ANNUAL REPORT 2020

Unisem (M) Berhad
Registration No. 198901006009
(183314-V)

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AWARDS & RECOGNITION

PSEMI
2019 BEST SUPPLIER AWARD

HUAWEI
2020 QUALITY AWARD

VESPER
2020 SUPPLIER OF THE YEAR BEST ASSEMBLY PROVIDER

MENLO MICROSYSTEMS, INC.
2020 SUPPLIER OF THE YEAR

ESPRESSIF
2020 SUPPLIER OF THE YEAR

HALO MICROELECTRONIC
2020 BEST SUPPLIER AWARD

SGMicro
2020 BEST SERVICE AWARD

CONVENIENTPOWER SEMICONDUCTOR
2020 SUPPLIER EXCELLENCE AWARD QUALITY AWARD

MACOM
2020 SUPPLIER OF THE YEAR

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 5,700 employees worldwide, Unisem has 2 semiconductor packaging and testing facilities and 2 wafer bumping facilities in Ipoh, Perak, Malaysia and Chengdu, People's Republic of China. The Company is headquartered in Kuala Lumpur, Malaysia.

Unisem group has a customer base comprising primarily fabless companies (73%) and integrated device manufacturers (27%). About 54% of Unisem group's sales from continuing operations are to customers in North America, 36% to Asia and 10% to Europe.

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
- 3,200 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, IATF 16949:2016, ANSI/ESD S20.20-2014 and ISO 45001:2018, Certificate of Green Partner (Sony), Samsung ECO Partner, RBA VAP

UNISEM ADVANCED TECHNOLOGIES SDN BHD ("UAT")
IPOH, MALAYSIA

- Commenced operations in year 2006
- 300 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, ANSI/ESD S20.20-2007 and ISO 45001:2018, Certificate of Green Partner (Sony), Samsung ECO Partner, RBA VAP

UNISEM CHENGDU CO., LTD. ("Unisem Chengdu")
CHENGDU, PEOPLE'S REPUBLIC OF CHINA

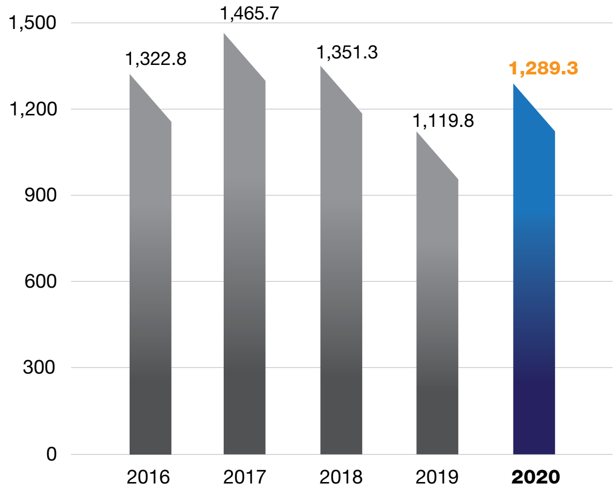
- commenced operations in 2006
- 2,200 employees
- total built-up area of about 620,000 square feet
- provides full turnkey solutions; packaging capability includes a wide range of advanced leadframe and substrate packages, leadless packages, modules, MEMs, wafer level CSP and flip chip
- offers a wide 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, Samsung ECO-Partner, ECQ QC080000 : 2017 – HSPM (Hazardous Substance Process Management) Certificate, and GSV (Global Security Verification) Certificate, RBA VAP

FIVE-YEAR FINANCIAL HIGHLIGHTS

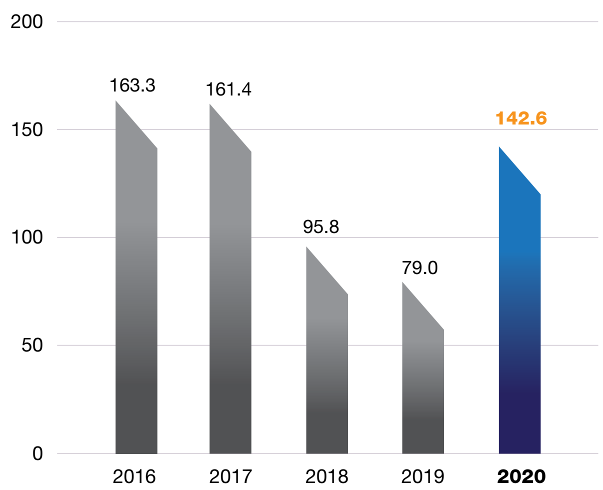
	2016 RM'000	2017 RM'000	2018 RM'000	2019* (restated) RM'000	2020* RM'000
Highlights from Consolidated Income Statements for the year ended 31 December					
Revenue	1,322,780	1,465,727	1,351,276	1,119,819	1,289,294
EBITDA	356,812	345,830	273,831	251,427	332,498
Profit before taxation	187,158	180,779	111,063	98,111	164,024
Profit after taxation	163,343	161,404	95,833	78,979	142,579
Highlights from Consolidated Statements of Financial Position As of 31 December					
Property, Plant and Equipment	1,128,975	1,099,138	1,094,094	1,100,076	1,215,064
Current Assets	632,624	724,509	690,882	655,350	1,039,842
Non-Current Assets	24,565	21,414	18,617	17,061	16,640
Total Assets	**1,786,164**	**1,845,061**	**1,803,593**	**1,772,487**	**2,271,546**
Current Liabilities	303,207	320,360	294,371	254,353	**328,288**
Deferred Tax Liabilities	8,326	4,877	10,994	24,522	**37,889**
Other Non-Current Liabilities	55,623	57,081	60,101	138,357	**132,573**
Total Liabilities	**367,156**	**382,318**	**365,466**	**417,232**	**498,750**
Share Capital	366,915	595,367	595,367	595,367	**876,118**
Treasury Shares	-	-	(15,888)	(15,888)	**(15,888)**
Reserves	1,046,738	860,078	851,351	775,776	**912,566**
Non-controlling Interests	5,355	7,298	7,297	-	**-**
Shareholders' Equity	**1,419,008**	**1,462,743**	**1,438,127**	**1,355,255**	**1,772,796**
Key Financial Ratios					
EBITDA margin	27%	24%	20%	22%	**26%**
Net earnings per share - Basic (sen)	22.12	21.73	13.13	10.96	**19.49**
Net dividend per share (sen)	11.00	11.00	7.50	6.00	**6.00**
Debt / Equity ratio	0.04	0.03	0.05	0.13	**0.12**
Net assets per share (RM)	1.93	1.98	1.97	1.86	**2.28**

** Continuing Operations only*

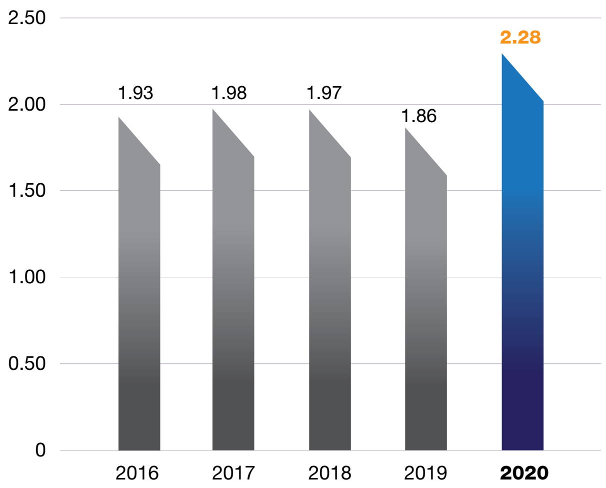
REVENUE
(RM'million)



