary information of our customers is scrapped prior to disposal. All our sites comply to local environmental laws and regulations on e-waste handling and disposal practices. While 60% of total hazardous waste are e-waste generated at Unisem Ipoh, 35% of total hazardous waste generated at Unisem Chengdu are e-waste. In 2019, we report a recovery rate of 81% and 99% of our e-waste by waste contractors for Unisem Ipoh and Unisem Chengdu respectively. The movement in e-waste generated is primarily in tandem with overall production activity in each site.

Total e-waste Generated (MT)			
	2017	2018	2019
Unisem Ipoh	162	151	139
Unisem Chengdu	31	38	40

Table 26

% of e-waste recovered			
	2017	2018	2019
Unisem Ipoh	82.9	81.3	81.3
Unisem Chengdu	98.8	98.8	98.9

Table 27

Non-hazardous waste management

Types of non-hazardous waste generated includes domestic trash, such as paper, plastic, cardboard boxes, etc. In 2019, we generated 1,059 MT where 51% of which were recycled by our licensed waste contractors. In Unisem Ipoh and Chengdu, we have improved our data collection and reporting process by refining and standardizing our classification of hazardous and non-hazardous waste material. As a result of the standardized, we saw an increase in quantity in the total non-hazardous waste during the reporting year.

Total Non-hazardous Waste Generated (MT)			
	2017	**2018**	**2019**
Unisem Ipoh	577	621	695
Unisem Chengdu	205	257	364

Recycling and Reuse Rate of Non-Hazardous Waste (MT)		
2017	**2018**	**2019**
52%	48%	51%

Table 28

We closely engage our employees to encourage domestic waste reduction, such as discouraging food waste, increasing consciousness of waste generated, and encouraging use of recycle bins. Furthermore, we practice reduction of new materials consumption at our operations. This includes new materials used for shipping tubes, canister cans and wafer carriers or containers. Consumption of these materials have significantly reduced since we embarked on the programme more than five years ago. Benefits reaped were significant cost savings, and effective use of resources. During the reporting year also, we have organised a reuse programme in collaboration with our vendors to encourage the use of reusable plastic reels instead of paper reels.

Effluents management

KPI & Target	Compliance with effluents and wastewater discharge regulations: • Standard B under EQA (Industrial Effluents) Regulation 2009 • Integrated Wastewater Discharge Standard (GB8978-1996)		
Unisem Ipoh	Compliant in 2017	Compliant in 2018	Compliant in 2019

Effluents generated by our processes are impacted by organic and inorganic compounds. Therefore, measures are taken to ensure quality of wastewater discharge are legally compliant, and to prevent wastewater run-offs. Effluents treatment and discharge methods in 2019 remain compliant to the legal requirements in the areas we operate.

At Unisem Ipoh, effluents are treated at our on-site wastewater treatment plants before being released through the municipal drainage system. Trained employees regularly conduct preventive maintenance of our wastewater treatment facilities. While Unisem Chengdu sites discharge wastewater to wastewater treatment plants located at the Industrial Park where we operate.

SUSTAINABILITY **REPORT**

Furthermore, wastewater quality is monitored daily by our facilities team, 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 for compliance to legally set parameters, this includes, but not limited to, pH, COD and BOD concentration, total suspended solids, Cu2+ concentration, Ni2+ concentration and ammonia concentrations.

Total wastewater discharged (million m³/year)		
2017	**2018**	**2019**
1.519	1.743	1.689

Table 29

WATER MANAGEMENT

Security of water sources is vital to the sustainable development of current and future ecosystems and societies. As a responsible corporate citizen, we remain cognisant of water use in our operations.

In all our wet-processing steps we utilise purified water, known as Ultra-Pure Water ("UPW"). Water is also consumed in our operations for domestic purposes. The primary source of water withdrawal at all our sites is municipal water. We maintain close engagements with municipal governments to make sure our withdrawal limits and sources are within permissible range. In 2019, our total water withdrawal was 3 million m3 with 1.3 million m3 consumed in our operations. The increase was mainly due to plant expansion works at Unisem Ipoh and Unisem Chengdu that required larger amounts of water consumed.

Total water withdrawal (million m³)		
2017	**2018**	**2019**
2.795	2.881	3.016

Table 30

Total water consumption (million m³)		
2017	**2018**	**2019**
1.276	1.138	1.327

Table 31

We are constantly exploring opportunities to recycle and reuse water at our sites. Most initiatives require significant investments; therefore, it requires resource and strategic planning before decisions are made.

A primary initiative to reduce water withdrawal is the reuse of lightly-contaminated UPW for other industrial purposes and irrigation. Our facilities are equipped with complex rinse water collection systems as well as a dedicated separate drainage, to ensure that lightly-contaminated water is properly collected and reused.

Unisem Chengdu adopts a reverse osmosis system which allows water coming out of our process to be reused, in addition to the heat recovery system. Recycle rates of water withdrawn are illustrated below:

Proportion of water recycled over water withdrawn (%)			
	2017	2018	2019
Unisem Ipoh	3%	3%	3%
Unisem Chengdu	8%	7%	9%

Table 32

GREENHOUSE GAS EMISSIONS, OTHER AIR EMISSIONS AND ENERGY CONSUMPTION

Greenhouse Gas ("GHG") Emissions

KPI	Reduction of GHG emissions (Scope 1 and 2) per unit produced[9] i.e. GHG Intensity		
Target	To achieve 10% reduction in GHG emissions intensity (baseline 2011)		
Performance	Reduced 22% in 2017	Reduced 10% in 2018	Increased 4% in 2019

Despite the absence of GHG-specific legislation at our areas of operations, Unisem, as a participant of the RBA Code of Conduct, is required to document and track Scope 1 and Scope 2 GHG emissions and look for cost-effective methods to improve energy efficiency and minimise energy consumption and GHG emissions. Over the last two years, we invested in data collection and monitoring measures to improve the quality of the reported data, as we pursued greater transparency of our disclosure by reporting against GRI Standards – Core Option and report data as guided by the GHG Protocol.

Primary source of our Scope 1 emissions is fuel consumption, while our electricity consumption is the primary contributor to our Energy Indirect (Scope 2) emissions. Annually, our facility team at Unisem Ipoh monitors reductions of our GHG intensity against 2011 baseline. For the reporting year, we were unsuccessful in achieving the our GHG emissions intensity target mainly due to the expansion of new bumping area and machinery space at Unisem Chengdu and Unisem Ipoh. Furthermore, we observed a reduction in sales volume reported in 2019, compared to 2018, primarily due to adverse market condition such as the US-China trade war. For more information on the impact of the market trends on our operations, please refer to the MD&A Section of this Annual Report.

Our facility team will continue to monitor and manage our GHG emissions intensity. We plan to install an energy optimisation control system for our plant chillers and compressors. This project will reduce 40% of plant chillers and compressors energy consumption thereby significantly reducing GHG emissions intensity.

GHG Intensity (tCO2-e/unit produced)		
2017	2018	2019
0.013	0.015	0.017

Table 33

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

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Total Scope 1 and Scope 2 GHG emissions ('000 tCO2e)			
	2017	**2018**	**2019**
Direct (Scope 1) GHG emissions ('000 tCO2e)	1.19	1.45	1.70
Indirect (Scope 2) GHG emissions ('000 tCO2e)	108.73	114.81	120.92
Total (Scope 1 and Scope 2) ('000 tCO2e)	**109.92**	**116.26**	**122.62**

Table 34

Total Scope 1 and Scope 2 GHG emissions ('000 tCO2e) by site			
	2017	**2018**	**2019**
Unisem Ipoh	69.3	70.8	73.6
Unisem Chengdu	40.6	45.4	49.0

Table 35

Direct (Scope 1) GHG Emissions

Scope 1 GHG emissions comprise 1% of our total GHG emissions. Sources of emissions are primarily fleet fuel consumption, such as petrol and diesel forklifts and company-owned cars, as well as natural gas used in our boilers and generator sets.

Direct (Scope 1) GHG Emissions by site			
	2017	**2018**	**2019**
Unisem Ipoh	0.12	0.13	0.11
Unisem Chengdu	1.07	1.32	1.59

Table 36

We have taken several measures to reduce our fuel consumption. In 2015, we installed a heat recovery system at our site in Chengdu, amongst other measures to reduce our natural gas consumption. Additionally, we are in the process of converting our forklifts to electric forklifts to reduce our dependency on diesel at Unisem Ipoh. As at December 2019, we have successfully replaced all diesel forklifts to electric forklifts at Unisem Ipoh.

Indirect (Scope 2) GHG Emissions

Electricity consumption is a primary contributor to our Scope 2 emissions, and the main source of energy at all our sites.

Direct (Scope 2) GHG Emissions by site			
	2017	**2018**	**2019**
Unisem Ipoh	69.2	70.7	73.5
Unisem Chengdu	39.5	44.1	47.4

Table 37

Key energy consumption reduction initiatives currently performed at our sites, are as follows:

Initiative	Description	Reduction Achieved in 2019
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.	Electricity: 1,058,567.9 kwh
Installation of Heat Recovery System	The heat recovery system allows for heating demand to be reduced.	Water: 9,331 ton Electricity: 460,080 kwh Natural Gas: 96,960 m^3
Conversion of conventional lighting to LED lighting	Conventional lighting is progressively converted to a more energy-efficient alternative i.e. LED lighting.	Electricity: 703,160 kwh
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.	Electricity: 228,600 kwh
Plant 2 RO Water Recycle	Level 2 RO water recycle in RO system.	Water: 64,800 ton

Other Indirect (Scope 3) GHG Emissions

Sources of Scope 3 emissions are all indirect emissions, aside from Scope 2 emissions. This usually includes employee travel and commuting, and value chain data. Unisem's data is currently being standardised and reviewed for reporting. We plan to report Scope 3 emissions when the quality of data meets our internal standards. Some of the initiatives we practise to reduce our carbon footprint are to avoid all non-essential air or ground travel. Furthermore, management of our supply chain is practised against the RBA Code of Conduct. Thus, our supply chain management efforts focus on raising awareness on sustainability matters amongst our suppliers, as well as requiring our direct material suppliers to complete the SAQ. Refer to pages 26 – 28 for more information on our supply chain management.

SUSTAINABILITY **REPORT**

Energy Consumption

Our energy intensity in 2019 is 92 MJ/unit produced. This is due to expansion programme at Unisem Chengdu and Unisem Ipoh facilities.

Total Energy Intensity (MJ/unit produced)		
2017	**2018**	**2019**
69	80	92

Table 39

Total Energy Consumption (GJ) by site			
	2017	**2018**	**2019**
Unisem Ipoh	372,974	381,173	395,944
Unisem Chengdu	212,824	239,602	260,658

Table 40

Fuel consumed in our operations are primarily from non-renewable sources.

Type of Energy Source	2017	2018	2019
Purchased Electricity (GJ)	564,890	595,365	626,636
Diesel (GJ)	273	455	160
Petrol (GJ)	2,478	2,506	2,424
Natural Gas (GJ)	18,157	22,449	27,382
Total Energy Consumed (GJ)	**585,798**	**620,775**	**656,602**

Table 41

Other Air Emissions

In aligning our practices with the environmental standards of the RBA Code of Conduct, we strictly monitor, control and treat air emissions prior to discharge to maintain legal compliance, and to reduce our environmental impact. Air emissions stipulated in the RBA Code of Conduct are volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations.

Scrubbers and carbon absorption treatment systems monitor and improve the quality of our air emissions. Dedicated teams conduct regular maintenance of our facilities and treatment systems to ensure their effectiveness in limiting harmful emissions. Furthermore, quality of our air emissions is reviewed and verified by a third-party contractor annually.

Below, we report air emissions at both our sites based on the data as required by local environmental regulations in the areas we operate. All sites remain compliant to relevant local regulations.

Unisem Ipoh					
Type of Air Emissions	**Unit**	**Malaysian Standards**	**2017**	**2018**	**2019**
Nitric acid	mg SO3/Nm^3	200	1.00	1.53	1.25
Sulphuric acid	mg SO3/Nm^3	200	0.32	1.48	1.19
Lead	mg/Nm^3	25	Insignificant	Insignificant	Insignificant
Hydrochloric acid	mg HCl/Nm^3	400	1.20	0.83	0.60
Hydrofluoric acid	mg HF /Nm^3	100	Insignificant	0.71	1.01
Hydrogen sulphide	ppm	5	Insignificant	Insignificant	Insignificant
Chlorine	mg HCl /Nm^3	200	6.20	Insignificant	Insignificant
Oxides of nitrogen	mg SO3/Nm^3	200	Insignificant	133.00	105
Sulphur dioxide	mg SO2/Nm^3	-	Insignificant	Insignificant	Insignificant
Solid particles	g/Nm^3	0.4	0.01	0.18	0.05

Table 42

Unisem Chengdu					
Type of Air Emissions	**Unit**	**China Standards**	**2017**	**2018**	**2019**
Volatile Organic Compounds (VOCs)	mg/m^3	60	0.6	3.4	4.5
Sulphur oxides (SOX)	mg/m^3	45	6.7	12.6	1.7
Sulphur dioxide (SO2)	mg/m^3	50	0.0	0.7	11.2
Nitrous oxides (NOx)	mg/m^3	150	55.0	83.0	59.8
Hydrogen fluoride (HF)	mg/m^3	9	0.4	3.3	0.2

Table 43

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PRODUCT STEWARDSHIP

We owe an obligation to our customers, end consumers and other stakeholders on the quality, safety and ethical production processes of the products we deliver. As represented in the measures and actions described in this Sustainability Report, we are cognisant of the social and environmental impacts of our operations in product delivery. We also demonstrate our commitment to ethical practices as a participant of the RBA Code of Conduct.

In addition to the abovementioned, assessing stages of our product life cycle as well as executing our responsibility on the health and safety of materials used in our products represent product stewardship.