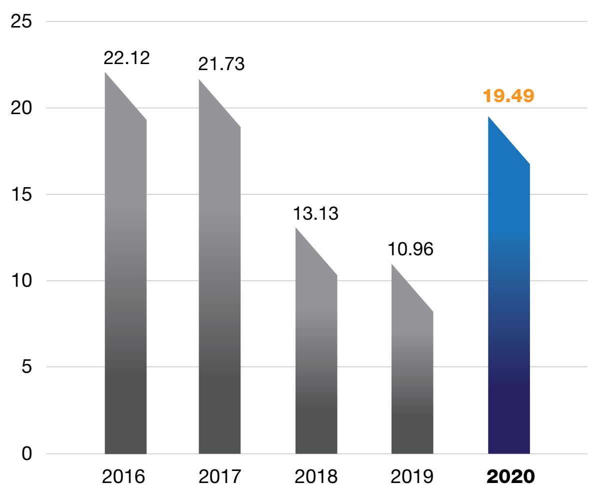
PROFIT AFTER TAXATION
(RM'million)



NET ASSETS PER SHARE
(RM)



NET EARNINGS PER SHARE
(Sen)



CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the 32nd Annual Report and the Audited Consolidated Financial Statements of Unisem (M) Berhad and its subsidiaries for the financial year ended 31 December 2020.

JOHN CHIA SIN TET
Chairman

FINANCIAL PERFORMANCE

The outbreak of Covid-19 pandemic in early 2020 and the various movement control measures/ lockdown implemented globally have deeply impacted global economic activities and consumer behaviour. Despite these challenges, the Group generated revenue from continuing operations of RM1.29 billion, an increase of 15% over the revenue of RM1.12 billion revenue achieved in 2019. Net profit for the financial year was RM142.6 million from continuing operations, compared to a net profit of RM79.0 million from the same operations in 2019.

The Group attained EBITDA from continuing operations of RM332.5 million, an increase of 32% from RM251.4 million attained a year ago, and EBITDA margin improved to about 26% (from 22% a year ago).

The financial position of the Group remains strong with cash and cash equivalents amounting to RM664.1 million as at 31 December 2020 compared to RM342.8 million in FY2019. Total bank borrowings of the Group increased from RM174.1 million in FY2019 to RM207.4 million in FY2020. We invested approximately RM270.9 million in capital expenditure during the year mainly to increase capacity for packaging, testing and wafer bumping and to enhance reliability and productivity at our various facilities.

CORONAVIRUS 2019 (COVID-19) PANDEMIC MEASURES

Our operations in Chengdu were marginally impacted by the Covid-19 in the first half of 2020. In Malaysia, the enforcement of the Movement Control Orders restricted our plant in Ipoh from operating at full capacity from 18 March 2020. Operations returned to normal capacity in May 2020 in our plants in Ipoh and Chengdu.

From the outset of the Pandemic in February 2020 we implemented measures to mitigate the adverse consequences of Covid-19. At the plants, we closely monitored all our employees with body temperature checks and for general health in full compliance with the SOPs initiated by the Ministry of Health. We closed our plants to visitors, customers, suppliers and made exceptions only under the strictest health protocol. Physical distancing and hand sanitization is practised throughout the plant.

To further limit risks to our employees we implemented “work from home” alternatives and most internal meetings as well as those with customers, suppliers and consultants are conducted using audio/visual technology.

DISCONTINUED OPERATION OF PT UNISEM

On 31 March 2020, PT Unisem, an indirect subsidiary of the Company, discontinued its manufacturing operations in Batam, Indonesia.

The financials associated with the discontinued operations is detailed in the Management Discussion and Analysis on page 10 of this annual report.

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

PRIVATE PLACEMENT OF UNISEM SHARES

On 17 November 2020 the Company announced that it will be undertaking a private placement of up to 10% of the total number of issued shares (excluding treasury shares) of the Company ("Private Placement") comprising up to 72,708,500 new ordinary shares in Unisem ("Placement Shares").

The first tranche of the Private Placement which was completed in December 2020, comprised 51,633,000 Placement Shares at RM5.50 per share. The issue price of RM5.50 was at a discount of about 1.9% to the 5-day volume weighted average market price of Unisem shares of RM5.6084 per share.

In February 2021, the Company completed the second and final tranche of the Private Placement comprising 21,075,500 Placement Shares at RM7.70 per share. The issue price of RM7.70 was at a premium of about 7.0% to the 5-day volume weighted average market price of Unisem shares of RM7.1938 per share.

The total gross proceeds raised from the Private Placement amounting to about RM446.3 million, are expected to be utilised for capital expenditure, working capital and expenses in relation to the Private Placement. Please refer to page 112 of the Annual Report on the status of utilisation of proceeds.

PROSPECTS AND OUTLOOK

The World Semiconductor Trade Statistics ("WSTS") forecasted worldwide semiconductor market to increase by 8.4 percent, driven by double-digit growth of Memory and Optoelectronics. All regions are expected to grow in 2021. The semiconductor market overall is not that negatively impacted by the COVID-19 pandemic as originally expected earlier this year. *(Source: WSTS Semiconductor Market Forecast Fall 2020)*

The Covid-19 pandemic has largely impacted companies and people globally. It has highlighted the potential risks and vulnerability of the electronics and semiconductor supply chain and challenges the semiconductor industry to re-think its global supply chain model to improve resiliency. It has also changed consumer needs and behaviour in that more application and consumption of semiconductors are seen during this unprecedented time and greater demand for virtualising large sections of the economy and society, such as online shopping, online learning, Work From Home, online logistics, and other ways of virtualisation. These trends are likely to increase demand for semiconductors for data servers, cloud usage, contactless and automated solutions, and Internet of Things.

The Group will continue to focus on growing customers, and 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 with greater emphasis on productivity and innovation.

Despite the economic uncertainty arising from the Covid-19 pandemic, the Board expects the outlook of the Group for 2021 to be satisfactory. In the mid to long term, the Board expects the Group's prospects to improve on the back of the Group's healthy balance sheet and the anticipated growth in its revenue and earnings from the capacity expansion at its facilities in Ipoh and Chengdu.

SUSTAINABILITY INITIATIVES

I am pleased to report that our sustainability commitments have further strengthened in 2020. Both our manufacturing sites, in Ipoh, Malaysia and in Chengdu, China, have completed the Responsible Business Alliance (RBA) Validated Audit Process and were awarded Silver Status. As part of the electronic industry, we are guided by the RBA Code of Conduct which establishes standards to ensure that working conditions in the electronics industry or industries and its supply chains are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically. The provisions in the RBA Code are derived from key international human rights standards including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights.

RESIGNATION AND RETIREMENT OF DIRECTORS

Mr Lee Hoong Leong, who joined us in 2012 retired as Group Chief Operating Officer effective 31 December 2020. He therefore resigned as director of the Company on 31 December 2020.

Puan Mahani Amat, who retires in accordance with Regulation 115 of the Constitution of the Company at the 32nd Annual General Meeting of the Company, has decided not to seek re-appointment. She was appointed to the Board in January 2016.

Their presence and counsel will be missed. I thank them for the many years of service and dedication to the Company.

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 RM1.29 billion from continuing operations for the financial year ended 31 December 2020 (FY2020), an improvement of 15% against RM1.12 billion recorded in the financial year ended 31 December 2019 (FY2019) as a result of higher sales volume for both packaging/testing services and wafer bumping. The average selling prices for packaging/testing services increased by 5% whilst wafer bumping average selling prices decreased by 3%.