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 44

DATA FOR THE SUSTAINABILITY REPORT

	2017	2018	2019
Turnover rate			
Unisem Ipoh			
Turnover no. – by gender			
Male	105	122	119
Female	780	788	702
Turnover rate – by gender			
Male	11.9%	13.4%	13.1%
Female	88.1%	86.6%	77.1%
Turnover no. – by age group			
Under 30	693	705	612
30 – 50	184	189	188
50 and above	8	16	21
Turnover rate – by age group			
Under 30	78.3%	77.5%	74.5%
30 – 50	20.8%	20.7%	22.9%
50 and above	0.9%	1.8%	2.6%
Unisem Chengdu			
Turnover no. – by gender			
Male	467	648	757
Female	450	499	473
Turnover rate – by gender			
Male	50.9%	56.5%	61.5%
Female	49.1%	43.5%	38.5%
Turnover no. – by age group			
Under 30	782	1,041	1,004
30 – 50	134	105	224
50 and above	1	1	2
Turnover rate – by age group			
Under 30	85.3%	89.4%	81.6%
30 – 50	14.6%	10.4%	18.2%
50 and above	0.1%	0.2%	0.2%

SUSTAINABILITY REPORT

	2017	2018	2019
New employees hire			
Unisem Ipoh			
New employees hire no. – by gender			
Male	119	98	83
Female	581	646	530
New employees hire rate – by gender			
Male	17.0%	13.2%	13.5%
Female	83.0%	86.8%	86.5%
New employees hire no. – by age group			
Under 30	633	695	571
30 – 50	67	49	42
50 and above	0	0	0
New employees hire rate – by age group			
Under 30	90.4%	93.4%	93.1%
30 – 50	9.6%	6.6%	6.9%
50 and above	0.0%	0.0%	0.0%
Unisem Chengdu			
New employees hire no. – by gender			
Male	467	648	880
Female	450	499	492
New employees hire rate – by gender			
Male	50.9%	56.5%	64.1%
Female	49.1%	43.5%	35.9%
New employees hire no. – by age group			
Under 30	782	1,069	1,129
30 – 50	134	125	242
50 and above	1	2	1
New employees hire rate – by age group			
Under 30	85.3%	89.3%	82.3%
30 – 50	14.6%	10.5%	17.6%
50 and above	0.1%	0.2%	0.1%

	2017	2018	2019
Parental leave			
Unisem – Ipoh and Chengdu			
Total number of employees that were entitled to parental leave - by gender			
Male	1,231	1,324	1,469
Female	1,427	1,475	1,617
Total number of employees that took parental leave - by gender			
Male	145	146	153
Female	154	174	191
Total number of employees that returned to work in the reporting period after parental leave ended - by gender			
Male	138	146	153
Female	154	148	150
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	108	138	129
Female	141	147	120
Return to work rates of employees that took parental leave - by gender			
Male	100%	100%	100%
Female	95%	85%	79%
Retention rates of employees that took parental leave and were still employed 12 months after their return to work - by gender			
Male	100%	100%	88%
Female	82%	95%	81%
Training hours			
Unisem – Ipoh and Chengdu			
Total training hours	190,549	234,580	176,006
Average hours of training that the organization's employees have undertaken during the reporting period – by employee category			
Management	26	25	39
Executives	23	25	23
Non-Operators	28	32	26
Operators	40	47	39
Man-hours worked			
Unisem – Ipoh and Chengdu			
Total no. of man-hours worked	13,696,601	13,629,284	15,009,287

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	2017	2018	2019
Employment Contract			
Employees by employment contract			
% of employees that are on fixed-term contract	51%	50%	50%
Employees by employment contract – by gender			
Permanent			
Male	1,386	1,440	1,422
Female	1,645	1,692	1,640
Fixed-term contract			
Male	742	678	789
Female	2,420	2,421	2,260
Employees by employment contract – by region			
Permanent			
Ipoh	2,524	2,520	2,408
Chengdu	507	612	654
Fixed-term contract			
Ipoh	1,594	1,681	1,578
Chengdu	1,568	1,418	1,471
Group Employee diversity			
Unisem – Ipoh and Chengdu			
Employee category – by gender			
		Male	**Female**
Senior Management		44	4
Management		68	14
Executives		428	269
Operators		400	3,187
Non-Operators		1,271	426
Employee category – by age group			
	under 30 years old	**30-50 years old**	**over 50 years old**
Senior Management	-	18	30
Management	-	58	24
Executives	119	555	23
Operators	2,422	1,065	100
Non-Operators	705	951	41

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	1
2	102-2	Activities, brands, products, and services	Company Profile - Unisem Group	2 - 3
3	102-3	Location of headquarters	Company Profile - Unisem Group	2 - 3
4	102-4	Location of operations	Company Profile - Unisem Group	2 - 3
5	102-5	Ownership and legal form	Company Profile & Shareholders' Statistics	1/183
6	102-6	Markets served	Company Profile	1
7	102-7	Scale of the organization	Company Profile & Audited Financial Statements	1/103
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.	59
9	102-9	Supply chain	Supply Chain Management - Sustainability Report	26
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	97
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	23 34 26
18	102-18	Governance structure	Profile of Directors, Profile of Senior Management, and Corporate Governance Overview Statement Sustainability Governance	72 - 91 16
40	102-40	List of stakeholder groups	Stakeholder Inclusivity	18
41	102-41	Collective bargaining agreements	27% of Unisem Ipoh's employees are covered by collective bargaining agreements. Unisem Chengdu does not have collectiev bargaining agreements.	
42	102-42	Identifying and selecting stakeholders	Stakeholder Inclusivity	18
43	102-43	Approach to stakeholder engagement	Stakeholder Inclusivity	18
44	102-44	Key topics and concerns raised	Stakeholder Inclusivity	18
45	102-45	Entities included in the consolidated financial statements	Audited Financial Statements	103 - 182
46	102-46	Defining report content and topic Boundaries	Basis of preparation - Sustainability Report	15
47	102-47	List of material topics	Materiality Assessment	20
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

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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	63
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	20
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	103 - 182
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	103 - 182
63	201-4	Financial assistance received from government	Audited Financial Statements	103 - 182

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
GRI 202 Market Presence				
64	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	
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. For information on our proportion, please refer to the Local Communities section.	46
GRI 203 Indirect Economic Impacts				
66	203-1	Infrastructure investments and services supported	-	
67	203-2	Significant indirect economic impacts	Local Communities	46
GRI 204 Procurement Practices				
68	204-1	Proportion of spending on local suppliers	Local suppliers are suppliers who are based in the same countries as our operations. For Unisem Ipoh, this refers to Malaysia. For Unisem Chengdu, this refers to China. For information on our proportion, please refer to the Supply Chain Management section.	26
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	Employees in Unisem Ipoh and Chengdu receive anti-corruption training. For information on anti-corruption training, please refer to the Anti-Corruption section.	34
71	205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption	34
GRI 206 Anti-Competitive Behaviour				
72	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A	

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GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
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 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, Other Air Emissions and Energy Consumption section.	53
77	302-2	Energy consumption outside of the organization	-	
78	302-3	Energy intensity	Greenhouse Gas Emissions, Other Air Emissions and Energy Consumption	53
79	302-4	Reduction of energy consumption	Greenhouse Gas Emissions, Other Air Emissions and Energy Consumption	53
80	302-5	Reductions in energy requirements of products and services	-	
GRI 303 Water and Effluents				
81	303-1	Interactions with water as a shared resource	-	
82	303-2	Management of water discharge-related impacts	Effluents and Waste Management	49
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.	52
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.	49
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.	52

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
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.	53
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.	53
88	305-3	Other indirect (Scope 3) GHG emissions	-	
89	305-4	GHG emissions intensity	Greenhouse Gas Emissions, Other Air Emissions and Energy Consumption	53
90	305-5	Reduction of GHG emissions	Greenhouse Gas Emissions, Other Air Emissions and Energy Consumption	53
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 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, Other Air Emissions and Energy Consumption section.	53
GRI 306 Effluents and Waste				
95	306-1	Water discharge by quality and destination	Effluents and Waste Management	49
96	306-2	Waste by type and disposal method	Information on other disposal methods of hazardous and non-hazardous waste, apart from recycling for Unisem Ipoh and Unisem Chengdu, is not available in the current report. For more information on our waste management, please refer to Effluents and Waste Management section.	49
97	306-3	Significant spills	No significant spill occurred in FYE 2019.	
98	306-4	Transport of hazardous waste	-	
99	306-5	Water bodies affected by water discharges and/or runoff	-	

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GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
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	26
102	308-2	Negative environmental impacts in the supply chain and actions taken	Supply Chain Management	26
GRI 401 Employment				
103	401-1	New employee hires and employee turnover	Data table - Sustainability Report	59
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 2019.	
105	401-3	Parental leave	Data table - Sustainability Report	59
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	43
108	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Safety and Health	43
109	403-3	Occupational health services	Occupational Safety and Health	43
110	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Safety and Health	43
111	403-5	Worker training on occupational health and safety	Occupational Safety and Health	43
112	403-6	Promotion of worker health	Occupational Safety and Health	43
113	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Product Stewardship, Supply Chain Management	57/26
114	403-8	Workers covered by an occupational health and safety management system	Occupational Safety and Health	43
115	403-9	Work-related injuries	Occupational Safety and Health	43
116	403-10	Work-related ill health	Occupational Safety and Health	43

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
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.	59
112	404-2	Programs for upgrading employee skills and transition assistance programs	Employee Welfare - Employee Learning and Development	37
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	72 - 79 37 59
115	405-2	Ratio of basic salary and remuneration of women to men	Ratio of women to men : 1:1.26 for Unisem	
GRI 406 Non-discrimination				
116	406-1	Incidents of discrimination and corrective actions taken	Labour rights	42
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 two areas - Ipoh, Malaysia and Chengdu, China. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh and Unisem Chengdu 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	42/26

SUSTAINABILITY **REPORT**

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
GRI 408 Child Labour				
118	408-1	Operations and suppliers at significant risk for incidents of child labor	We operate in two areas - Ipoh, Malaysia and Chengdu, China. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh and Chengdu 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	42/26
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 two areas - Ipoh, Malaysia and Chengdu, China. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh and Chengdu 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	42/26
GRI 412 Human Rights Assessment				
122	412-1	Operations that have been subject to human rights reviews or impact assessments	We operate in two areas - Ipoh, Malaysia and Chengdu, China. All our operations are assessed using RBA SAQ, which considers the RBA Code of Conduct. In addition, our operations in Unisem Ipoh and Chengdu 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	42/26
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 Standards Content Index				
#	Disclosure Number	Disclosure Title	Response	Page Number
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	46
GRI 414 Supplier Social Assessment				
127	414-1	New suppliers that were screened using social criteria	Supply Chain Management	26
128	414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management	26
GRI 415 Public Policy				
129	415-1	Political contributions	Anti-Corruption	34
GRI 418 Customer Privacy				
136	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy and Data Protection	35
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 70, 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.

Mr John Chia Sin Tet also sits on the board of several private limited companies. He does not have other directorships in public listed companies.

LEE HOONG LEONG

Executive Director,
Malaysian, Male

Mr Lee Hoong Leong, aged 62, 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.

He does not have other directorships.

FRANCIS CHIA MONG TET

Executive Director,
Malaysian, Male

Mr Francis Chia Mong Tet, aged 68, 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.

Mr Francis Chia Mong Tet also sits on the board of several private limited companies. He does not have other directorships in public listed 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 39, 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 Alexander Chia joined the Company in 2004 and held the position of Vice President, Deputy COO, prior to his appointment to the board in 2014.

Mr Alexander Chia sits on the board of several private limited companies. He does not have other directorships in public listed 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 68, 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. He does not have other directorships in public listed companies.

ANG CHYE HOCK

Independent Director,
Singaporean, Male

Mr Ang Chye Hock, aged 70, 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.

Mr Ang does not have other directorships.

LIM SIEW ENG

Independent Director,
Malaysian, Female

Mdm Lim Siew Eng, aged 67, 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, Nomination 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 in 2009 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. She does not have other directorships in public listed companies.

MAHANI BINTI AMAT

Independent Director,
Malaysian, Female

Puan Mahani Binti Amat, aged 65, 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. In 2019, Puan Mahani joined the board of AIA Berhad. She also sits on the board of several private limited companies. Other than the directorships in Scicom (MSC) Bhd, Leong Hup International Berhad, and AIA Behad, Puan Mahani does not have other directorships in public listed companies.

PROFILE OF
BOARD OF DIRECTORS

XIAO ZHIYI

Non-Executive Director,
Chinese, Male

Mr Xiao Zhiyi, aged 43, 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.

Mr Xiao currently sits on the board of a private limited company. He does not have other directorships in public listed companies.

CUI WEIBING

Non-Executive Director,
Chinese, Male

Mr Cui Weibing, aged 52, 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. Other than his directorship in Tianshui Huatian Technology Co., Ltd, Mr Cui does not have other directorships in public listed companies.

JU FENG

Non-Executive Director,
Chinese, Male

Mr Ju Feng, aged 36, was appointed to the Board of the Company on 6 August 2019. He graduated from Tianshui Normal University in 2008 with a Bachelor of Accountancy degree.

Mr Ju is the Assistant Director in the Finance Center of the headquarter of Tianshui Huatian Technology Co., Ltd, a position which he has held since March 2019. He began his career as an Accountant at Fangda Carbon New Material Co., Ltd in 2008 and joined Tianshui Huatian Technology Co. Ltd in 2009 and held various positions in the finance department.

Mr Ju currently sits on the board of a private limited company. He does not have other directorships in public listed companies.

Save as disclosed in Note 17 under Notes to the Financial Statements none of the Directors has any conflict of interest or related party transactions 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**

CHIN HOCK YEE

Company Secretary,
Malaysian, Female

Ms Chin Hock Yee, aged 54, 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.

KUAN HUI FANG

Company Secretary,
Malaysian, Female

Ms Kuan Hui Fang, aged 49, was appointed to the Board of the Company on 26 February 2020. She is a member of the Malaysian Institute of Accountants (MIA) and Association of Chartered Certified Accountants (ACCA). She is a qualified company secretary under the Companies Act 2016 with more than 20 years' experience in corporate secretarial practice.

Ms Kuan is a Director of Tricor Corporate Services Sdn Bhd, where she heads a team of 7 secretarial staff and oversees the corporate secretarial and advisory work at for over 300 clients, ranging from public listed companies, multinational companies, asset management companies to manufacturing companies.

PROFILE OF SENIOR MANAGEMENT

THAM ENG HUAK

Vice President, Group Finance,
Malaysian, Male

Mr. Tham Eng Huak, aged 58, 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 65, 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.

QUEK SUAN HONG

Chief Operating Officer – Unisem Chengdu
Malaysian, Male

Mr. Quek Suan Hong, aged 70, 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.

CHAI CHAN WAH

General Manager – UAT
Malaysian, Male

Mr Chai Chan Wah, aged 56, 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 17 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 2019. 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 ("MMLR") by Bursa Malaysia Securities Berhad 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 2019. The Board recognises that the design and implementation of the governance framework is important 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;
- always have the prosperity and needs of stakeholders in mind;
- adopt a "substance over form" approach in the adoption of corporate governance practices;
- recognise that there is no one resolution 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.

[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.

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

Unisem has applied all the Practices in MCCG for the financial year ended 31 December 2019, 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 www.unisemgroup.com/company-info/corporate-governance/ 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 subsequent pages of this Corporate Governance Overview Statement.