The Group recorded net profit of RM142.6 million from continuing operations in FY2020 as compared to RM79.0 million net profits in FY2019 primarily attributable to higher sales volume and improved gross profit margin arising from change in product mix.

Liquidity and Capital Resources

As at 31 December, 2020, the Group has cash and cash equivalents amounting to RM664.1 million as compared to RM342.8 million in FY 2019 mainly due to proceeds from issuance of shares in respect of a private placement of Unisem shares. The Group has unutilized banking facilities amounted to RM38.2 million as compared to RM116.7 million in FY2019.

The Group's bank borrowings have increased from RM174.1 million in FY2019 to RM207.4 million in FY2020. The increased bank borrowings were mainly used to finance the closure of PT Unisem.

The Group's capital expenditure for FY2020 amounted to RM270.9 million and was financed by internally generated fund. 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.

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 and 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.

MANAGEMENT DISCUSSION & ANALYSIS

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 are 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 will result in our Group being able to compete with the larger players 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 28 under the Notes to the financial statements.

5. PROSPECTS AND OUTLOOK

The World Semiconductor Trade Statistics ("WSTS") forecasted worldwide semiconductor market to increase by 8.4 percent, driven by double-digit growth of Memory and Optoelectronics. All regions are expected to grow in 2021. The semiconductor market overall is not that negatively impacted by the COVID-19 pandemic as originally expected earlier this year. *(Source: WSTS Semiconductor Market Forecast Fall 2020)*

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The Group will continue to focus on growing customers, and 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 with greater emphasis on productivity and innovation.

Despite the economic uncertainty arising from the Covid-19 pandemic, the Board expects the outlook of the Group for 2021 to be satisfactory. In the mid to long term, the Board expects the Group's prospects to improve on the back of the Group's healthy balance sheet and the anticipated growth in its revenue and earnings from the capacity expansion at its facilities in Ipoh and Chengdu.

SUSTAINABILITY REPORT

CONTENTS

SUSTAINABILITY REPORT

ABOUT THE SUSTAINABILITY REPORT

Since our inception, Unisem (M) Bhd ("Unisem" or the "Company") has strived to demonstrate our commitment to sustainability related issues - business growth, labour rights, management of workplace safety and monitoring our environment impacts. Our focus on these values is also what drives the Company towards doing business responsibly and they are further incorporated in the Company's Vision, Mission, and Core Values.

We are pleased to report that during FY2020 Unisem was included in the MSCI Malaysia Small Cap Index which is designed to measure the performance of the small cap segments of the Malaysian market.

MANAGING OUR BUSINESS

OUR FOCUS ON CUSTOMERS

PEOPLE

ENVIRONMENT

BASIS OF PREPARATION

This Sustainability Report ("Report") presents sustainability progress and management of Unisem and its group of subsidiaries ("Unisem Group" or the "Group") for the financial year ended 31 December 2020 ("FY2020") and forms part of our annual reporting following our previous sustainability report included in Unisem's Annual Report FY2019 ("SR'19").

This Report continues to cover the following entities in its reporting scope:

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")

*Note: * Unisem (M) Berhad and UAT are collectively referred to as "Unisem Ipoh"*

Unisem Ipoh and Unisem Chengdu represent the Group's two significant operating sites, jointly contributing to approximately 99% of the Group's FY2020 revenue and houses 99% of the Group's workforce after the Group completed its discontinuation of operation in Batam, Indonesia. Apart from the closure of operation in Indonesia, there were no significant changes to the Group's operations and supply chain during the financial year.

This Report covers the Group's sustainability management and performance for the financial year under review, i.e., 1 January 2020 to 31 December 2020, unless stated otherwise. The Group's material sustainability matters for FY2020 remains unchanged from FY2019 and were discussed in the **Our Sustainability Approach: Materiality Assessment** and **Our Sustainability Approach: Material Sustainability Matters** sections.

Unless specific reference is made in this Report, the abovementioned scope is applicable to the disclosures contained in this Report.

We have enhanced and updated our performance data for various performance indicators in this report.

Reporting Framework and standards

This Report has been prepared in accordance with Bursa Malaysia's Main Market Listing Requirements and the GRI Standards: Core and has incorporated elements of the Responsible Business Alliance ("RBA") and the relevant and applicable ESG criteria of FTSE4Good Bursa Malaysia Index.

Assurance

Unisem currently does not obtain external assurance specific to this Report. Nevertheless, regular audits and/or verifications on our operating sites, various policies, processes, and programmes mentioned in this Report are conducted by external parties such as customer audits, RBA Validated Assessment Program ("VAP"), and Self-Assessment Questionnaire ("SAQ").

In addition, in the preparation of this Report, the Group's Sustainability reporting team has undergone a validation process to verify the accuracy and integrity of the data reported. Furthermore, the sustainability reporting process is also reviewed by Unisem's RBA Auditors.

This Report is reviewed by the Sustainability Committee and approved by the Board. Unisem will consider obtaining external assurance for its sustainability reports in the coming years.

SUSTAINABILITY REPORT

CONTACT

Further information regarding Unisem's policies and management processes is available on Unisem's corporate website at www.unisemgroup.com and queries regarding this Report can be addressed to our Corporate Affairs Vice President, Ms Ruth Chin, or the Senior Independent Director, Y. Bhg Dato' Gregory Wong Guang Seng, at the following address:

Unisem (M) Berhad

Lot No. 9(H), 9th Floor, UBN Tower
No. 10, Jalan P. Ramlee
50250 Kuala Lumpur, Wilayah Persekutuan.
Malaysia

Tel : +603 2072 3760
Fax : +603 2072 4018
Email : investor@unisemgroup.com

CREATING SUSTAINABLE VALUE

Our Vision is to be the leading Malaysian company providing total semiconductor packaging and test services globally and be recognised as a model corporation.

Apart from aiming to be a leading company in our capabilities and capacity, we also aim to be a responsible company that pursues holistic and sustainable value creation to its stakeholders including the Company's shareholders, the Group's employees and people working for the Group, the environment, the economy and the industry, and other stakeholders.

Unisem's Vision, Mission, and Core Values

Vision	Mission	Core Values
To be the leading Malaysian company providing total semiconductor packaging and test services globally and be recognised as a model corporation.	• Provide total customer satisfaction • Be a caring company and an employer of choice • Generate profits and accelerate growth • Develop long term win-win partnership with our business associates • Adhere to good corporate governance and support environmental, social, and economic development of the community • Uphold and live our core values	• Teamwork • Commitment • Trust • Proactive • Caring