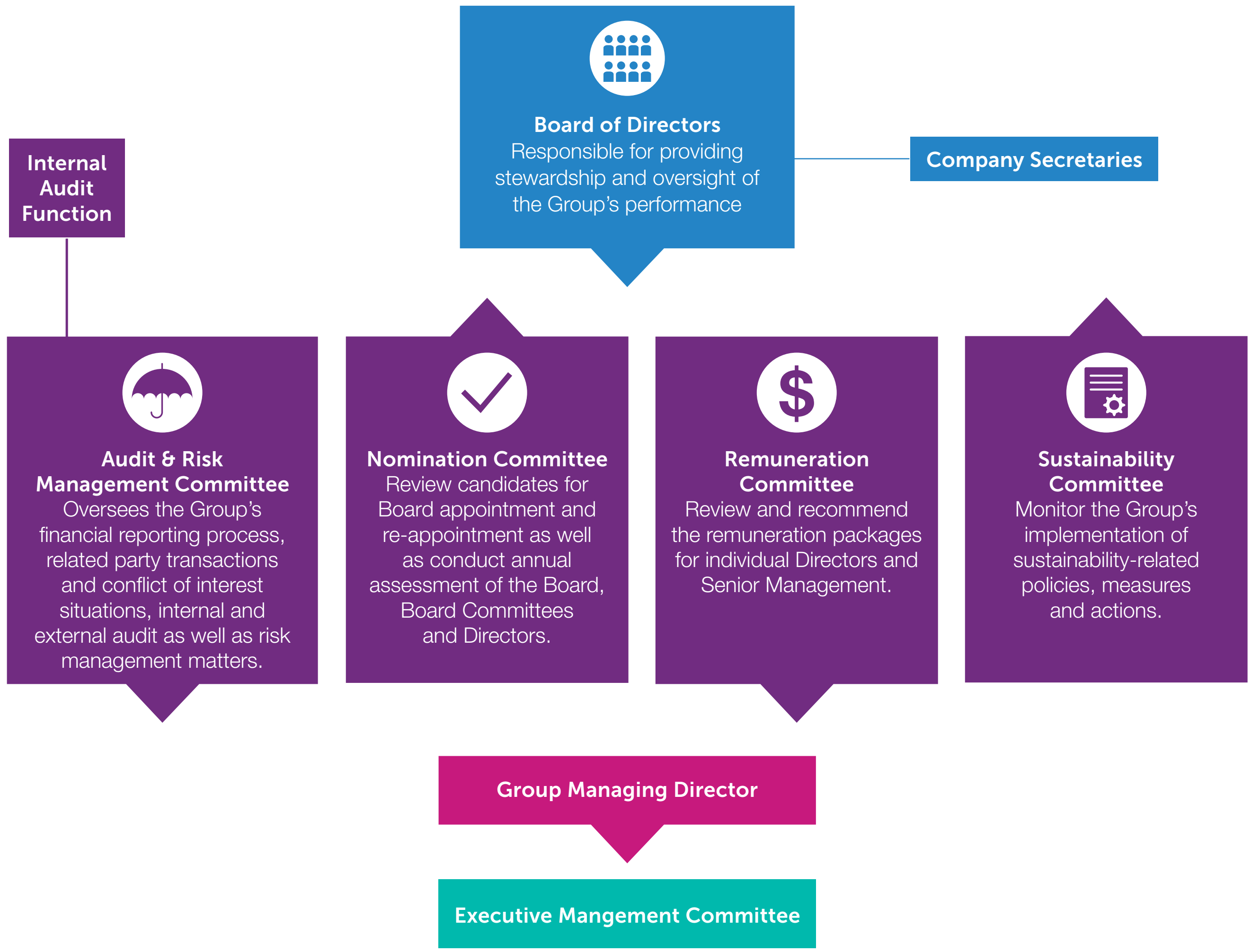
PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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, group restructuring exercise, financial performance as well as key performance indicators.

In performing their duties, the Board and Board Committees are supported by competent and qualified 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 six times to discuss pertinent issues.

The attendance of individual Directors for the meetings of the Board and Board committees are as follows:

Director	Board	Audit & Risk Management Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Executive Directors					
Mr John Chia Sin Tet (Chairman)	6/6			1/1	
Mr Lee Hoong Leong	6/6				
Mr Francis Chia Mong Tet	6/6				
Mr Alexander Chia Jhet-Wern	6/6				
Independent Directors					
Dato' Gregory Wong Guang Seng (Senior Independent Director)	6/6	6/6	2/2		2/2
Mr Ang Chye Hock	6/6	6/6		1/1	2/2
Mdm Lim Siew Eng	6/6	6/6	2/2	1/1	
Puan Mahani binti Amat	6/6		2/2		2/2
Non-Independent Non-Executive Directors					
Mr Yen Woon @ Low Sau Chee *	1/6				
Mr Cui Weibing	5/6				
Mr Xiao Zhiyi	4/6				
Mr Wu Shutao **	3/5				
Mr Ju Feng ***	3/5				

Legend: Board/Board Committee Chairman Member

** Mr Yen Woon @ Low Sau Chee retired on 25 April 2019.*

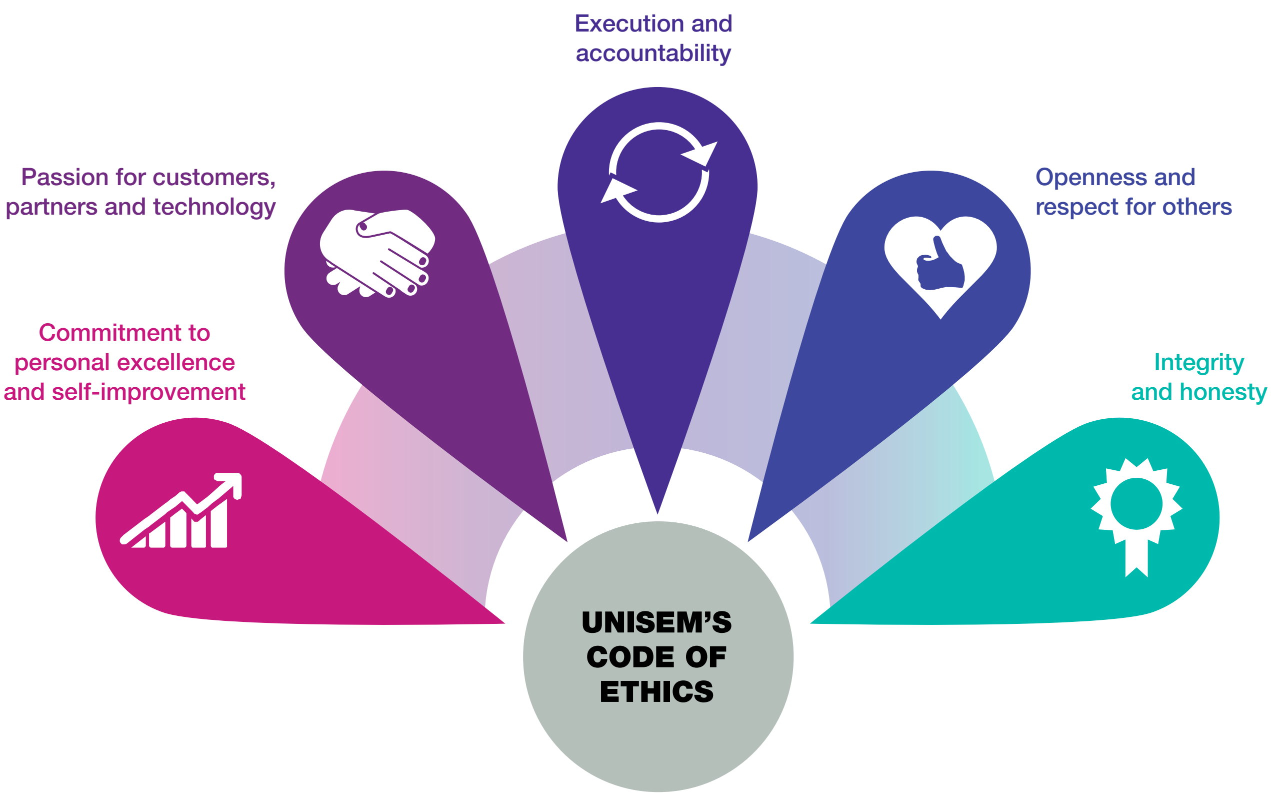
*** Mr Wu Shutao resigned on 6 August 2019.*

**** Mr Ju Feng was appointed to the board on 6 August 2019.*

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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.

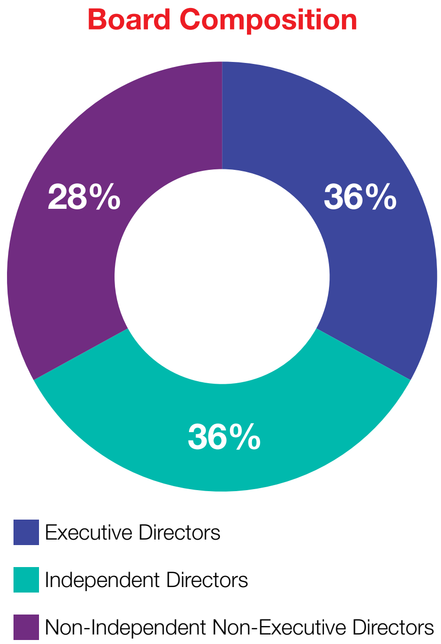
The Board has formalised and implemented a Code of Ethics, which is regularly reviewed and monitored to foster an ethical culture that permeates across the Group. Unisem's Code of Ethics was established with reference to the Responsible Business Alliance (RBA, formerly known as the Electronic Industry 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.

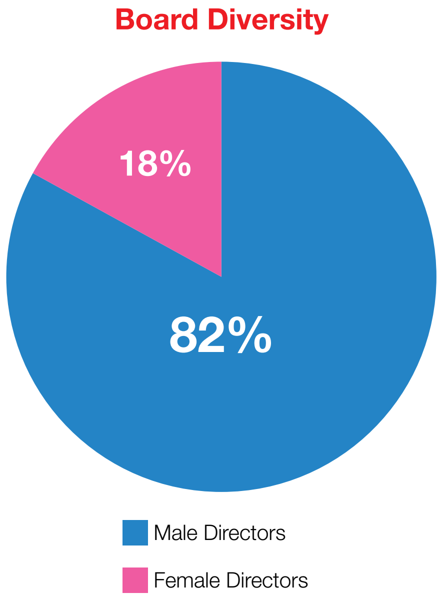


Board composition

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 three (3) 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.





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 identify any void in its configuration.

In accordance with the Constitution of the Company, one-third of the Directors shall retire from office every year at the Annual General Meeting ("AGM") and subsequently offer themselves for re-election by the shareholders. Directors who are appointed by the Board are subject to election by the shareholders at the AGM held following their appointments.

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.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Directors' skill sets are illustrated below:

On the dimension of gender, the Board presently has 18% 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 identified changes and areas of improvements relating to achieving the gender diversity goal, timely communication with management on development of the Group's operations, training on changes in legislation, guidelines and reporting practices that affect the Group and industry/ product/technology knowledge enhancement.

In light of 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.

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. SEMICON Southeast Asia 2019 organised by SEMI. ii. Unisem Group Mid-Year Sales Meeting including new products and technology update.	7-9 May 2019 4 & 5 July 2019
Mr Lee Hoong Leong	i. SEMICON Southeast Asia 2019 organised by SEMI. ii. Unisem Group Mid-Year Sales Meeting including new products and technology update.	7-9 May 2019 4 & 5 July 2019
Mr Francis Chia Mong Tet	i. SEMICON Southeast Asia 2019 organised by SEMI. ii. Unisem Group Mid-Year Sales Meeting including new products and technology update.	7-9 May 2019 4 & 5 July 2019
Mr Alexander Chia Jhet-Whern	i. SEMICON Southeast Asia 2019 organised by SEMI. ii. Bursa Malaysia Corporate Governance Advocacy Programme titled Cyber Security in the Boardroom. iii. Unisem Group Mid-Year Sales Meeting including new products and technology update.	7-9 May 2019 27 June 2019 4 & 5 July 2019
Dato' Gregory Wong Guang Seng (Senior Independent Director)	i. Analysis of Sustainability Practices & Disclosures in Annual Reports and/or Sustainability Reports for FY Ended 31 December 2017 organised by Bursa Malaysia. ii. Audit Committee Conference (ACI) 2019 organised by Malaysian Institute of Accountants (MIA). iii. Unisem Group Mid-Year Sales Meeting including new products and technology update. iv. Bursa Malaysia Sustainability Advocacy Programme on Task Force on Climate-Related Financial Disclosures. v. National Tax Conference 2019 organised by CTIM. vi. Introduction to Integrated Reporting organised by MIA. vii. MIA International Accountants Conference 2019. viii. Securities Commission Audit Oversight Board Conversation with Audit Committees.	14 February 2019 15 April 2019 4 & 5 July 2019 9 July 2019 5 & 6 August 2019 14 October 2019 22 & 23 October 2019 8 November 2019
Mr Ang Chye Hock	i. Bursa Malaysia Corporate Governance Advocacy Programme titled Cyber Security in the Boardroom. ii. Unisem Group Mid-Year Sales Meeting including new products and technology update.	27 June 2019 4 & 5 July 2019
Mdm Lim Siew Eng	i. Audit Committee Conference (ACI) 2019 organised by Malaysian Institute of Accountants. (MIA) ii. Unisem Group Mid-Year Sales Meeting including new products and technology update.	15 April 2019 4 & 5 July 2019

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

Attended by		List of training programmes attended	Date
Mdm Mahani Binti Amat	i.	Independents Directors' Programme: The Essence of Independence organised by Bursa Malaysia and The Iclif Leadership and Governance Centre.	27 June 2019
	ii.	Unisem Group Mid-Year Sales and Meeting including new products and technology update.	4 & 5 July 2019
	iii.	Bursa Malaysia's Thought Leadership: The Convergence of Digitisation and Sustainability.	23 August 2019
	iv.	Key Obligations of A Listed Company - Main Market Listing Requirements organised by CKM Advisory Sdn Bhd.	29 August 2019
	v.	Session on Corporate Governance and Anti Corruption organised by Bursa Malaysia and Securities Commission Malaysia.	31 October 2019
	vi.	Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009 organised by Bursa Malaysia.	4 November 2019
	vii.	AIA In-house Orientation Program.	28 November 2019
Mr Xiao Zhiyi	i.	Mandatory Accreditation Program.	26 & 27 June 2019
Mr Cui Weibing	i.	Mandatory Accreditation Program.	26 & 27 June 2019
Mr Ju Feng	i.	Mandatory Accreditation Program.	30 & 31 October 2019

Remuneration

A fair remuneration package is key 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 the remuneration affects their independence. 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.

As it is a policy of the Tianshui Huatian Technology Co Ltd ("TSHT") group that no fees are to be paid to directors who sit on any board of the TSHT group of companies, there are no Directors' fees for directors who represent the interest of TSHT in Unisem.

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 the Senior Independent Director, 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 ARMC 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 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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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 form:

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.

FOCUS AREAS DURING THE YEAR

Unisem continued to report as a Large Company in 2019. The corporate governance areas which were at the forefront of the Board's agenda during the financial year ended 31 December 2019 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.

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 (2020 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 COMPOSITION

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 concluded in January 2019 has resulted in the change of Unisem's Board composition with Mr Xiao Zhiyi, Mr Cui Weibing and Mr Wu Shutao (who resigned on 6 August 2019 and replaced by Mr Ju Feng) 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.

In view 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.

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 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.

GENDER DIVERSITY

The Board presently has two female Directors, namely, Mdm Lim Siew Eng and Puan Mahani Amat. This represents 18% (two females out of the total eleven members), a shortfall from the stipulated 30% target. The Board acknowledges the importance of gender diversity in the boardroom and set it as one of our corporate governance priorities to work towards the goal of having 30% women directors on the Board. Our primary responsibility, however, is that any new appointments must always be to select the best candidate, regardless of gender, that contributes towards Board effectiveness.

ADDITIONAL COMPLIANCE INFORMATION

During the financial year under review,

(i) Status of utilisation of proceeds raised from any corporate proposal
There were no unutilised proceeds raised from corporate proposal.

(ii) Material contracts or loans involving Directors or Major Shareholders
Other than as disclosed in Note 17 under the Notes to the Financial Statements of this Annual Report, there were no material contracts or loans between the Company and its subsidiaries that involve Directors' or major shareholders' interests.

(iii) Directors' Responsibility Statement on Annual Audited Financial Statements
The Directors are responsible for preparing the annual audited financial statements and the Board ensures that the financial statements and other financial reports of the Company are prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016.

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 2019
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	6/6
Mr Ang Chye Hock (Bachelor of Science in Electronics (Honours). More than 28 years of experience in the semiconductor industry)	Member	Independent Director	6/6
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	6/6

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. www.unisemgroup.com/company-info/corporate-governance/

SUMMARY OF WORK

The Committee met six times during the financial year ended 31 December 2019. 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 25 February 2019 and 25 October 2019 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

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

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 and November 2019, 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.

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;
- reviewed all related party transactions and the Company's procedures for monitoring and reviewing of related party transactions to satisfy itself that the procedures were sufficient to ensure that the related party transactions were not more favourable to the related parties than those generally available to the public and also not detrimental to the interests of minority shareholders; 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 38, 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 14 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 from 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.

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

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;
- 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;
- Reviewed all related party transactions and the Company's procedures for monitoring and reviewing of related party transactions to satisfy itself that the procedures were sufficient to ensure that the related party transactions were not more favourable to the related parties than those generally available to the public and also not detrimental to the interests of minority shareholders.

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

- Machinery Maintenance Management;
- Inventory Management;
- Human Resource Management;
- Spare Part Management;
- Plant and Machinery / Fixed Asset Review;
- Inventory Buyback Review

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 could have resulted in material losses incurred by the Group for the financial year ended 31 December 2019.

The cost incurred for the Internal Audit function of the Group in respect of the financial year ended 31 December 2019 amounted to RM576,334.

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 2019.

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.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

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:

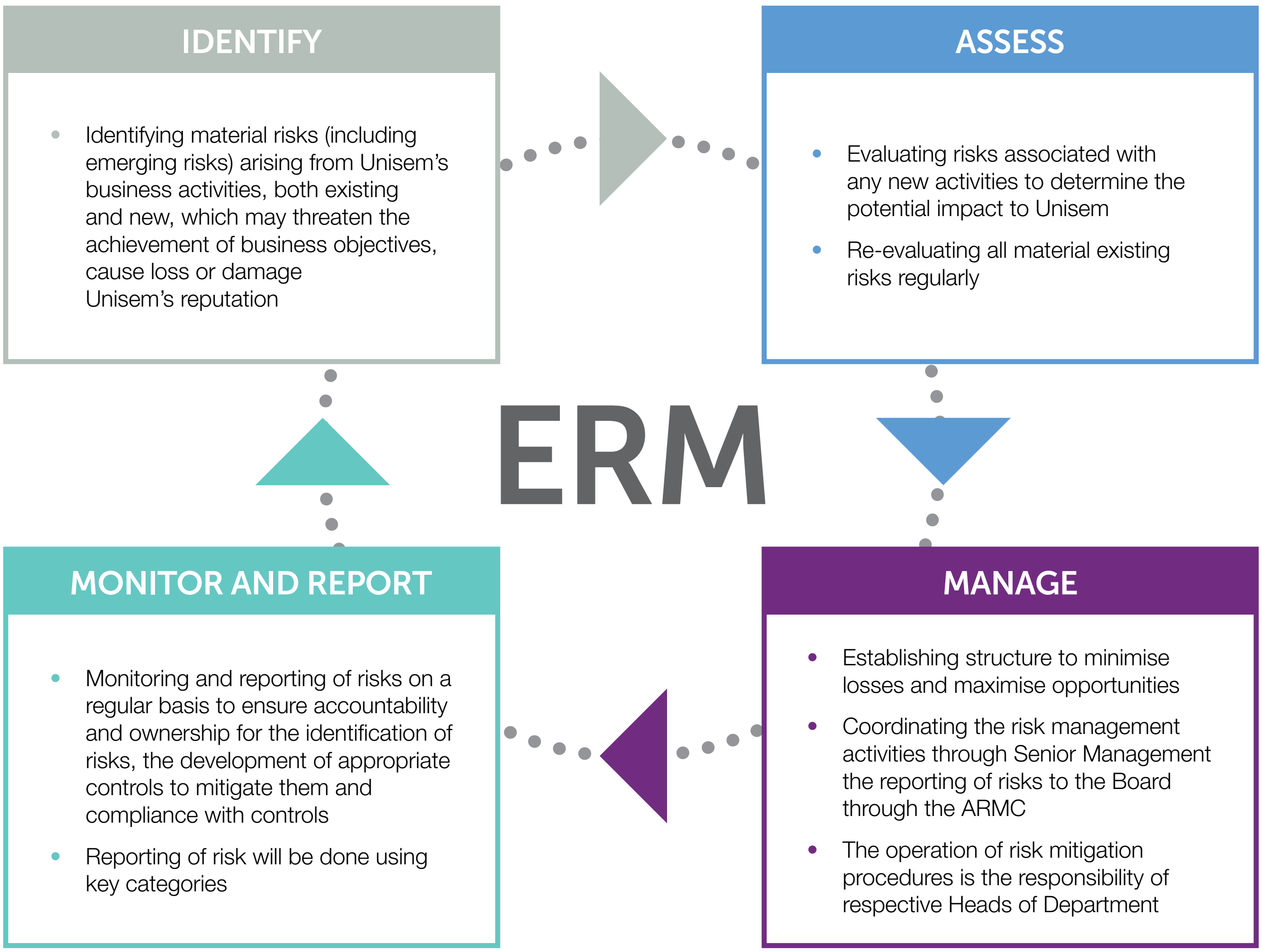


Diagram 1: Enterprise Risk Management Framework

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

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

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.

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 2019, 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 quality management, management information system, security and scrap management, human resource management, as well as inventory control.

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 fourteen 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 RM 576,334.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 2019.

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 year 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 and Executive Director - Group Finance have 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, 2019.

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 13 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
(Loss)/Profit for the year	(10,261)	28,842
(Loss)/Profit attributable to:		
Owners of the Company	(9,542)	28,842
Non-controlling interests	(719)	-
	(10,261)	28,842

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 amount of dividends paid/payable or proposed by the Company are in respect of the following:

A final dividend of 3.0 sen per share, tax-exempt, amounting to RM21,812,576 proposed in the previous financial year and dealt with in the previous year's directors' report, was paid on May 28, 2019.

A first 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 September 6, 2019.

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 January 10, 2020.

The directors have proposed a final dividend of 2.0 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, 2020.

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

Treasury shares related to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127(4)(b) of the Companies Act, 2016 in Malaysia. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended.

During the current financial year, the Company has not repurchased any new treasury shares nor disposed any of its existing treasury shares.

As of the end of the financial year, the Company held a total of 6,745,200 treasury shares. Further details are disclosed in Note 19 to the financial statements.

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 adequate allowance had been made for doubtful debts; 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 in the financial statements of the Group and of the Company or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; 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.

DIRECTORS' **REPORT**

OTHER STATUTORY INFORMATION (CONT'D)

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 28 to the financial statements.

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 other than those disclosed in Note 29 to the financial statements.

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. Ang Chye Hock
Mdm. Lim Siew Eng
Puan Mahani Binti Amat
Mr. Xiao Zhiyi
Mr. Cui Weibing
Mr. Ju Feng (appointed on August 6, 2019)
Mr. Wu Shutao (resigned on August 6, 2019)
Mr. Yen Woon @ Low Sau Chee (retired on April 25, 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, UCC, UMH, UIHK
Mr. Francis Chia Mong Tet	UI, UAT, UCC, UMH, UCIIEC, UIHK

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 1.1.2019	BOUGHT	SOLD	BALANCE AS OF 31.12.2019
Shares in the Company				
Registered in the name of directors				
Mr. John Chia Sin Tet	58,493,525	2,050,700	-	**60,544,225**
Mr. Alexander Chia Jhet-Wern	2,050,000	-	-	**2,050,000**
Indirect interests by virtue of shares held by companies in which a director has interests				
Mr. John Chia Sin Tet	121,527,213	335,600	-	**121,862,813**
Mr. Francis Chia Mong Tet	2,870,480	-	-	**2,870,480**

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.

The other directors of the Company did not hold shares or have beneficial interests in the shares of the Company during or at the beginning and the 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 17 to the financial statements.

DIRECTORS' **REPORT**

DIRECTORS' BENEFITS (CONT'D)

	DIRECTORS' FEES RM'000	OTHER EMOLUMENTS RM'000	DEFINED CONTRIBUTION PLANS RM'000	TOTAL DIRECTORS' REMUNERATION RM'000	BENEFITS-IN-KIND* RM'000
Executive Directors					
Mr. John Chia Sin Tet	242	3,146	378	3,766	31
Mr. Lee Hoong Leong	130	1,889	227	2,246	20
Mr. Francis Chia Mong Tet	130	1,616	194	1,940	30
Mr. Alexander Chia Jhet-Wern	130	330	38	498	26
	632	6,981	837	8,450	107
Non-executive Directors					
Dato' Wong Guang Seng	198	-	-	198	-
Mr. Ang Chye Hock	176	-	-	176	-
Mdm. Lim Siew Eng	176	-	-	176	-
Puan Mahani Binti Amat	130	-	-	130	-
Mr. Xiao Zhiyi	- #	-	-	-	-
Mr. Cui Weibing	- #	-	-	-	-
Mr. Ju Feng	- #	-	-	-	-
Mr. Wu Shutao	- #	-	-	-	-
Mr. Yen Woon @ Low Sau Chee	43	-	-	43	-
	723	-	-	723	-
	1,355	6,981	837	9,173	107

As it is a policy of the Tianshui Huatian Technology Co., Ltd. ("TSHT") group that no fees are to be paid to directors who sit on any board of the TSHT group of companies, there are no directors' fees for directors who represent the interests of TSHT in Unisem (M) Berhad.

* 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, OFFICERS AND AUDITORS

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 TSHT, a company incorporated in People's Republic of China and listed on 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, 2019 are as follows:

	THE GROUP RM'000	THE COMPANY RM'000
Fees paid/payable to external auditors:		
Statutory audit	772	283
Others	9	5

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

JOHN CHIA SIN TET

DATO' WONG GUANG SENG

Kuala Lumpur
February 28, 2020

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, 2019, 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 114 to 180.

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, 2019, 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, are of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters are 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.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>

<u>Impairment of plant and machinery and write down of inventories of loss making subsidiary, PT Unisem</u>

On June 28, 2019, the directors of the Company announced the discontinuance of operations of PT Unisem effective from September 30, 2019 due to continuing operational losses incurred by PT Unisem over the years since 2011. The discontinuance date has been deferred to March 2020 through an announcement made on September 20, 2019, to service some of PT Unisem's major customers' orders.

Based on management's assessment, there are indications that PT Unisem's plant and machinery may be impaired and the cost of its inventories may not be recoverable.

During the year, impairment losses on plant and machinery of RM24.7 million and write down of inventories to net realisable values of RM9.9 million were recognised.

The determination of the recoverable amounts of PT Unisem's plant and machinery and inventories are estimated based on their fair values less costs to sell and net realisable values respectively.

Refer to Notes 3, 11 and 15 to the financial statements for details.

</td><td>

Our audit procedures, amongst others, include the following:

For plant and machinery:

1) Tested the design and implementation and operating effectiveness of key controls surrounding management's plant and machinery impairment assessment;
2) Assessed management's assumptions used in their impairment assessment by evaluating and challenging the appropriateness of the methodologies and assumptions used;
3) Tested the accuracy of computation of the impairment assessment used by management;
4) For impaired plant and machinery, we made a selection of samples and performed an inspection to observe whether the plant and machinery are still in use for production and if they are in good working conditions; and
5) Obtained and evaluated management's clarification for contradictory evidences on plant and machinery for which impairment losses have been over recognised, if any.

For inventories:

1) Tested the design and implementation and operating effectiveness of key controls surrounding management's review of the net realisable values of inventories;
2) Assessed and challenged management's basis in determining slow-moving inventories and their net realisable values;
3) Assessed the write down of these inventories by comparing their subsequent selling prices less estimated costs to sell to their carrying amounts;
4) For those inventories that were written down to net realisable values, we made a selection of samples and inquired whether those inventories are still in use for production and if they are in good condition; and
5) Obtained and evaluated management's clarification for any contradictory evidence on inventories which have been over written down in value, if any.

</td></tr>
</table>

We have not identified any key audit matter pertaining to the financial statements of the Company for the financial year ended December 31, 2019.

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.

INDEPENDENT AUDITORS' **REPORT**
TO THE MEMBERS OF UNISEM (M) BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 13 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 - 02939/01/2022 J
Chartered Accountant

Ipoh
February 28, 2020

STATEMENTS OF **PROFIT OR LOSS**

FOR THE YEAR ENDED DECEMBER 31, 2019

	NOTE	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000	THE COMPANY 2019 RM'000	THE COMPANY 2018 RM'000
Revenue		**1,251,205**	1,351,276	**567,846**	622,062
Investment income	8	**5,403**	5,401	**67,055**	65,989
Other gains/(losses)		**3,059**	10,670	**(441)**	2,337
Other operating income		**19,090**	20,181	**8,526**	10,807
Changes in inventories of finished goods and work-in-progress		**3,892**	(4,477)	**2,388**	(3,018)
Raw materials and consumables used		**(427,175)**	(484,012)	**(160,844)**	(174,203)
Depreciation of property, plant and equipment	11	**(166,370)**	(162,782)	**(63,655)**	(64,388)
Impairment of property, plant and equipment	11	**(24,730)**	-	**-**	-
Loss allowance on financial assets measured at amortised cost		**(2,162)**	-	**(68,759)**	-
Impairment of investment in a subsidiary	13	**-**	-	**(10,436)**	(39,463)
Employee benefit expenses		**(383,553)**	(369,847)	**(164,722)**	(172,432)
Directors' remuneration	6	**(9,173)**	(9,966)	**(9,173)**	(9,966)
Amortisation of prepaid interests in leased land	12	**(1,135)**	(549)	**(44)**	(44)
Finance costs	7	**(6,789)**	(4,089)	**(861)**	(273)
Other operating expenses		**(247,941)**	(240,743)	**(127,840)**	(132,879)
Profit before tax		**13,621**	111,063	**39,040**	104,529
Taxation	9(a)	**(23,882)**	(15,230)	**(10,198)**	(6,874)
(Loss)/Profit for the year	5	**(10,261)**	95,833	**28,842**	97,655
Attributable to:					
Owners of the Company		**(9,542)**	95,834	**28,842**	97,655
Non-controlling interests		**(719)**	(1)	**-**	-
		(10,261)	95,833	**28,842**	97,655
(Loss)/Earnings per share					
Basic and diluted (sen)	10	**(1.31)**	13.13		

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, 2019

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/Profit for the year	**(10,261)**	95,833	**28,842**	97,655
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**(14,657)**	(22,582)	**-**	-
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligations	**-**	8,443	**-**	-
Deferred tax relating to remeasurement of defined benefit obligations	**-**	(2,111)	**-**	-
Total other comprehensive loss for the year	**(14,657)**	(16,250)	**-**	-
Total comprehensive (loss)/income for the year	**(24,918)**	79,583	**28,842**	97,655
Total comprehensive (loss)/income attributable to:				
Owners of the Company	**(24,199)**	79,584	**28,842**	97,655
Non-controlling interests	**(719)**	(1)	**-**	-
	(24,918)	79,583	**28,842**	97,655