Unisem's Value Creation Process

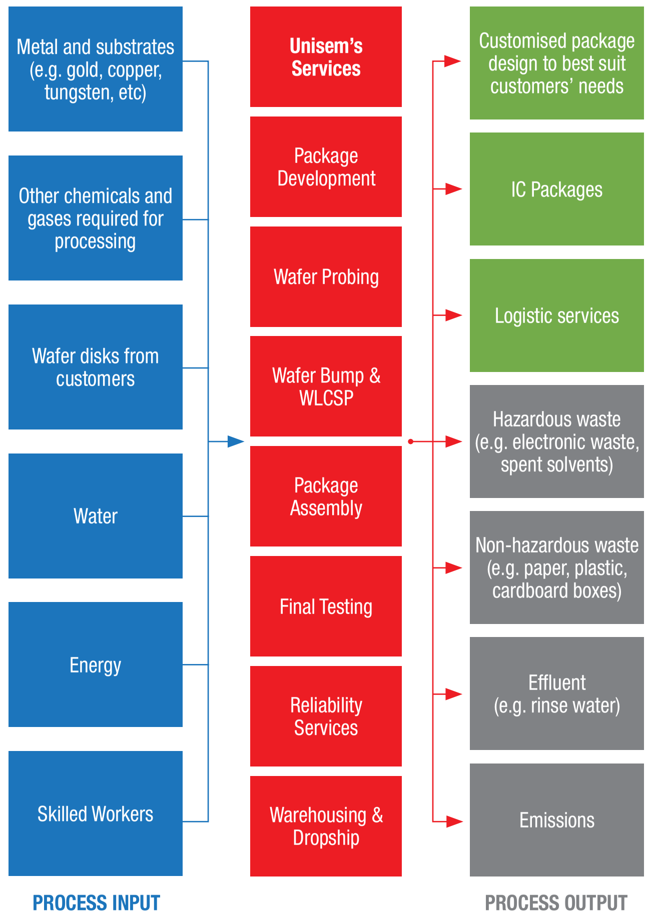
During the financial year under review, we have revisited our business model and value creation model to better align our Vision, Mission and Core Values with the internal and external business environment within which we operate in.

We aim to optimise our key capital resources, such as financial stability, our skilled workforce, manufacturing capabilities, relationships with our stakeholders, and natural capital to deliver value across the short, medium, and long term.

Capitals – Input		Key Focus Areas/ Desired Outcomes (& indicators)	Outcome (FYE2020)
Financial Capital Our financial capital mainly depends on our equity and funds generated from investments and operations	• RM1,160m* in cost of sales and operating expenses during the FY • Bank borrowings amounting to RM174m* at the beginning of FY • Net cash in hand and cash equivalent of RM343m* at the beginning of FY	• Self-sustaining cash generation • To achieve revenue growth • Sustainable profit generation and shareholder's return	• RM296m net cash generated from operations • RM1.31b* in revenue, representing a growth of 4.5% • RM143m* Group profit for the year • Cash and cash equivalent as at end of year RM664m • Total tax-exempt dividend paid during FY2020 RM58m to shareholders
Manufacturing Capital Our machinery and technology process serve to improve operational efficiency without compromising quality.	• 2 semiconductor packaging and testing facilities • 2 wafer bumping facilities • All facilities certified for quality management system, environmental management system, and other relevant management systems.	• Enhancing capabilities through strategic investment in new facilities	• Completion of discontinuation of Indonesian facility • New packaging, testing, and wafer bumping facilities amounting to RM271m in capex
Intellectual Capital Our intellectual capital includes (i) our proprietary knowledge and technology, protected through patents and other intellectual property rights; and (ii) the experience and skills within our systems, processes, and people. This includes the operational efficiency which we have developed and enhanced over the years.	• 31 patented technology, system designs, and processes • Operational efficiency and quality assurance processes	• Development and adoption of latest technology in line with market demand • Achievement of Technology Road Map • Maintaining optimum level of operational efficiency and quality for products and services	• Meeting targets and timeline of Unisem's Technology Road Map • Approximate 60 new package modules • No new patents registered
Human Capital Our talent base is highly skilled professionals and technical personnel. Our operations depend on the capabilities and competencies of all our employees.	• 5,738 employees across the Group • Application of RBA Code of Conduct across the Group's relevant internal and external stakeholder management, covering areas including human rights, prevention against child or forced labour, health and safety matters.	• Safe workplace • Injury frequency rate for industrial accidents <2.00 across the Group • Continuous training for employees • 75% employees receiving minimum 6 hours of training per year • Personal and professional growth in employees	• 1.51 injury frequency rate • 52.4% employees received minimum of 6 training hours
Natural Capital Our direct materials and water is a natural capital and our company's critical enabler across our manufacturing platforms and key operations.	• 3.0 million m3 water withdrawn • 1.5 million m3 water consumed • Application of RBA Code of Conduct across the Group's relevant internal and external stakeholder management, covering areas including energy management, water management, climate change and emissions, and waste management matters.	• Comply with regulatory requirements • Minimum negative environmental impact • 50% recycling rate for total scheduled waste]	• 40% of total scheduled waste recycled • No non-compliance issues with environmental laws and regulations • 126,800 tCO_2e GHG – 1% decrease in GHG intensity (base year: 2011)
Social and Relationship Capital An integral resource of our operations is the relationships we foster with our Stakeholders.	• Collaborative business relationship with customers • Robust supply chain management maintained based on RBA Code of Conduct and industrial standards	• Upholding of Unisem core values • Robust collaborative relationship with customers • Strong, sustainable, and responsible supply chain • High rate of satisfied key customers	• 85% satisfied key customers • Completed 12 audits on key direct material suppliers

Business Model

Unisem provides semiconductor assembly and test services and offers turnkey solutions and an integrated suite of packaging and test services.



Note: * the financial data reported above represents the financial performance/ position of the Group including discontinued operation in Batam, Indonesia.

SUSTAINABILITY REPORT

Contributing to the SDGs

Considering Unisem's nature of business and aspiration against its Vision, Mission, and Core Values, we believe we are positioned to contribute and support the United Nations General Assembly ("UN") Sustainable Development Goals ("SDGs") in the following manner. The UN SDGs are a set of 17 goals focusing on achieving the 2030 Agenda for Sustainable Development.

UN SDGs	How Unisem Group is supporting

Our business supports global technology development which drives Industry 4.0 and global technological ecosystem. We provide thousands of workers with equal employment opportunities and a safe, healthy, and respectful environment which observes international standards and principles. We also ensure we have management systems to minimise our environmental and social impacts. These principles and standards are applied across our value chain.

Our Strategic Priorities

To enable better focus on achieving sustainable and long-term value creation, the Group has established the following strategic priorities that support the Group's Vision and Mission.

Strategic Priorities	
A.	Pursuit of operational excellence and quality products and services
B.	Development of long-term collaborative business partnerships with our customers and business associates
C.	Development of technological capabilities to stay current with market trend and demand
D.	Alignment with international standards in relation to sustainability management in the areas of environmental management and social relationships

A. Pursuit of operational excellence and quality products and services

One of the main factors that determine the success of a semiconductor assembly and test services provider is the ability to achieve operational excellence, executing and delivering quality products and services consistently and reliably. We are relentless in pursuing operational excellence, investing in continuous improvement in our processes, managing operational risks and reducing operational interruptions. At the same time, we regularly review our process and cost management strategies to maintain our competitive edge.

Our supply chain partners play a fundamental role in ensuring consistent delivery of quality material and services to meet and exceed customers' expectation with regards to delivery and quality standards. In managing our supply chain partners, we are also guided by the principals of the RBA Code of Conduct as well as our internally developed performance-based criteria. Further details on how we manage our supply chain are provided in **Sustainability Performance: Managing Our Business – Supply Chain Management.**

Human development programs will continue to be a key focus and a strong differentiator in enabling Unisem to be a world-class company. Employees with the right skills, talents, and competencies are being groomed to execute business operations and processes with precision. This is further discussed in **Sustainability Performance: People.**

Energy remains to be a significant consumption of resources in Unisem's line of business and may typically comprise up to 5%-10% of production operating expenses. We have since 2011 introduced measures to monitor our energy consumption in production. Further details on energy consumption and intensity are discussed in **Sustainability Performance: Environment – Climate Change and Energy Efficiency.**

B. Development of long-term collaborative business partnerships with our customers and business associates

More than ever, the semiconductor industry is progressing rapidly and it requires industry players to evolve and adapt business relationships which are collaborative in nature, specialising in each of their own fields while servicing others in the development of future technology such as 5G, Internet of Things, advance assembly and test packaging solutions, etc.