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

STATEMENTS OF **FINANCIAL POSITION**

AS OF DECEMBER 31, 2019

		THE GROUP		THE COMPANY	
		2019	2018	2019	2018
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**1,100,076**	1,094,094	**430,416**	444,872
Prepaid interests in leased land	12	**17,061**	17,901	**3,430**	3,474
Investments in subsidiaries	13	**-**	-	**418,528**	359,590
Intangible assets	14	**-**	-	**-**	-
Deferred tax assets	9(c)	**-**	716	**-**	616
Amount owing by subsidiaries	17	**-**	-	**109,872**	49,453
Total non-current assets		**1,117,137**	1,112,711	**962,246**	858,005
Current assets					
Inventories	15	**154,026**	177,557	**88,548**	94,776
Trade receivables	16	**145,038**	154,148	**65,014**	74,370
Other receivables, deposits and prepaid expenses	16	**13,283**	14,863	**4,075**	6,243
Amount owing by subsidiaries	17	**-**	-	**6,819**	583
Tax recoverable	9(b)	**200**	204	**183**	-
Cash and cash equivalents	18	**342,803**	344,110	**98,299**	129,298
Total current assets		**655,350**	690,882	**262,938**	305,270
Total assets		**1,772,487**	1,803,593	**1,225,184**	1,163,275

	NOTE	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000	THE COMPANY 2019 RM'000	THE COMPANY 2018 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	19(a)	**595,367**	595,367	**595,367**	595,367
Treasury shares	19(b)	**(15,888)**	(15,888)	**(15,888)**	(15,888)
Reserves	20	**775,776**	851,351	**442,992**	465,046
Equity attributable to owners of the Company		**1,355,255**	1,430,830	**1,022,471**	1,044,525
Non-controlling interests		**-**	7,297	**-**	-
Total equity		**1,355,255**	1,438,127	**1,022,471**	1,044,525
Non-current liabilities					
Borrowings	21	**120,638**	11,416	**54,941**	-
Deferred income	22	**17,719**	12,709	**-**	-
Deferred tax liabilities	9(c)	**24,522**	10,994	**5,196**	-
Retirement benefit obligations	23	**-**	35,976	**-**	-
Total non-current liabilities		**162,879**	71,095	**60,137**	-
Current liabilities					
Trade payables	24	**72,138**	85,783	**32,074**	37,881
Other payables and accrued expenses	24	**120,218**	145,913	**65,522**	65,177
Amount owing to subsidiaries	17	**-**	-	**22,481**	15,574
Amount owing to other related companies	17	**4,091**	-	**4,091**	-
Borrowings	21	**53,471**	62,139	**18,408**	-
Provision for taxation	9(b)	**4,435**	536	**-**	118
Total current liabilities		**254,353**	294,371	**142,576**	118,750
Total liabilities		**417,232**	365,466	**202,713**	118,750
Total equity and liabilities		**1,772,487**	1,803,593	**1,225,184**	1,163,275

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

THE GROUP	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	NON DISTRIBUTABLE RESERVES: CAPITAL RESERVE RM'000	NON DISTRIBUTABLE RESERVES: 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, 2018		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	19(b)	-	(15,888)	-	-	-	(15,888)	-	(15,888)
Dividends	25	-	-	-	-	(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
Loss for the year		-	-	-	-	(9,542)	(9,542)	(719)	(10,261)
Other comprehensive loss for the year, net of income tax		-	-	-	(14,657)	-	(14,657)	-	(14,657)
Total comprehensive loss for the year		-	-	-	(14,657)	(9,542)	(24,199)	(719)	(24,918)
Dividends	25	-	-	-	-	(50,896)	(50,896)	-	(50,896)
Acquisition of additional interests in a subsidiary from non-controlling interests		-	-	-	-	(480)	(480)	(6,578)	(7,058)
Transfer to statutory reserve fund		-	-	4,730	-	(4,730)	-	-	-
Balance as of December 31, 2019		**595,367**	**(15,888)**	**40,255**	**124,799**	**610,722**	**1,355,255**	**-**	**1,355,255**

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

THE COMPANY	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	DISTRIBUTABLE RESERVE RETAINED EARNINGS RM'000	TOTAL RM'000
Balance as of January 1, 2018		595,367	-	429,463	1,024,830
Profit and total comprehensive income for the year		-	-	97,655	97,655
Purchase of treasury shares	19(b)	-	(15,888)	-	(15,888)
Dividends	25	-	-	(62,072)	(62,072)
Balance as of December 31, 2018		595,367	(15,888)	465,046	1,044,525
Profit and total comprehensive income for the year		-	-	28,842	28,842
Dividends	25	-	-	(50,896)	(50,896)
Balance as of December 31, 2019		**595,367**	**(15,888)**	**442,992**	**1,022,471**

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

STATEMENT OF
CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	NOTE	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
(Loss)/Profit for the year		**(10,261)**	95,833
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**166,370**	162,782
Impairment of property, plant and equipment		**24,730**	-
Taxation		**23,882**	15,230
Write down of inventories to net realisable values		**9,914**	-
Finance costs		**6,789**	4,089
Property, plant and equipment written off		**2,212**	37
Loss allowance on trade receivables		**2,162**	-
Amortisation of prepaid interests in leased land		**1,135**	549
Allowance for slow-moving inventories		**396**	99
(Reversal)/Provision for retirement benefit obligations		**(35,587)**	5,629
Investment income		**(5,403)**	(5,401)
Amortisation of deferred income		**(1,071)**	(409)
Gain on disposal of property, plant and equipment		**(842)**	(658)
Unrealised gain on foreign exchange		**(202)**	(4,875)
Amortisation of intangible assets		**-**	1,362
Gain on liquidation of a subsidiary		**-**	(119)
		184,224	274,148
Movements in working capital:			
Decrease/(Increase) in:			
Inventories		**12,156**	(15,833)
Trade receivables		**4,208**	17,102
Other receivables, deposits and prepaid expenses		**324**	(1,059)
Decrease in:			
Trade payables		**(11,783)**	(4,089)
Other payables and accrued expenses		**(22,405)**	(16,669)
Cash Generated From Operations		**166,724**	253,600
Income tax paid		**(5,327)**	(15,092)
Defined benefit obligations paid	23	**(470)**	(1,461)
Net Cash From Operating Activities		**160,927**	237,047

	NOTE	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Investment income received		**5,368**	5,696
Proceeds from disposal of property, plant and equipment		**2,518**	525
Additions to property, plant and equipment	18	**(228,551)**	(171,947)
Additions to prepaid interest in leased land	18	**(463)**	-
Net Cash Used In Investing Activities		**(221,128)**	(165,726)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from term loans		**166,289**	43,201
Proceeds from deferred income		**6,474**	5,431
Repayment of term loans		**(38,097)**	(14,344)
Dividends paid		**(36,354)**	(87,756)
Repayment of revolving credit - net		**(25,062)**	(1,816)
Finance costs paid		**(6,927)**	(4,353)
Acquisition of remaining interests in a subsidiary from non-controlling interests		**(2,872)**	-
Repurchase of treasury shares		**-**	(15,888)
Net Cash From/(Used In) Financing Activities		**63,451**	(75,525)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,250**	(4,204)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**344,110**	348,659
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(4,557)**	(345)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	**342,803**	344,110

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

STATEMENT OF
CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	NOTE	THE COMPANY 2019 RM'000	THE COMPANY 2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**28,842**	97,655
Adjustments for non-cash items:			
Loss allowance on amount owing by subsidiaries		**68,759**	-
Depreciation of property, plant and equipment		**63,655**	64,388
Impairment of investment in a subsidiary		**10,436**	39,463
Taxation		**10,198**	6,874
Unrealised loss/(gain) on foreign exchange		**1,573**	(445)
Finance costs		**861**	273
Amortisation of prepaid interests in leased land		**44**	44
Property, plant and equipment written off		**4**	10
Investment income		**(67,055)**	(65,989)
Gain on disposal of property, plant and equipment		**(217)**	(266)
		117,100	142,007
Movements in working capital:			
Decrease/(Increase) in:			
Inventories		**6,228**	(9,375)
Trade receivables		**8,287**	22,063
Other receivables, deposits and prepaid expenses		**2,168**	1,723
Decrease in:			
Trade payables		**(5,254)**	(3,577)
Other payables and accrued expenses		**(7,205)**	(5,819)
Cash Generated From Operations		**121,324**	147,022
Income tax paid		**(4,687)**	(6,901)
Net Cash From Operating Activities		**116,637**	140,121

	NOTE	THE COMPANY 2019 RM'000	2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Investment income received		**1,607**	2,241
Proceeds from disposal of property, plant and equipment		**945**	802
Advances to subsidiaries		**(135,281)**	(17,086)
Additions to property, plant and equipment	18	**(56,779)**	(39,076)
Net Cash Used In Investing Activities		**(189,508)**	(53,119)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from term loan		**75,046**	-
Advances from/(Repayment to) subsidiaries		**7,631**	(12,210)
Dividends paid		**(36,354)**	(87,756)
Acquisition of remaining interests in a subsidiary from non-controlling interests		**(2,872)**	-
Finance costs paid		**(781)**	(273)
Repurchase of treasury shares		**-**	(15,888)
Net Cash From/(Used In) Financing Activities		**42,670**	(116,127)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(30,201)**	(29,125)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**129,298**	158,862
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(798)**	(439)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	**98,299**	129,298

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 13.

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 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 Shenzhen Stock Exchange respectively.

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 February 28, 2020.

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 requirements 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, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements except as discussed below:

Impact of initial application of MFRS 16 *Leases*

In the current year, the Group and the Company applied MFRS 16 *Leases* that is effective for annual periods that begin on or after January 1, 2019.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3.

The date of initial application of MFRS 16 for the Group and the Company is January 1, 2019.

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

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

Impact of initial application of MFRS 16 *Leases* (cont'd)

The Group and the Company have applied MFRS 16 using the cumulative catch-up approach which:

- Requires the Group and the Company to recognise the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

- Does not permit restatement of comparatives, which continue to be presented under MFRS 117.

(i) Impact of the new definition of a lease

The Group and the Company have made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 will continue to be applied to those leases entered or changed before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in MFRS 117.

The Group and the Company apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or changed on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract).

(ii) Impact on Lessee Accounting

(1) Former operating leases

MFRS 16 changes how the Group and the Company account for leases previously classified as operating leases under MFRS 117, which were off statements of financial position.

Applying MFRS 16, for all leases (except as noted below), the Group and the Company:

a) Recognise right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with MFRS 16:C8(b)(ii);

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the statements of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statements of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136.

NOTES TO THE FINANCIAL STATEMENTS

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

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

Impact of initial application of MFRS 16 *Leases* (cont'd)

(ii) Impact on Lessee Accounting (cont'd)

(1) Former operating leases (cont'd)

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group and the Company have opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within 'other operating expenses' in the statements of profit or loss.

The Group and the Company have used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117.

- The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for which the lease term ends within 12 months, as of the date of initial application.
- The Group and the Company have used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(2) Former finance leases

For leases that were classified as finance leases applying MFRS 117, the carrying amount of the leased assets and obligations under finance leases measured applying MFRS 117 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group and the Company have elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying MFRS 16 from January 1, 2019.

(iii) Impact on Lessor Accounting

MFRS 16 does not change substantially how a lessor accounts for leases. Under MFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

(iv) Financial impact of initial application of MFRS 16

The directors of the Group and of the Company have assessed the application of MFRS 16 and noted that there was no impact on the financial statements of the Group and of the Company on initial application.

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

(b) Standards in issue but not yet effective

The Group and the Company have not elected for early adoption of the relevant amendments to MFRSs 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 amendments to MFRSs 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:

MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards[1]
Amendments to MFRS 3	Definition of a Business[1]
Amendments to MFRS 101 and 108	Definition of Material[1]
Amendments to MFRS 9, 139 and 7	Interest Rate Benchmark Reform[1]
MFRS 17	Insurance Contracts[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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.

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.

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and Basis of Consolidation (cont'd)

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 statement of 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 amortisation 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.

Leases

The Group has applied MFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under MFRS 117. The details of accounting policies under both MFRS 117 and MFRS 16 are presented separately below.

Policies applicable from January 1, 2019

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE FINANCIAL STATEMENTS

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Leases (cont'd)

Policies applicable from January 1, 2019 (cont'd)

The Group as a lessee (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

Policies applicable from January 1, 2019 (cont'd)

The Group as a lessee (cont'd)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets, including prepaid interests in leased land, are presented as a separate line in the statements of financial position. 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 represent right-of-use assets and are amortised over the remaining lease terms ranging from 20 to 99 years.

The Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'other operating expenses' in the statements of profit or loss.

The Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

Policies applicable prior to January 1, 2019

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial statements of foreign operations denominated in functional currencies other than Ringgit Malaysia (cont'd)

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.

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 statement of 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits (cont'd)

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 statement of 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (cont'd)

Deferred tax (cont'd)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 the end of each reporting period, with the effect of any changes in accounting estimate being recognised on a prospective basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statements 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.

(a) Financial Assets

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 debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(i) Classification of financial assets (cont'd)

(a) Amortised cost and effective interest method (cont'd)

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 or at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

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 Sales and Services Tax receivable), refundable deposits and inter-company indebtedness.

(b) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(i) Classification of financial assets (cont'd)

(b) Equity instruments designated as at FVTOC (cont'd)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in the statements of profit or loss and other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not to be reclassified to statements of profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in the statements of profit or loss in accordance with MFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

(c) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or at FVTOCI (see (a) to (b) above) are measured 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 statements 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 statements 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 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 asset at an amount equal to 12 months ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(iii) Impairment of financial assets (cont'd)

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) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of the reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 to 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(iii) Impairment of financial assets (cont'd)

(a) Significant increase in credit risk (cont'd)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(b) Definition of default

The Group considers information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group) as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets are generally not recoverable.

NOTES TO THE **FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(iii) Impairment of financial assets (cont'd)

(c) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (b) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(d) 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. Any recoveries made are recognised in the statements of profit or loss.

(e) 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 guarantee contracts, the exposure includes the amount drawn down as at the end of the reporting period, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL 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.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(iii) Impairment of financial assets (cont'd)

(e) Measurement and recognition of ECL (cont'd)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the end of the current reporting period that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the end of the current reporting period, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in statements of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in the statements of profit or loss and other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

(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 asset's carrying amount and the sum of the consideration received and receivable is recognised in the statements of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to statements of profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to statements of profit or loss, but is transferred to retained earnings.

(b) Financial Liabilities and Equity Instruments

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(b) Financial Liabilities and Equity Instruments (cont'd)

(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.

(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 Sales 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 statements 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 statements 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 statements of profit or loss as the modification gain or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

In applying the Group's accounting policies, which are described in Note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed 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.

NOTES TO THE FINANCIAL STATEMENTS

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

(a) Impairment of property, plant and equipment (cont'd)

The Group performs an impairment indicator assessment 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 the higher of fair value less costs to sell or value in use. The fair values of property, plant and equipment are determined based on valuations carried out by independent external valuers. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate.

(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) 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.

(e) 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 enhancements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

(f) 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.

(g) 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 amount (equity value of the investment) will be estimated using fair value less cost to sell valuation model.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (CONT'D)

Geographical segment (cont'd)

THE GROUP	ASIA 2019 RM'000	ASIA 2018 RM'000	EUROPE 2019 RM'000	EUROPE 2018 RM'000	UNITED STATES OF AMERICA 2019 RM'000	UNITED STATES OF AMERICA 2018 RM'000	CONSOLIDATED 2019 RM'000	CONSOLIDATED 2018 RM'000
Geographical segments by location of customers								
Statement of Profit or Loss								
Revenue								
External sales	**454,077**	492,963	**190,241**	223,247	**606,887**	635,066	**1,251,205**	1,351,276
Results								
Segment results	**35,234**	49,236	**(56,047)**	(7,559)	**35,962**	68,215	**15,149**	109,892
Non-reportable segments							**(142)**	(141)
Finance costs							**(6,789)**	(4,089)
Investment income							**5,403**	5,401
Profit before tax							**13,621**	111,063
Taxation							**(23,882)**	(15,230)
(Loss)/Profit for the year							**(10,261)**	95,833

5. (LOSS)/PROFIT FOR THE YEAR

(Loss)/Profit for the year has been arrived at after (charging)/crediting:

	NOTE	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000	THE COMPANY 2019 RM'000	THE COMPANY 2018 RM'000
Grant income received		**2,567**	628	**-**	-
Rental income		**1,649**	1,729	**2,226**	2,313
Foreign exchange:					
Realised gain		**1,120**	4,088	**98**	986
Unrealised gain/(loss)		**202**	4,875	**(1,573)**	445
Gain arising on financial assets designated as at FVTPL		**895**	930	**817**	640
Gain on disposal of property, plant and equipment		**842**	658	**217**	266
Gain on liquidation of a subsidiary		**-**	119	**-**	-
Employee benefit expenses:					
Defined benefit plans	23	**35,587**	(5,629)	**-**	-
Severance costs		**(74,884)**	-	**-**	-
Defined contribution plans		**(31,723)**	(32,090)	**(10,920)**	(11,126)
Research and development expenses		**(8,115)**	(8,847)	**(5,867)**	(6,340)
Property, plant and equipment written off		**(2,212)**	(37)	**(4)**	(10)
Rental expenses		**(930)**	(907)	**(362)**	(336)
Amortisation of intangible assets	14	**-**	(1,362)	**-**	-

6. DIRECTORS' REMUNERATION

	THE GROUP AND THE COMPANY	
	2019 RM'000	2018 RM'000
Directors of the Company		
Executive:		
Fees	**632**	703
Other emoluments	**6,981**	7,357
Defined contribution plans	**837**	881
	8,450	8,941
Non-executive fees	**723**	1,025
	9,173	9,966

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 RM107,000 (2018: RM158,000).

7. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest on:				
Term loans	**4,510**	1,233	**590**	-
Revolving credit	**1,567**	1,955	**-**	-
Bank charges and commissions	**695**	790	**271**	273
Loan and facility arrangement fees	**17**	111	**-**	-
Total interest expense for financial liabilities not classified as at FVTPL	**6,789**	4,089	**861**	273

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT INCOME

	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000	THE COMPANY 2019 RM'000	THE COMPANY 2018 RM'000
Interest income from:				
Short-term deposits	**5,305**	5,113	**1,568**	1,852
Financial assets measured at amortised cost	**-**	-	**3,073**	808
Total interest income earned on financial assets that are not designated as at FVTPL	**5,305**	5,113	**4,641**	2,660
Dividend income from a foreign subsidiary (Note 13)	**-**	-	**62,316**	63,041
Income on financial assets designated as at FVTPL	**98**	288	**98**	288
	5,403	5,401	**67,055**	65,989

9. TAXATION

(a) Taxation recognised in profit or loss

	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000	THE COMPANY 2019 RM'000	THE COMPANY 2018 RM'000
Tax expense comprises:				
Current tax in respect of the financial year:				
Malaysian	**(5,130)**	(7,549)	**(4,789)**	(7,163)
Foreign	**(4,696)**	(3,426)	**-**	-
Deferred tax relating to origination and reversal of temporary differences	**(14,559)**	(4,584)	**(5,812)**	-
Adjustments recognised in the current year in relation to the taxes of prior years				
- income tax	**503**	329	**403**	289
Total taxation	**(23,882)**	(15,230)	**(10,198)**	(6,874)

Malaysian income tax is calculated at the statutory tax rate of 24% for the year of assessment 2019 (2018: 24%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. **TAXATION (CONT'D)**

(a) **Taxation recognised in profit or loss (cont'd)**

The taxation for the year can be reconciled to the accounting profit as follows:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	**13,621**	111,063	**39,040**	104,529
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2018: 24%)	**(3,269)**	(26,655)	**(9,370)**	(25,087)
Effect of reduced tax rate for a foreign subsidiary operating in promoted area	**5,055**	5,229	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**9**	46	**-**	-
Tax effects of:				
Utilisation of unutilised tax losses and reinvestment allowances not recognised as deferred tax assets	**2,401**	13,128	**2,401**	13,034
Income that is exempted from taxation	**933**	369	**15,589**	14,876
Expenses that are not deductible in determining taxable profit	**(8,139)**	(1,834)	**(19,221)**	(9,986)
Unabsorbed capital allowances and unutilised tax losses not recognised as deferred tax assets	**(21,375)**	(5,842)	**-**	-
	(24,385)	(15,559)	**(10,601)**	(7,163)
Adjustments recognised in the current year in relation to the taxes of prior years - income tax	**503**	329	**403**	289
Taxation recognised in the statements of profit or loss	**(23,882)**	(15,230)	**(10,198)**	(6,874)

(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	
	2019 RM'000	2018 RM'000
Years of Assessment:		
2009	**10,746**	10,857
2010	**1,894**	1,913
2011	**9,002**	9,096
2012	**4,328**	4,373
Contingent tax expense pending outcome of court cases (included in tax recoverable of the Group)	**25,970**	26,239
Add: Translation reserve	**269**	-
Less: Amount recognised as tax expense upon early adoption of IC Int. 23	**(26,239)**	(26,239)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

9. TAXATION (CONT'D)

(b) Tax Recoverable and Provision for Taxation (cont'd)

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 flow over impacts from Year of Assessment 2009 revised tax assessment. The stages of objections/appeals to 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:

Year of Assessment 2009 (YA 2009)

PT Unisem had an outstanding appeal on tax assessment received for YA 2009 showing an underpayment of corporate income tax amounting to RM4,561,985 and interest of RM1,459,836 instead of an overpayment of RM454,436.

PT Unisem had made a partial payment of RM1,808,089, RM1,227,210 and RM2,986,522 in year 2011, 2012 and 2015 respectively for the assessed underpayment amount inclusive of interest of RM6,021,821 subsequent to the rejection of appeal by both the Director General of Tax and Tax Court. Following the rejected appeal, a penalty of RM4,210,009 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 RM59,728 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.

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 RM1,613,078, instead of an overpayment of RM280,520. 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 RM2,487,342 and withholding tax amounting to RM464,839 respectively and interest of RM746,205, instead of an overpayment of RM1,604,822.

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 RM3,233,547 and RM464,839 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.

9. **TAXATION (CONT'D)**

(b) **Tax Recoverable and Provision for Taxation (cont'd)**

Year of Assessment 2011 (YA 2011) (cont'd)

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 RM3,164,824 and interest of RM1,012,743, instead of an overpayment of RM150,689.

In 2014, PT Unisem made a full payment of the assessed underpayment amount inclusive of interest of RM4,328,255. The appeal submitted to the Tax Court had been rejected and in December 2019, PT Unisem has submitted a judicial review to the Supreme Court.

As at the date of this audit report, the outcome of the appeal has yet to be obtained.

(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 2019	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	63,213	(6,362)	-	-	**56,851**
Unabsorbed investment tax allowances and capital allowances and unutilised tax losses	8,663	6,099	-	-	**14,762**
Retirement benefits	9,381	(9,014)	-	(367)	**-**
Provisions	1,405	3,527	-	302	**5,234**
	82,662	(5,750)	-	(65)	**76,847**
Offsetting					**(76,847)**
Deferred tax assets (after offsetting)					**-**
Deferred tax liabilities					
Property, plant and equipment	(92,940)	(8,809)	-	380	**(101,369)**
Offsetting					**76,847**
Deferred tax liabilities (after offsetting)					**(24,522)**

NOTES TO THE FINANCIAL STATEMENTS

9. TAXATION (CONT'D)

(c) Deferred Tax Balances (cont'd)

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 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 COMPANY 2019	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	63,213	(6,362)	**56,851**
Offsetting			**(56,851)**
Deferred tax assets (after offsetting)			**-**
Deferred tax liabilities			
Property, plant and equipment	(62,597)	550	**(62,047)**
Offsetting			**56,851**
Deferred tax liabilities (after offsetting)			**(5,196)**

9. 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)			-

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unutilised investment tax allowances	**24,617**	16,026	**-**	-
Unutilised reinvestment allowances	**10,774**	2,888	**-**	1,795
Unabsorbed capital allowances and unutilised tax losses	**4,629**	4,751	**-**	-
	40,020	23,665	**-**	1,795

NOTES TO THE
FINANCIAL STATEMENTS

9. 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	
	2019 RM'000	2018 RM'000
Unutilised tax losses expiring in:		
2019	-	73
2020	**542**	548
2021	**1,133**	1,145
2022	**1,431**	1,446
2023	**1,523**	1,539
	4,629	4,751

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing (loss)/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	
	2019	2018
(Loss)/Profit for the year attributable to owners of the Company (RM'000)	**(9,542)**	95,834
Number of ordinary shares in issue as of January 1, excluding treasury shares ('000)	**727,086**	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, excluding treasury shares ('000)	**727,086**	729,859
Basic and diluted (loss)/earnings per share (sen)	**(1.31)**	13.13

11. 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, 2018	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
Additions	228	123,654	889	1,452	303	127	484	783	84,131	212,051
Translation reserve	(4,674)	(23,557)	-	(312)	(104)	(14)	(141)	(1,236)	(1,914)	(31,952)
Disposals	-	(97,925)	-	(4)	-	(392)	(540)	-	-	(98,861)
Write offs	-	(34,899)	-	(7,961)	-	-	(230)	(7)	(1,037)	(44,134)
Transfers	20,518	64,720	-	4,264	-	-	-	2,049	(91,551)	-
As of December 31, 2019	**379,761**	**3,128,636**	**18,911**	**71,699**	**15,408**	**3,943**	**15,976**	**59,331**	**9,832**	**3,703,497**
Accumulated depreciation and impairment losses										
As of January 1, 2018	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
Charge for the year	6,459	150,312	581	3,509	454	372	288	4,395	-	166,370
Impairment losses for the year	7	20,193	-	4,530	-	-	-	-	-	24,730
Translation reserve	(1,871)	(17,506)	-	(336)	(93)	(11)	(127)	(927)	-	(20,871)
Disposals	-	(96,281)	-	(1)	-	(363)	(540)	-	-	(97,185)
Write offs	-	(33,733)	-	(7,952)	-	-	(230)	(7)	-	(41,922)
As of December 31, 2019	**169,385**	**2,288,658**	**16,583**	**56,145**	**11,925**	**3,122**	**14,481**	**43,122**	**-**	**2,603,421**
Carrying amounts										
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
As of December 31, 2019	**210,376**	**839,978**	**2,328**	**15,554**	**3,483**	**821**	**1,495**	**16,209**	**9,832**	**1,100,076**

NOTES TO THE **FINANCIAL STATEMENTS**

11. 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, 2018	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
Additions	205	47,435	298	1,294	303	127	244	25	49,931
Disposals	-	(68,019)	-	-	-	(392)	-	-	(68,411)
Write offs	-	-	-	(15)	-	-	-	-	(15)
Transfers	-	2	-	-	-	-	-	(2)	-
As of December 31, 2019	**98,386**	**1,460,310**	**17,089**	**48,986**	**10,856**	**3,129**	**5,850**	**1,914**	**1,646,520**
Accumulated depreciation and impairment losses									
As of January 1, 2018	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
Charge for the year	1,944	57,153	446	3,180	454	316	162	-	63,655
Disposals	-	(67,320)	-	-	-	(363)	-	-	(67,683)
Write offs	-	-	-	(11)	-	-	-	-	(11)
As of December 31, 2019	**32,388**	**1,117,475**	**15,227**	**35,857**	**7,828**	**2,309**	**5,020**	**-**	**1,216,104**
Carrying amounts									
As of December 31, 2018	67,737	353,250	2,010	15,019	3,179	1,038	748	1,891	444,872
As of December 31, 2019	**65,998**	**342,835**	**1,862**	**13,129**	**3,028**	**820**	**830**	**1,914**	**430,416**

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment review of property, plant and equipment

On June 28, 2019, the directors of the Company announced the discontinuance of operations at Batam plant operated by one its foreign subsidiaries, PT Unisem, effective from September 30, 2019 due to continuing operational losses incurred by PT Unisem over the years since 2011. The discontinuance date has been deferred to March 2020 through an announcement made on September 20, 2019, to service some of the major customers' orders of PT Unisem.

An assessment of the carrying amounts of PT Unisem's property, plant and equipment was performed by estimating the recoverable amounts using fair value less costs to sell valuation model.

The fair values of the land and building are determined based on valuations carried out by independent external valuers in 2018 using the following approaches:

(a) Land - market comparable approach using the recent transaction prices for similar properties; and

(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;

The fair values of the plant and equipment are determined based on prices agreed with related/immediate holding companies arising from the disposal of equipment to them.

The review led to the recognition of impairment losses by the Group of RM24,730,000 (2018: Nil).

12. PREPAID INTERESTS IN LEASED LAND

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost:				
At beginning of year	**28,542**	28,743	**4,354**	4,354
Addition	**463**	-	**-**	-
Translation reserve	**(299)**	(201)	**-**	-
At end of year	**28,706**	28,542	**4,354**	4,354
Less: Amortisation				
At beginning of year	**10,641**	10,040	**880**	836
Charge for the year	**1,135**	549	**44**	44
Translation reserve	**(131)**	52	**-**	-
At end of year	**11,645**	10,641	**924**	880
Net	**17,061**	17,901	**3,430**	3,474

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost		
At beginning of year	**596,369**	533,328
Additions:		
Dividend income from a foreign subsidiary re-invested as investment cost (Note 8)	**62,316**	63,041
Acquisition of remaining interests in a subsidiary	**7,058**	-
At end of year	**665,743**	596,369
Accumulated impairment losses		
At beginning of year	**236,779**	197,316
Additions	**10,436**	39,463
At end of year	**247,215**	236,779
Carrying amount	**418,528**	359,590

Impairment review of investments in subsidiaries

PT Unisem has been making losses for the current and prior years coupled with the announcement to discontinue the operations at Batam plant, are considered as triggering events for impairment review on the investment in Unisem (Mauritius) Holdings Limited group ("Unisem Mauritius group") since PT Unisem is the only operating entity within that group.

An impairment assessment on the carrying amount of the investment as of December 31, 2019 has been performed by estimating the recoverable amount (equity value of the investment) 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 recoverable amount, the fair values of the land and building, plant and machinery and inventories of PT Unisem which are estimated based on the respective bases as mentioned in Notes 11 and 15, are used, and adjusted for other assets that will be recovered and liabilities that will be paid as of December 31, 2019.

Based on assessment, the Company recognised impairment loss of RM10,436,000 (2018: RM39,463,000) during the year.