At Unisem, customer intimacy is built around the idea of putting the customer at the centre of everything. This helps in serving customers better, which in turn boosts business reputation and brings increasing returns. This will lead to close collaborative long term relationships and sustainable value creation over the short, medium, and long-terms.

This philosophy is further incorporated in our offerings of products and services where we also provide turnkey solutions, working together with our customers to develop packaging solutions that meet their innovation needs. In addition, we regularly engage with our customers to have conversations and understanding of how we are able to support the global advancement of the industry. Likewise, this also builds strong, credible, and trustworthy relationships in our supply chain management, i.e., with our business associates.

How we manage our customers and business associates is discussed across various sections in **Sustainability Performance: Managing Our Business and Sustainability Performance: Our Focus on Customers.**

SUSTAINABILITY REPORT

C. Development of technological capabilities to stay current with market trend and demand

Complementing the strategic priorities discussed above, Unisem is equipped with the technological capabilities to offer products and services in line with our customers' business strategies, current market trend, and latest technological development. This is a significant factor to enable us to be at the forefront of the semiconductor assembly and testing industry and to maintain our relevance in the industry.

Strategies on investments in technological capabilities require a balance to be struck among various factors, including, but not limited to, the resources invested, whether the rewards will materialise, and the timeliness of the materialisation of the rewards. Taking into account these considerations, we have established a Technology Road Map which sets out the short and medium-term technological development targets for Unisem. The Technology Road Map is regularly updated and monitored to capture and incorporate current development and market needs. This is further discussed in **Sustainability Performance: Technology and Innovation.**

D. Alignment with international standards in relation to sustainability management in the areas of environmental management and social relationships

We take into consideration international practices in sustainability management across the aspects of social, environmental, and ethics beyond the minimum requirements of locally applicable laws and regulations.

We adhere to the Responsible Business Alliance Code of Conduct to ensure that working conditions in our supply chain are safe, that workers are treated with respect and dignity, environmentally responsible business operations, and ethically conducted businesses. This commitment is formalised in our Corporate Social Responsibility Policy ("CSR Policy") which is available on our corporate website together with other specific policies including Anti-Corruption and Bribery Policy, Environmental Policy, Safety and Health Policy and Policy on Conflict Minerals.

We understand that more needs to be done to ensure the preservation and creation of sustainable values and the demonstration of corporate responsibility. We aim to inculcate a culture which is constantly aware of the environmental and social issues happening within and around our industry and to consider them in our business and operations. The Group's management of sustainability issues are disclosed across various sections in this Report.

Unisem's Sustainability Themes

Considering the Group's Vision, Mission, and Core Values and strategic priorities, we have broadly categorised our management of short, medium, and long-term value creation and performance into four themes for the purpose of communication, as follows:

- Managing Our Business
- Our Focus on Customers
- People
- Environment

Categorised under each theme are the sustainability matters, including material sustainability matters, which may affect or may be affected by the internal and external business environments as well as the business' value creation process. The identification and assessment of sustainability matters are further discussed in various sections in **Our Sustainability Approach** while our approach towards managing the sustainability matters and their performance are discussed in **Sustainability Performance.**

OUR SUSTAINABILITY APPROACH

Sustainability Governance

The Board of Directors of Unisem takes overall responsibility of the Group's sustainability and the consideration of sustainability in the Group's business objectives, strategies, and management. This includes setting the Group's strategic sustainability direction and the purpose and values of Unisem.

In carrying out its duties, the Board is assisted by the Sustainability Committee ("SC"), a Board committee whose responsibilities include advising and recommending for the Board's approval the Group's business strategies in the area of sustainability, sustainability-related policies for adoption, the Group's material sustainability matters, performance targets, and sustainability disclosures of the Group. These matters are reviewed/ approved by the Board at least annually. The SC provides stewardship to Unisem's Management team by monitoring amongst others, the implementation of sustainability strategies, sustainability-related policies, the management of sustainability matters especially those which are material to the Group, and the management and engagement of stakeholders of the Group. The SC is currently chaired by the Senior Independent Director of the Group.

In relation to the Group's management of sustainability matters, the Group Chief Operating Officer ("GCOO") plays the role of the conduit between Unisem Group's Management and the SC. The GCOO provides leadership to the Sustainability Working Committee ("SWC") of each of the Group's operating sites, i.e., Unisem Ipoh and Unisem Chengdu, which is primarily responsible for the management of sustainability matters of the respective sites. Through both SWCs, the GCOO oversees the overall management and engagement of stakeholders and the management of sustainability matters, including the achievement of objectives, targets and key performance indicators ("KPIs"), and reports to the SC.

Each SWC is chaired by operating site's Chief Operating Officer and comprises members of the RBA Working Committee ("RBA WC") and Business Development Group ("BDG") of the respective sites. On an annual basis, the SWC for each operating site discusses and reviews the prioritisation and engagement of stakeholders as well as the materiality assessment for the operating site. Stakeholder engagement and materiality assessment are further discussed in subsequent sections of this Report.

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The RBA WC comprises the various segmental Working Committees established to manage and monitor the five elements of the RBA Code of Conduct namely the Labour Working Committee, Ethics Working Committee, Health and Safety Working Committee, Environmental Working Committee, and Management System Working Committee. The responsibilities of each Working Committee under the RBA WC and the BDG are summarised in the following table.

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 environmental 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 • The Unisem's RBA internal auditors ("Unisem's RBA auditors") conducts cross audits on the 5 working committees to ensure full compliance to the latest RBA version. These RBA internal auditors are selected from the respective 5 working committees
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

Stakeholder Inclusivity

As a global semiconductor assembly and test services provider, as well as a corporate citizen which aims to function responsibly in and contribute positively to the society, environment, and community it operates in, we believe it is important to consider stakeholders holistically, including those who may be affected by or dependent on our businesses and those who may affect or influence our businesses.

Unisem has established a systematic approach to assess, prioritise, and engage with the Group's stakeholders so we could ensure we have considered the relevant stakeholders along the way working towards achieving our Vision and Mission.

Stakeholder Prioritisation

The first step towards effective stakeholder engagement is understanding the dynamics stakeholders have with the Group's business or operations. The Group's stakeholders are identified, assessed and prioritised based two dimensions of considerations:

- the stakeholder's dependence on the business or operations; and
- the stakeholder's influence on the business or operations.

The stakeholder assessment and prioritisation process is contributed by relevant Management personnel, including personnel who regularly deal with and have a good understanding of the Group's stakeholders. Prioritisation and assessment of stakeholders are generally conducted by the respective SWCs and reviewed by the SC and the Board.

A review of stakeholder prioritisation is performed for the financial year under review and we noted that there had not been any material changes in the key stakeholder groups of the Group.

Stakeholder Engagement

The Group's stakeholders are managed and engaged appropriately via engagement strategies which enables bi-directional and effective communication. We adopt a combination of stakeholder engagement approaches of varying degrees of engagement, depending on the stakeholder group and the specific matters being addressed. Furthermore, we always encourage our stakeholders to share with us their views and concerns during engagement sessions, where practicable. There are also ready-available communication channels for stakeholders to provide their views and comments, e.g., "open door" policy for employees, or to submit their grievances or complaints, e.g., the Group's Ethics Hotline and whistle blowing channel.