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries as of the end of the reporting period are as follows:

NAME OF COMPANIES	PRINCIPAL PLACE OF BUSINESS AND PLACE OF INCORPORATION	PROPORTION OF OWNERSHIP INTEREST/ VOTING RIGHTS HELD BY THE COMPANY 2019 %	2018 %	PRINCIPAL ACTIVITIES
Direct subsidiaries				
Unisem (Ipoh) Sdn. Bhd. #	Malaysia	**100.00**	100.00	Pre-operating.
Unisem Advanced Technologies Sdn. Bhd.+	Malaysia	**100.00**	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. Business operation will be discontinued by March 2020.
Unisem International (Hong Kong) Limited ^	Hong Kong	**99.98**	99.98	Contracting entity for the provision of assembly and test services.
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 financial statements of these companies were examined by member firms of the auditors of the Company.

\+ During the year, the Company acquired the remaining equity interests in Unisem Advanced Technologies Sdn. Bhd. from a related company for a total consideration of RM7,058,062. Arising therefrom, Unisem Advanced Technologies Sdn. Bhd. became a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

14. 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, 2018	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
Translation reserve	(68)	(212)	(19)	(299)
As of December 31, 2019	**23,525**	**25,737**	**1,782**	**51,044**
Accumulated amortisation and impairment losses				
As of January 1, 2018	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
Charge for the year	-	-	-	-
Translation reserve	(68)	(212)	(19)	(299)
As of December 31, 2019	**23,525**	**25,737**	**1,782**	**51,044**
Carrying amounts				
As of December 31, 2018 and 2019	**-**	**-**	**-**	**-**

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 costs of these license fees, tech-transfer support fees and development expenses have been fully amortised.

15. INVENTORIES

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Raw materials	**72,263**	95,465	**32,421**	42,764
Factory supplies	**59,920**	64,503	**48,412**	46,656
Work-in-progress	**18,553**	15,237	**7,178**	4,631
Finished goods	**3,708**	2,719	**527**	686
Goods-in-transit	**10**	39	**10**	39
	154,454	177,963	**88,548**	94,776
Less: Allowance for slow-moving inventories:				
At beginning of year	**(406)**	(497)	**-**	-
Allowance	**(396)**	(99)	**-**	-
Write off	**364**	177	**-**	-
Translation reserve	**10**	13	**-**	-
At end of year	**(428)**	(406)	**-**	-
	154,026	177,557	**88,548**	94,776

15. INVENTORIES (CONT'D)

The costs of inventories of the Group and of the Company recognised as an expense during the year were approximately RM1,141,581,000 (2018: RM1,195,074,000) and RM487,991,000 (2018: RM520,928,000) respectively.

Write downs of inventories to net realisable values

In anticipation of the discontinuance of PT Unisem's operations by March 2020, management of PT Unisem carried out an exercise to cover all categories of inventories to determine the need of them to be written down to their net realisable values. The net realisable values of the inventories are determined based on prices agreed with related/immediate holding companies and customers arising from the disposal of inventories to them.

Based on review, the write down of inventories to their net realisable values amounted to RM9,914,000 (2018: Nil).

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	**147,172**	154,148	**65,014**	74,370
Less: Loss allowance				
At beginning of year	**-**	(19)	**-**	-
Addition	**2,162**	-	**-**	-
Write off	**-**	19	**-**	-
Translation reserve	**(28)**	-	**-**	-
At end of year	**(2,134)**	-	**-**	-
	145,038	154,148	**65,014**	74,370

Trade receivables comprise amounts receivable for sale of goods and services rendered. The credit terms granted range from 30 to 60 days (2018: 30 to 60 days). No interest is charged on outstanding trade receivables.

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. Historically, the Group and the Company do not have many 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 delay in repayment by trade receivables is mainly due to disagreement of pricing or quality issue. There has been no change in the estimation techniques or significant assumptions made during the year.

The Group and the Company write off a trade receivable when there is information indicating that the trade receivable is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the trade receivable has been placed under liquidation or has entered into bankruptcy proceedings.

The trade receivables of the Group and of the Company are denominated in US Dollar.

NOTES TO THE
FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Other receivables, deposits and prepaid expenses consist of:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	**3,315**	5,377	**589**	1,978
Deposits	**3,206**	3,197	**425**	374
Prepaid expenses	**6,762**	6,289	**3,061**	3,891
	13,283	14,863	**4,075**	6,243

Other receivables comprise mainly payments made on behalf and advances granted that are unsecured, interest-free and are repayable on demand.

The currency profile of other receivables is as follows:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
US Dollar	**1,983**	1,153	**-**	-
Chinese Renminbi	**1,027**	2,408	**-**	-
Ringgit Malaysia	**305**	1,816	**589**	1,978
	3,315	5,377	**589**	1,978

17. HOLDING COMPANIES 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 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 RM148,680,000 (2018: RM24,799,000) which bear interest rate of 5.00% (2018: 5.00%) per annum.

The amounts owing to other related companies comprised balance outstanding arising from the acquisition of remaining interests in a subsidiary during the year which are unsecured, interest-free and are repayable upon demand.

17. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

The amounts owing by subsidiaries are expected to be repaid as follows:

	THE COMPANY 2019 RM'000	THE COMPANY 2018 RM'000
Amount due within 12 months	**8,757**	583
Less: Loss allowance:		
At beginning of year	**-**	-
Addition	**1,938**	-
At end of year	**(1,938)**	-
	6,819	583
Amount due after 12 months	**176,693**	49,453
Less: Loss allowance:		
At beginning of year	**-**	-
Addition	**66,821**	-
At end of year	**(66,821)**	-
	109,872	49,453
	116,691	50,036

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 loss allowances 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 assessment, the Company recognised a loss allowance of RM68,759,000 (2018: Nil) during the year for the amount owing by subsidiaries.

The currency profile of amount owing by subsidiaries is as follows:

	THE COMPANY 2019 RM'000	THE COMPANY 2018 RM'000
US Dollar	**176,693**	41,600
Ringgit Malaysia	**8,757**	8,436
	185,450	50,036

The amounts owing to subsidiaries and other related companies are entirely denominated in US Dollar.

NOTES TO THE FINANCIAL STATEMENTS

17. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

During the financial year, related party transactions are as follows:

	THE COMPANY 2019 RM'000	THE COMPANY 2018 RM'000
Subsidiaries		
Loan granted	**126,663**	16,127
Dividend received	**62,316**	63,041
Purchase of property, plant and equipment	**10,706**	2,137
Marketing support fee paid/payable	**3,173**	2,717
Interest received/receivable on loan granted	**3,073**	808
Rental income	**834**	834
Disposal of property, plant and equipment	**658**	-
Management fees received/receivable	**576**	576
Other marketing support fees paid/payable	**250**	410
Marketing support fees received/receivable	**115**	131

	THE GROUP AND THE COMPANY 2019 RM'000	THE GROUP AND THE COMPANY 2018 RM'000
Other related companies		
Acquisition of remaining interests in a subsidiary	**7,058**	-

	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000
Other related companies		
Trade sales	**61**	-

The outstanding balances as of the end of the reporting period are as follows:

	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000
Related parties		
Included in other payables	**-**	322

Compensation of key management personnel

The remuneration of key management personnel (other than the directors) during the year is as follows:

	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000	THE COMPANY 2019 RM'000	THE COMPANY 2018 RM'000
Short-term employee benefit	**7,085**	8,287	**1,774**	2,898
Post employment benefit	**79**	73	**-**	-
	7,164	8,360	**1,774**	2,898

18. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash on hand and at banks	**143,356**	241,991	**77,017**	70,369
Short-term deposits with licensed banks	**178,165**	58,900	**-**	28,000
Other cash equivalents classified as at FVTPL	**21,282**	43,219	**21,282**	30,929
	342,803	344,110	**98,299**	129,298

The currency profile of cash and cash equivalents is as follows:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
US Dollar	**247,269**	197,902	**52,568**	36,777
Ringgit Malaysia	**77,230**	139,209	**45,731**	92,521
Chinese Renminbi	**18,092**	6,773	**-**	-
Indonesian Rupiah	**111**	168	**-**	-
Singapore Dollar	**101**	58	**-**	-
	342,803	344,110	**98,299**	129,298

The average effective interest rates per annum are as follows:

	2019 %	2018 %
Short-term deposits		
The Group	**3.50 - 4.00**	1.48 - 4.00
The Company	**3.50 - 3.80**	1.48 - 3.80
Bank current account		
The Group	**0.60 - 2.90**	1.50 - 3.15
The Company	**0.60 - 2.90**	2.35 - 3.15

The average maturities as of the end of the reporting period are as follows:

	2019 DAYS	2018 DAYS
Short-term deposits		
The Group	**30 - 90**	14 - 90
The Company	**30**	14 - 90

NOTES TO THE FINANCIAL STATEMENTS

18. 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 as Level 1 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 during the current 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Additions during the year	212,051	171,899	49,931	39,426
Outstanding balances	(21,649)	(38,149)	(5,964)	(12,812)
Cash payment in respect of additions in:				
Current year	190,402	133,750	43,967	26,614
Prior year	38,149	38,197	12,812	12,462
	228,551	171,947	56,779	39,076

Additions to prepaid interest in leased land

	THE GROUP	
	2019 RM'000	2018 RM'000
Additions during the year	463	-
Cash payment in respect of additions in current year	463	-

18. CASH AND CASH EQUIVALENTS (CONT'D)

Changes in 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.

			NON-CASH CHANGES				
	BALANCE AS OF JANUARY 1, 2019 RM'000	FINANCING CASH FLOWS[1] RM'000	EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES RM'000	AMORTISATION OF LOAN ARRANGEMENT FEES RM'000	UNREALISED (GAIN)/LOSS ON FOREIGN EXCHANGE RM'000	ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY RM'000	BALANCE AS OF DECEMBER 31, 2019 RM'000
THE GROUP							
2019							
Revolving credit	**25,005**	**(25,062)**	**57**	**-**	**-**	**-**	**-**
Term loans	**48,550**	**128,192**	**35**	**17**	**(2,685)**	**-**	**174,109**
Amount owing to related companies	**-**	**(2,872)**	**-**	**-**	**(95)**	**7,058**	**4,091**
2018							
Revolving credit	26,302	(1,816)	519	-	-	-	25,005
Term loans	18,618	28,857	348	29	698	-	48,550
THE COMPANY							
2019							
Term loan	**-**	**75,046**	**-**	**-**	**(1,697)**	**-**	**73,349**
Amount owing to subsidiaries	**15,574**	**7,631**	**-**	**-**	**(724)**	**-**	**22,481**
Amount owing to related companies	**-**	**(2,872)**	**-**	**-**	**(95)**	**7,058**	**4,091**
2018							
Term loan	-	-	-	-	-	-	-
Amount owing to subsidiaries	27,688	(12,210)	-	-	96	-	15,574

[1] The cash flows from bank borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statements of cash flows.

NOTES TO THE
FINANCIAL STATEMENTS

19. SHARE CAPITAL AND TREASURY SHARES

(a) Share Capital

The Group and The Company

	NUMBER OF ORDINARY SHARES			AMOUNT		
	ORDINARY SHARES '000 UNITS	TREASURY SHARES '000 UNITS	NET '000 UNITS	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	NET RM'000
Issued and fully paid:						
As of January 1, 2018	733,831	-	733,831	595,367	-	595,367
Purchase of own shares	-	(6,745)	(6,745)	-	(15,888)	(15,888)
As of December 31, 2018 and 2019	**733,831**	**(6,745)**	**727,086**	**595,367**	**(15,888)**	**579,479**

(b) Treasury Shares

Treasury shares related to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127(4)(b) of the Companies Act, 2016 in Malaysia. As treasury shares, the rights attached to voting, dividends and participation in other distribution are suspended.

20. RESERVES

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable reserves:				
Foreign currency translation reserve	**124,799**	139,456	**-**	-
Capital reserve	**40,255**	35,525	**-**	-
Distributable reserve:				
Retained earnings	**610,722**	676,370	**442,992**	465,046
	775,776	851,351	**442,992**	465,046

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, 2019 is available for distribution as tax-exempt dividends to the shareholders of the Company.

21. BORROWINGS

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Secured:				
Revolving credit	**-**	25,005	**-**	-
Term loans	**-**	15,274	**-**	-
Unsecured:				
Term loans	**174,109**	33,276	**73,349**	-
	174,109	73,555	**73,349**	-
Less: Amount due within 12 months (shown under current liabilities)	**(53,471)**	(62,139)	**(18,408)**	-
Non-current portion	**120,638**	11,416	**54,941**	-

The non-current portion is repayable as follows:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial years ending December 31:				
2020	**-**	3,858	**-**	-
2021	**59,607**	3,858	**24,544**	-
2022	**55,178**	3,700	**24,544**	-
2023	**5,853**	-	**5,853**	-
	120,638	11,416	**54,941**	-

The Group's and the Company's borrowings are entirely denominated in US Dollar.

The Company has an unsecured term loan facility of RM122,721,000 (2018: Nil) with a local bank which is repayable over five years commencing year 2020 and unsecured revolving credit and bank guarantee facilities with two (2018: two) local banks of RM43,000,000 (2018: RM40,000,000).

The subsidiaries have the following banking facilities:

i) RM122,721,000 (2018: RM159,124,000) Islamic term loan facilities with one (2018: two) local bank(s) which are repayable over four (2018: four) years commencing from years ranging from 2019 to 2022. These facilities are guaranteed by the Company;

ii) The outstanding balance of term loan facility of RM16,532,000 with a foreign bank has been fully repaid during the year. This facility was previously guranteed by the Company; and

iii) RM32,075,000 (2018: RM61,677,000) revolving credit, overdrafts, supplier financing and bank guarantee facilities with three (2018: three) foreign and local banks. These facilities are guaranteed by the Company.

NOTES TO THE FINANCIAL STATEMENTS

21. BORROWINGS (CONT'D)

The details of interest rates charged are as follows:

Term loans	-	1.10% - 1.50% (2018: 1.30% - 1.50%) per annum plus LIBOR
	-	5.00% (2018: 5.00%) per annum below bank term lending rate
Revolving credit	-	5.25% (2018: 5.25%) per annum below bank term lending rate
Supplier financing	-	5.60% (2018: 5.60%) per annum below bank term lending rate

22. DEFERRED INCOME

	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000
At beginning of year	**12,709**	8,036
Additions	**6,474**	5,431
Amortisation	**(1,071)**	(409)
Translation reserve	**(393)**	(349)
At end of year	**17,719**	12,709

The deferred income relates to government grants, primarily in respect of capital investments, received by a foreign subsidiary.

23. RETIREMENT BENEFIT OBLIGATIONS

The Group operates an unfunded defined benefit plan for qualifying employees of its subsidiary, PT Unisem, in Indonesia. Under the plans, the employees are entitled to retirement benefits on attainment of the retirement age of 55.

No other post-retirement benefits are provided to these employees.

During the year, PT Unisem has ceased to operate the unfunded defined benefit plan as all of its employees have been terminated in conjunction with the discontinuance of PT Unisem's operations by March 2020. Arising therefrom, severance costs have been incurred and included in "Employee Benefit Expenses" in the statement of profit or loss of the Group. Certain of the employees of PT Unisem have been re-employed on contract basis without any retirement benefits.