The following table summarises the Group's engagement channels and updated concerns of the Group's stakeholders as of the end of FY2020. The modes of engagement include online meetings and conferences, emails, and virtual audits in efforts to comply with COVID-19 protocols such as social distancing.

SUSTAINABILITY REPORT

Stakeholder Group	Engagement Approach	Sustainability Concern
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, humane working environment and respect human rights • 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 benefits 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	• Ensure safe, humane working environment and respect human rights • Nurturing culture, including provision of learning and development opportunities • Ensure competitive compensation and benefits packages for employees • Proper management and disposal of hazardous waste
Customers	• Quarterly business reviews • Annual customer satisfaction surveys • Ad-hoc meetings and 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) • Ensure safe, humane working environment and 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 • Ethics queries/Whistle Blower	• Fair tender practices • Competitive prices • Business continuity • Quality materials/parts/services • Freely chosen labour • Fair wages • Responsible Mineral Initiative

Stakeholder Group	Engagement Approach	Sustainability Concern
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 of 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

Periodically, the SWCs reviews the overall stakeholder engagement activities of the respective operating sites, considering amongst others, stakeholders' sentiment, whether significant concerns previously raised have been addressed, and the effectiveness of engagement and communication.

Materiality Assessment and Materiality Matrix of Unisem

During FY2019, the Group performed extensive and specific engagements with its key internal and external stakeholders of the Group through survey forms, meetings, and internal discussions as part of the comprehensive materiality assessment of the Group. The materiality assessment considers sustainability matters which reflect sustainability risks and opportunities relevant to Unisem and the industry we operate in, such as environmental and social concerns raised and/ or addressed by RBA, GRI Standards, and the ESG indicators of FTSE4Good Bursa Malaysia.

Unisem's materiality assessment process is aligned with the Listing Requirements and is guided by the Bursa Malaysia Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits. Similarly, our principle of materiality adopts a definition consistent with the Listing Requirements as well as the GRI Standards, i.e. a material sustainability matter is one that:

- reflects Unisem's significant economic, environmental, and social impact; or
- substantively influence the assessments and decisions of Unisem's stakeholders.

SUSTAINABILITY REPORT

For FY2020, the SWCs of Unisem Ipoh and Unisem Chengdu reviewed the materiality assessment of their respective operating sites, taking into consideration, amongst others, current development in the industry, economy, and environment in which the business operates. While 2020 has been a year filled with global challenges, such as the COVID-19 global pandemic and geopolitical instability in various countries and territories, during the review, the SWCs were of the view that no significant changes to the Group's materiality matrix were required for FY2020. The SC further reviewed the SWCs' assessments and presented the same for the Board's approval.

Our Materiality Matrix for FY2020 remains to be similar as previous year's, as follows:

MATERIALITY MATRIX

Legend:
- Managing Our Business
- Our Focus on Customers
- People
- Environment

Similarly, the most material sustainability matters for the Group and their KPIs remain relevant as follows (in no particular order):

- Customer Satisfaction;
- Occupational Health and Safety;
- Growing the Business;
- Technology and Innovation;
- Employee Welfare;
- Effluents and Waste Management.

The Group's sustainability matters and their KPIs are mapped to our four Sustainability Themes, relevant key capitals of the value creation process, and how they are related to the strategic priorities of Unisem, in the following table.

Management highlights and performance for FY2020 are presented in a thematic order in the **Sustainability Performance** section of this Report.

Sustainability Theme	Sustainability Matters	Relevant Key Capitals*	Related Strategic Priorities of Unisem**	KPIs for Unisem's Sustainability
Managing Our Business	**Growing the Business*** **	Financial	• A • B • C • D	• Revenue growth • Technology growth and development as per Technology Road Map
	Technology and Innovation* **	Manufacturing Intellectual		
	Supply Chain Management	Social and Relationship		
	Anti-Corruption	Social and Relationship		
Our Focus on Customers	**Customer Satisfaction*** **	Social and Relationship	• A • B • C • D	• Satisfied key customers rate
	Customer Privacy and Data Protection	Social and Relationship		
People	**Occupational Health and Safety*** **	Human	• A • B • D	• Injury frequency rate for industrial accidents • Average training hours per employee
	Employee Welfare* **	Human		
	Labour Rights	Human		
	Local Communities	Social and Relationship		
Environment	Energy Management	Natural	• A • B	• Total scheduled (hazardous) waste recycling rate • Compliance with regulatory standards
	Greenhouse Gas Emissions	Natural		
	Effluents and Waste Management* **	Natural		
	Water Consumption	Natural		
	Product Stewardship	Social and Relationship		

Note:
* while the Sustainability Matter assessed may be relevant to more than one capital, only the capital(s) with the highest relevance is referred to in the table
** refer to **Creating Sustainable Value: Our Strategic Priorities**
*** top six most material sustainability matters of Unisem Group

SUSTAINABILITY REPORT

SUSTAINABILITY PERFORMANCE

The Board of Unisem is pleased to present to the Group's stakeholders the management and performance of the Group's sustainability matters, including the targets and actual performance for the financial year under review.

Highlights

Sustainability Theme	Key Performance Indicators for Unisem's Sustainability	Targets for 2020	Actual performance for 2020	
Managing Our Business	• Revenue growth	• To achieve revenue growth	• Achieved	• ✓
	• Technology growth and development as per Technology Road Map	• To achieve target project completion dates	• Achieved	• ✓
Our Focus on Customers	• Satisfied key customers rate	• 90%	• 85%	• ✗
People	• Injury frequency rate for industrial accidents	• < 2.00	• 1.51	• ✓
	• Average training hours per employee	• 75% of employees received a minimum of 6 hours of training per year	• 52.4%	• ✗
Environment	• Total scheduled (hazardous) waste recycling rate	• 50%	• 40%	• ✗
	• Compliance with regulatory standards	• Compliance	• Compliant	• ✓

Note: * Representing Group's performance including discontinued operation in Batam, Indonesia.

MANAGING OUR BUSINESS

It is fundamental for us to ensure the business continues to remain relevant and credible in the industry and economic environment.

Operating in a competitive business environment, we have to relentlessly pursue operational excellence, optimising the conversion of inputs into outputs. At the Group and site level, Unisem's management system and structure helps oversee efficient and effective planning, execution, and review of resources across the organisation's key business processes. All the Group's 3 key facilities in Malaysia and China are fully certified with ISO 9001:2015.

We ensure our business activities are compliant with the applicable laws and regulations, including in the areas of environmental and social laws and regulations. During the financial year under review, there were no significant fines and non-monetary sanctions for non-compliance with laws and regulations.

All financial data reported in this section represents the performance and position of Unisem Group including discontinued operation at Batam, Indonesia.

GROWING THE BUSINESS

The increasingly challenging global market environment, advancement in technology and large-scale adoption of 5G, incorporation of artificial intelligence in consumer devices, and big data processing, continues to drive the demand for integrated circuits. The requirements for integrated circuits are also becoming increasingly demanding as innovators aim to design faster and more powerful technologies or devices within smaller enclosures.