Amount (reversed to)/recognised in the statement of profit or loss in respect of the retirement benefit obligations is as follows:

	THE GROUP 2019 RM'000	THE GROUP 2018 RM'000
Past service costs and gain on settlements	**(38,093)**	-
Current service costs	**990**	2,114
Interest on obligations	**1,516**	2,415
Other adjustments	**-**	1,100
	(35,587)	5,629

23. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Movements in the present value of the retirement benefit obligations in the current year are as follows:

	THE GROUP	
	2019 RM'000	2018 RM'000
At beginning of year	**35,976**	40,097
Liabilities extinguished on settlements recognised in the statement of profit or loss	**(38,093)**	-
Benefits paid	**(470)**	(1,461)
Remeasurement recognised in other comprehensive income	**-**	(8,443)
Recognised of expenses in the statement of profit or loss	**2,506**	5,629
Translation reserve	**81**	154
At end of year	**-**	35,976

The currency profile of the defined benefit obligations is as follows:

	THE GROUP	
	2019 RM'000	2018 RM'000
US Dollar	**-**	22,156
Indonesian Rupiah	**-**	13,820
	-	35,976

The principal assumptions used for the purposes of the actuarial valuations in prior year were as follows:

	THE GROUP 2018 %
Actuarial Assumptions	
Discount rate	
US Dollar based salary	3.75
Indonesian Rupiah ("IDR") based salary	9.25
Future salary increases:	
US Dollar based salary	2.00
IDR based salary	7.00
Mortality rate:	Indonesia Mortality Table 2011 ("TMI'2011")
Disability rate:	10% of TMI'2011
Early retirement rate:	1% per annum for age 45 years up to age 55 years
Withdrawal rate:	10% at age 25 reducing linearly to 1% at age 45 years

NOTES TO THE FINANCIAL STATEMENTS

24. 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 (2018: 30 to 60 days).

The currency profile of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
US Dollar	**69,826**	82,618	**30,647**	36,048
Ringgit Malaysia	**1,427**	1,833	**1,427**	1,833
Chinese Renminbi	**469**	323	**-**	-
Singapore Dollar	**206**	314	**-**	-
Indonesian Rupiah	**111**	201	**-**	-
Japanese Yen	**99**	434	**-**	-
Others	**-**	60	**-**	-
	72,138	85,783	**32,074**	37,881

Other payables and accrued expenses consist of:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables	**75,468**	84,376	**43,772**	38,123
Accrued expenses	**44,750**	61,537	**21,750**	27,054
	120,218	145,913	**65,522**	65,177

Other payables comprise mainly outstanding balances for dividend payable, purchases of plant and machinery, indirect materials and spare parts. The amounts owing are unsecured, interest-free and with credit terms granted of 30 to 60 days (2018: 30 to 60 days).

Transactions with related parties are disclosed in Note 17.

The currency profile of other payables and accrued expenses is as follows:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	**56,838**	53,875	**51,441**	44,355
US Dollar	**36,100**	56,806	**13,349**	19,821
Chinese Renminbi	**19,504**	19,970	**-**	-
Indonesian Rupiah	**5,684**	9,904	**-**	-
Singapore Dollar	**1,483**	4,088	**729**	941
Euro	**595**	975	**-**	-
Japanese Yen	**3**	295	**3**	60
Others	**11**	-	**-**	-
	120,218	145,913	**65,522**	65,177

25. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2019 RM'000	2018 RM'000
1st Interim dividend for 2019 of 2.0 sen per share, tax-exempt (2018: 2.5 sen per share, tax-exempt)	**14,542**	18,177
2nd Interim dividend for 2019 of 2.0 sen per share, tax-exempt (2018: 2.0 sen per share, tax-exempt)	**14,542**	14,542
Final dividend for 2018 of 3.0 sen per share, tax-exempt (2017: 4.0 sen per share, tax-exempt)	**21,812**	29,353
	50,896	62,072

The directors have proposed a final dividend of 2.0 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.

26. 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 16, 17, 18, 21, 23 and 24.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of US Dollar.

The following table details the Group's sensitivity to a 0.2% (2018: 0.2%) increase and decrease in currency units against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 0.2% (2018: 0.2%) change in foreign currency rates.

NOTES TO THE
FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis (cont'd)

A positive number below indicates a decrease in loss after tax/an increase in profit after tax where currency units weakens 0.2% (2018: 0.2%) against the relevant currency. For a 0.2% (2018: 0.2%) strengthening of currency units against the relevant currency, there would be an increase in loss after tax/a decrease in profit after tax and the balances below would be negative.

	PROFIT OR LOSS	
	2019 RM'000	2018 RM'000
The Group		
US Dollar impact	**157***	289*
The Company		
US Dollar impact	**229***	124*

* This is mainly attributable to the exposure outstanding on US Dollar receivables, cash and cash equivalents, payables and borrowings of the Group and of the Company at the end of the reporting period.

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 by 1.00% (2018: 1.00%) with all other variables including tax rate being held constant, loss/profit after tax of the Group and of the Company will increase/decrease and a negative number will be shown as follows:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit or loss	**(1,323)**	(559)	**(557)**	-

The decrease in annual effective interest rates by 1.00% (2018: 1.00%) with all other variables including tax rate being held constant will have an opposite impact to loss/profit after tax of the Group and of the Company by the same amount.

The assumed movement in the interest rates for the interest rate sensitivity analysis is based on the current observable market environment.

26. 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 cash equivalents. As for the Company, the exposure to credit risk also arose from amount owing by subsidiaries.

Credit risk with respect to trade 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. Weekly review of trade receivables' aging is carried out to ensure that follow-up action is taken to recover the overdue debts.

The Group and the Company review the recoverable amounts of trade debts and debts owing by subsidiaries at the end of each reporting period to ensure adequate loss allowance is made for irrecoverable amounts.

The age analysis of trade receivables is as follows:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Neither past due nor impaired	**140,086**	148,831	**62,888**	73,474
Past due but not impaired:				
61 - 90 days	**4,123**	2,957	**1,926**	687
91 - 120 days	**565**	1,588	**125**	163
Above 120 days	**264**	772	**75**	46
	4,952	5,317	**2,126**	896
Past due and impaired:				
Within 60 days	**352**	-	**-**	-
61 - 90 days	**275**	-	**-**	-
91 - 120 days	**179**	-	**-**	-
Above 120 days	**1,328**	-	**-**	-
	2,134	-	**-**	-
	147,172	154,148	**65,014**	74,370

The Group places its cash and 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.

In addition, the Company is exposed to credit risk in relation to financial guarantees given to banks for facilities granted to subsidiaries. The Company's maximum exposure in this respect if the guarantee is called on is as follows:

	THE COMPANY	
	2019 RM'000	2018 RM'000
Corporate guarantee provided to banks for subsidiaries' facilities	**100,760**	73,557

NOTES TO THE
FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (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 RM116,735,000 and RM84,797,000 (2018: RM165,190,000 and RM33,000,000) 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 except for debts owing by subsidiaries of RM109,872,000 (2018: RM49,453,000) which will be matured between the period of 1 to 5 years.

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, 2019			
Trade payables, other payables and accrued expenses	**192,356**	**-**	**-**
Amount owing to other related companies	**4,091**	**-**	**-**
Bank borrowings	**58,232**	**124,653**	**-**
As of December 31, 2018			
Trade payables, other payables and accrued expenses	231,696	-	-
Bank borrowings	63,360	12,625	-

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, 2019			
Trade payables, other payables and accrued expenses	**97,596**	**-**	**-**
Amount owing to subsidiaries	**22,481**	**-**	**-**
Amount owing to other related companies	**4,091**	**-**	**-**
Bank borrowings	**20,470**	**56,898**	**-**
Financial guarantee contracts	**100,760**	**-**	**-**
As of December 31, 2018			
Trade payables, other payables and accrued expenses	103,058	-	-
Amount owing to subsidiaries	15,574	-	-
Financial guarantee contracts	73,557	-	-

26. 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 1.2 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	
	2019 RM'000	2018 RM'000
Total borrowings	**174,109**	73,555
Total equity attributable to owners of the Company	**1,355,255**	1,430,830
Gearing ratio	**0.13**	0.05

Financial instruments that are carried at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

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.

NOTES TO THE FINANCIAL STATEMENTS

27. COMMITMENTS

As of December 31, 2019, the Group and the Company have the following commitments in respect of property, plant and equipment:

	THE GROUP		THE COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Approved and contracted for	**98,125**	123,996	**5,883**	12,447

28. CONTINGENT LIABILITY

	THE GROUP AND THE COMPANY	
	2019 RM'000	2018 RM'000
Withholding tax payable	**12,500**	6,300

A wholly-owned foreign subsidiary of the Company distributed dividend during the current and prior years. This dividend attracts a 10% withholding tax under the subsidiary's tax regime. However, as the dividend received would be reinvested by way of increasing the share capital of the subsidiary, the payment of the withholding tax is deferred as allowed by the authorities. The withholding tax will become payable when the Company disposes its interest in the investment of the said subsidiary by way of share transfer, share buy-back or liquidation.

29. SUBSEQUENT EVENT

On December 16, 2019, the Company entered into a Sale and Purchase Agreement with its subsidiary, Unisem (Ipoh) Sdn. Bhd. to purchase a piece of industrial leasehold land for a total consideration of RM5,984,000. The transaction has yet to be completed at the end of the reporting period due to pending state authorities' approval.

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation as shown below:

	THE GROUP		THE COMPANY	
	As previously reported RM'000	As reclassified RM'000	As previously reported RM'000	As reclassified RM'000
For the financial year ended December 31, 2018				
Notes to the financial statements ***Note 5 - (Loss)/Profit for the year***				
Employee benefit expenses:				
Defined contribution plans	**28,875**	32,090	**9,764**	11,126

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 requirements 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, 2019 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,
February 28, 2020

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 28th day of February, 2020

Before me,

No. W530
Tan Seok Kett
COMMISSIONER FOR OATHS

SHAREHOLDERS' STATISTICS
AS AT 31 MARCH 2020

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
480	Less than 100	6,078	0.00
829	100 to 1,000	484,090	0.07
2,378	1,001 to 10,000	10,167,663	1.40
674	10,001 to 100,000	18,608,834	2.56
103	100,001 to less than 5% of issued Shares	119,915,726	16.49
3	5% and above of issued Shares	577,903,464	79.48
4,467		**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	7,134,300	0.98 [c]
John Chia Sin Tet	61,753,125	8.49	121,862,813	16.76 [d]
The Estate of Soo Yut Kuan	-	-	94,731,385	13.03 [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.

SHAREHOLDERS' STATISTICS
AS AT 31 MARCH 2020

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	61,753,125	8.49
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)	13,010,100	1.79
6.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN For OCBC Securities Private Limited (Client A/C-R ES)	9,346,300	1.28
7.	Yen Woon @ Low Sau Chee	8,521,420	1.17
8.	SCQ Industries Berhad	7,134,300	0.98
9.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Principal EQITS)	5,114,400	0.70
10.	Citigroup Nominees (Tempatan) Sdn Bhd UBS AG Singapore For Yen Woon @ Low Sau Chee	3,900,700	0.54
11.	Lancar Indah Sdn. Bhd.	3,500,000	0.48
12.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Francis Chia Mong Tet (CEB)	2,870,480	0.39
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yen Woon @ Low Sau Chee (6000012)	2,720,300	0.37
14.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For John Chia Sin Tet (01-00825-000)	2,636,428	0.36
15.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank For Yen Woon @ Low Sau Chee (PBCL-0G0416)	2,606,100	0.36
16.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank For Yen Woon @ Low Sau Chee (PBCL-0G0364)	2,479,500	0.34
17.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Prulink Equity Fund	2,070,500	0.28
18.	Alexander Chia Jhet-Wern	2,050,000	0.28
19.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Yen Woon @ Low Sau Chee (PB)	2,000,000	0.28
20.	Hsbc Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Total International Stock Index Fund	1,760,327	0.24

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.	Shi Geok Wah	1,693,000	0.23
22.	Cartaban Nominees (Asing) Sdn Bhd BCSL Client AC PB Cayman Clients	1,382,100	0.19
23.	Hsbc Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Emerging Markets Stock Index Fund	1,300,010	0.18
24.	Db (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investments Small-Cap Fund	1,267,900	0.17
25.	Citigroup Nominees (Asing) Sdn Bhd UBS AG	1,100,900	0.15
26.	Lau Kok Ping	1,100,000	0.15
27.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For Principal Islamic Small Cap Opportunities Fund	986,600	0.14
28.	Hun Kew Fong	911,400	0.13
29.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Principal Islmc)	791,800	0.11
30.	Foong Chee Hong	620,000	0.09
		679,673,029	**93.48**

STATEMENT OF DIRECTORS' INTEREST
AS AT 31 MARCH 2020

Directors' Shareholdings (as per the Register of Directors Shareholdings)

	NO. OF SHARES HELD			
NAME OF DIRECTORS	DIRECT INTEREST	%	DEEMED INTEREST	%
John Chia Sin Tet	61,753,125	8.49	121,862,813	16.76 [(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	-	-	-	-
Lim Siew Eng	-	-	-	-
Mahani Binti Amat	-	-	-	-
Xiao Zhiyi	-	-	-	-
Cui Weibing	-	-	-	-
Ju Feng	-	-	-	-

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 company/pledged securities account.

LIST OF PROPERTIES HELD BY THE GROUP
AS AT 31 DECEMBER 2019

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 2019 (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	-	**2,261**
	Factory building Phase I	Factory	-	130,000 sq ft	March 1992	28	**6,812**
	Factory building Phase II	Factory	-	110,000 sq ft	August 1996	24	**8,400**
	Factory building Phase III	Factory	-	330,000 sq ft	September 2000	19	**39,846**
	Factory building wafer bumping	Factory	-	22,000 sq ft	August 2005	14	**2,001**
PN 289781 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Industrial land	Vacant	99 years leasehold expiring 2100	115,500 sq m	October 2000	-	**5,984**
PT 19130 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Residential land	Hostel	99 years leasehold expiring 2104	20,429 sq m	June 2005	-	**1,169**
	Residential	Hostel	-	50,000 sq ft	June 2012	8	**8,939**

LIST OF PROPERTIES HELD BY THE GROUP

AS AT 31 DECEMBER 2019

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 2019 (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	-	**3,204**
	Industrial land	Factory	49 years leasehold expiring 2057	9.002 hectare	September 2007	-	**3,994**
	Factory building	Factory	-	366,000 sq ft	December 2005	14	**65,818**
	Factory building	Factory	-	254,000 sq ft	December 2012	7	**76,211**
Jalan S.Parman, Kav 201 Batamindo Industrial Park, Mukim Kuning, Batam, Indonesia	Industrial land	Factory	20 years leasehold expiring 2039*	21,280 sq m	November 1994	-	**316**
	Industrial land	Factory	20 years leasehold expiring 2039*	8,991 sq m	May 1998	-	**133**
	Factory Building Main Building	Factory	-	14,640 sq m	November 1991	28	**-**
	Factory Building East Wing	Factory	-	17,500 sq m	1998	21	**1,432**
	Factory Building East Wing Extension	Factory	-	1,600 sq m	2007	12.5	**917**

* Pending issuance of new land title by the appropriate authorities upon renewal of lease period during the year.

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

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 Ju Feng
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

CHIN HOCK YEE (LS 8922)
SSM PC No. 201908003237

KUAN HUI FANG (MIA16876)
SSM PC No. 202008001235

REGISTERED OFFICE

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SHARE REGISTRARS

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Services Sdn Bhd [197101000970 (11324-H)]
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59200 Kuala Lumpur
Malaysia
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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