KPI	To achieve revenue growth		
Target	On-going growth of revenue		
Performance	FY2018 -7.8%	FY2019 -7.4%	FY2020 4.5%

For FY2020, Unisem recorded a 4.5% growth in revenue (FY2019: -7.4%), recorded at RM1.31b (FY2019: 1.25b), mainly attributable to higher sales volume, improved average selling price and appreciation of USD/MYR exchange rates as compared to the prevailing rates a year ago. Revenue contribution by market segment is detailed as follows:

Unisem Group	Revenue generated by customers' region (RM '000)		
	FY2018	FY2019	FY2020
United States of America	635,066	606,887	695,144
Europe	223,247	190,241	145,127
Asia	492,963	454,077	467,310
Total Group Revenue	1,351,276	1,251,205	1,307,581

Unisem recorded RM142.8m profit after tax for the FY2020 (FY2019: loss after tax RM10.3m). Unisem has fulfilled its commitment to continue delivering sustainable shareholder returns every year.

SUSTAINABILITY REPORT

Our financial performance for FY2020 resulted in RM295.8m net cash generated from operations (FY2019: RM160.9m) and while net cash and cash equivalent was increased to RM664.1m from RM342.8m in FY2019 to fund operations.

	FY2020
Revenue	RM1.31b
Local Procurement (Local: i.e., Malaysia for Unisem Ipoh and China for Unisem Chengdu)	RM113m
Corporate tax paid	RM11.5m
Community Investments, Donations, and Non-Commercial Sponsorships	RM42K
Dividends paid	RM58.2m
Research and Development	RM6.8m
Retained Earnings	RM700.3m

Detailed discussion on the Group's financial performance and strategies on business growth is available in the **Chairman's Letter to Shareholders, Management Discussion & Analysis**, and the **Audited Financial Statements** of Unisem's Annual Report FY2020.

TECHNOLOGY AND INNOVATION

Unisem continues to engage and collaborate actively with our customers to align our technology development roadmap to ensure that we stay abreast with the latest market trends and innovations in packaging technology. Enhancement in technological capabilities can help to improve cost performance, increase productivity, enhance product quality, as well as offering a wider range of products and services. Technology and development investment strategies are carefully discussed and reviewed at the Management level to ensure alignment to the Group's business model.

Technology Road Map

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	Completed 7 projects targeted for completion in FY2020

We have developed a Technology Road Map to plan, execute, and monitor to prioritise resources for our R&D activities to meet the short and medium-term R&D objectives of the Group. During FY2020, we have completed 7 projects and have included 2 new projects, details as follows.

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	Quarter 1 of 2020	Completed. Ready for customer qualification and production.
Package Level EMI Shielding	Establish capability of package level EMI shielding, a requirement especially for RF devices due to upcoming sub-5G / 5G & IoT.	• High Capex investment • High maintenance cost • Single tool	Quarter 2 of 2020	Completed. Ready for customer qualification & production
Pre-moulded 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 4 of 2020	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	Quarter 3 of 2021	Deferred from Quarter 4 of 2020 to Quarter 3 of 2021. Completed paper technical assessment and started planning and execution.
Low Cost Premoulded Frame	As an alternative solution to have low cost pre-moulded frames as compare to standard MIS, which is costlier	• Currently single source	Quarter 4 of 2020	Completed. Ready for customer qualification and production.
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 4 of 2020	Completed. Ready for customer qualification and production.
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 4 of 2020	Completed. Ready for customer qualification and production.

SUSTAINABILITY REPORT

Projects	Descriptions	Challenges	Target for Production Readiness*	Completion date
Reverse SLP**	To divert heat from traditional toward PCB board to top surface with the help of external heat sink/ air cooling. Special end customer application requirement.	• Not a traditional assembly LF material and process flow.	Quarter 4 of 2021	Currently in progress of internal assessment
Open Module LGA**	Customised module LGA package without encapsulation and metal lid attached. High power DC/ DC converter application to cool down the product during high heat operation with the help of external heat sink directly attached onto the module packages.	• Complicated assembly processes. • New material introduction	Quarter 3 of 2021	Currently in progress of internal assessment.

* As reported in Unisem's Sustainability Report, Annual Report 2019 and as internally revised during FY2020
** New projects included during the latest review of the Technology Road Map in December 2020

Apart from achieving progress on our Technology Road Map, the Group's other noteworthy key technology achievements are summarised as follows:

Key Technology Achievements

During FY2020 we continue to collaborate closely with our customers to meet their business objectives and needs. Some of our noteworthy achievements include:

1. Developed a solution for Low Cost MIS with Wettable Flanks. This package solution drives lower MIS frame cost, assembly process flow simplification especially for Wettable Flank for Automotive Devices and No Additional Capex investment as compared to current "Etch-cut Process".

2. Another key customer collaboration achievement is to develop an extreme-thin SLP package, with further package thickness reduction with the invention of SLP lead frame "bathtub design" capability.

Key Projects and R&D Achievements during the Year:

1. Developed X4SLP 0.25mm max package thickness for mobile application. – Internal & customer qualification has been completed. Technology capability is in place.

2. Thick Air Cavity Package in 200μm Thick MIS frame for high frequency RF application especially for GaN product is completed and currently pending customer design.

3. Developed a high-performance Microphone MEMS together with customer for high end true wireless earbuds.

4. Growing in MCM LGA business for key RF customer and establishing / optimising few key / critical processes to have better yield, quality, and maintaining good PPHK.

5. Co-developed a new package with customer on customised package for Power Management devices. The key performance is for high power efficiency with the lowest energy lost.

6. A total of three new processes/ materials were qualified in 2020. To date, Unisem has obtained 31 patents with another 3 patents in progress.

7. Implementation of AOI (Automatic Optical Inspection) for 2nd and 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.

R&D Expenditure

During FY2020, we have invested in R&D programmes with expenditures amounting to RM6.8m*, which is approximately 1% of revenue.

Unisem Group	Unisem Group research and development expenditure		
	FY2018	FY2019	FY2020
Unisem Group Research and development expenditure (RM '000)	8,847	8,115	6,751*
Research and development expenditure as a percentage of Unisem Group revenue (%)	1%	1%	1%

Note: * including discontinued operation in Batam, Indonesia.

SUPPLY CHAIN MANAGEMENT

Governing the Integrity of our Supply Chain

Maintaining a strong, sustainable, and responsible supply chain is crucial to the Group's pursuit of operational excellence, safeguarding stable sourcing of raw materials and services, cost management, and delivery of quality products and services. Similarly, we acknowledge that we have a role to play in building and promoting an ecosystem of responsible businesses, which adheres to international standards in the sustainable management of environmental and social relationships, within the value chain of the Group.

Unisem Group's supply chain management practices are guided by the industry standards stipulated in the RBA Code of Conduct, managing and maintaining standards and practices surrounding the issues of labour, health and safety, environment, ethics, and management systems. These commitments are further formalised in our CSR Policy and Code of Ethics ("COE").

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It is also stipulated in our CSR Policy that we engage with suppliers whose CSR policies are in line with the provisions of Unisem's CSR Policy. To this end, we require a Letter of Conformance committing compliance with the provisions of the RBA Code of Conduct from our key direct material suppliers and service providers, upholding standards including, but not limited to:

- prohibition of child labour and forced labour;
- maintaining a workplace free of harassment and discrimination;
- supporting the rights to freedom of association and collective bargaining;
- elimination of excessive working hours;
- supporting the rights to minimum wage;
- providing safe and hygienic workplace;
- compliance with environmental laws and regulations;
- proper handling and disposal of waste, including hazardous waste; and
- business integrity including anti-corruption and anti-bribery.

They are also required to adhere to Unisem's business ethics expected of suppliers stipulated in the Business Ethics Letter sent to them annually. With other suppliers, we practise continuous engagement as guided by our COE and the RBA Code of Conduct to encourage good practice.

In order to ensure effective communication of Unisem's corporate values and business ethics across our supply chain, significant policies, documents and letters (such as the CSR Policy, COE, Letter of Conformance, and Business Ethics letter) are available in multiple languages, e.g., English, Malay, and Chinese.

<u>Conflict-free Minerals</u>

The Unisem Group acknowledges its responsibility to comply and participate in international efforts to curb armed conflicts related to resource extraction from the Democratic Republic of Congo ("DRC") or any adjoining countries. The Group has established a Group Policy on Conflict Minerals to formalise its commitment to prohibit the sourcing and use of conflict minerals within the Group's supply chain. Unisem suppliers are required to take appropriate measures to identify and ascertain that the materials used in Unisem's products are not derived from conflict minerals countries. The metals governed by the Policy on Conflict Minerals are tin, tantalum, tungsten, and gold. The Policy on Conflict Minerals is communicated to all relevant suppliers and is available on our corporate website.

As part of Unisem's due diligence process to comply with OECD guidelines, we utilise the Responsible Minerals Initiatives ("RMI") Conflict Mineral Reporting Template ("CMRT") as a data tool to report and review the smelter list in our supply chain. We also require written confirmation from the suppliers as well as their completion of the RMI CMRT.

<u>Fair Procurement Practices</u>

We practise fair procurement in our procurement and tendering process in accordance with our Group Procurement Policy. All suppliers are assessed and treated fairly, without discrimination, and our procurement and tendering practices prohibit collusion and price fixing. Our Group Procurement Policy also seeks to avoid conflict of interest situations which may impair business objectivity in transactions with suppliers.

Procurement Practices

At Unisem, we endeavour to promote and contribute to the local economy including through our procurement activities. Local procurement accounts for 28.5% of Unisem Ipoh and Unisem Chengdu's direct material spending in FY2020, as illustrated below.

	Proportion of direct material spending on local suppliers (%)		
	Unisem Ipoh	Unisem Chengdu	Group Total
Local* Procurement	28.6%	28.3%	28.5%

Note: * i.e., Malaysia for Unisem Ipoh and China for Unisem Chengdu

Our ability to expand and increase local direct material spending is restricted by the lack of and suitability of valuable natural resources in the countries we operate in. Nonetheless, we continue to actively seek out business opportunities where appropriate and practicable, such as in terms of procurement of general goods and services.

Ongoing Engagement in the Supply Chain

In addition to policies and commitment letters, we also endeavour to work closely with our suppliers in overcoming any risk of non-compliance, environmental, or social issues, such as:

- human rights and labour standards, including safety and health standards, working hours, and freedom of association;
- environmental management issues, including climate change and emissions, energy use, water use, biodiversity impacts, pollution management, waste management and reduction, resource use and integrated supply chain management;
- business ethics challenges or violations, such as anti-corruption.

Our efforts include providing our key direct material suppliers and service providers with regular updates of the latest development, keeping them abreast of, amongst others:

- development in the RBA standards and requirements and any updates to the RBA Code of Conduct; and
- refresher and briefing of the RBA Code of Conduct, Anti-Corruption and Bribery Policy, COE, and other business ethics standards.

Furthermore, we have established programs for the ongoing assessment/ auditing of our key direct material suppliers. We see such engagements as great tools for collaborating with our suppliers to facilitate the support and adoption of best practices and standards, including the RBA and other business practice in pursuit of operational excellence, and mutual learning and development to build a robust supply chain. These programs are discussed in the next section.

Managing and Monitoring our Supply Chain

To safeguard the integrity of our supply chain, regular assessments are performed on our suppliers, considering amongst others, pricing, timeliness of delivery, and quality of products and service. Furthermore, all key direct material suppliers and service providers are required to be assessed on their sustainability performance, particularly in relation to the RBA standards.

Assessment of conformance against the RBA standards is one of the more significant supplier assessment programs in our Group. They are conducted via SAQ and VAP as follows.

SAQ	VAP
• self-assessment • part of Unisem's due diligence for key direct material suppliers • conducted on all key direct material supplier • aim to identify high-risk areas and potential gaps against RBA Code of Conduct	• physical audit based on RBA VAP Operations Manual 6.0 • conducted on all key direct material suppliers • audit focus and frequency depend on conformance level in past audits and overall performance against RBA standards and Unisem policies and standards

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These audits are performed in conjunction with our assessment and audit activities required by our ISO 14001 – certified Environmental Management System.

We have a network of 25 shared key direct material suppliers, with whom our direct material spending comprises 85% of the Group's total direct material procurement. We have devised a plan to audit our key direct material suppliers, aiming to cover 80% of the 25 suppliers in every two years.

Our auditing plan and performance for the financial year under review is as follows. We have managed to achieved our target to complete 10 audits for FY2020 with 12 audits completed. We are targeting to perform audits on 10 key direct material suppliers during FY2021.

Year	Target	Performance
FY2018	Perform 8 key direct material suppliers audit	Completed 9 audits
FY2019	Perform 9 key direct material suppliers audit	Completed 10 audits
FY2020	Perform 10 key direct material suppliers audit	Completed 12 audits*
FY2021	Perform 10 key direct material suppliers audit	Target to complete 10 audits

Note: * Due to the impact of COVID-19 pandemic and control movement measures imposed by the Malaysian government which lasted the most of FY2020, audits were not conducted "on-site" but rather in "virtual" form, where sighting and verifications were conducted via video calls.

Where there are findings arising from the audit activities, the suppliers were provided with the Corrective Action and Preventive Action ("CAPA") process template for completion and indication of their responses to our audit findings within 7 working days. The agreed-upon corrective actions implemented in response to our audit findings were verified by the Unisem's RBA Auditors for closure.

A summary of the key correction actions arising from the audits performed in FY2020 is as follows.

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 • Imposing 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

As of 31 December 2020, 100% of the agreed-upon corrective actions arising from the audit in FY2019 and 79.5% of the agreed-upon corrective actions arising from the audit in FY2020 have been implemented and verified by Unisem's RBA Auditors. The remaining outstanding balance will be carried forward and closed in 2021.

Overview of Supply Chain Environmental and Social Assessment

Guided by the outcome of Unisem's assessment and audit program, an overall summary of the Group's key direct material suppliers and in relation to environmental and social impact assessment is presented below.

	FY2020
Total number of shared key direct material suppliers	25
Environmental impact	
Number of suppliers assessed for environmental impacts* Note: *assessed at least once in the past 3 years	25
Number of suppliers identified as having significant actual and potential negative environmental impacts	0
Description of the significant and actual environmental impact identified	Not applicable
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment* Note: *does not include closed cases where agreed upon improvements have been implemented and verified by Unisem's RBA Auditors	0%
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment	0%
Social impact	
Number of suppliers assessed for social impacts	25
Number of suppliers identified as having significant actual and potential negative social impacts	0
Description of the significant and actual environmental impact identified	Not applicable
Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment* Note: *does not consider closed cases where agreed upon improvements have been implemented and verified by Unisem's audit team	0 %
Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment	0%

New Supplier Screenings

As part of Unisem's quality system management and our Business Continuity Plan ("BCP"), all new suppliers are to undergo a stringent due diligence process conducted by the Quality Assurance and/ or Procurement Department. The due diligence process criteria include but not limited to environmental, social, and ethics aspects, such as corruption and bribery.

Furthermore, all new direct material suppliers of the Group are required to be assessed via the SAQ while cross-functional team members from the Quality Assurance, Procurement, Engineering and Technology departments conduct on-site audits on these new suppliers based on VAP.

SUSTAINABILITY REPORT

ANTI-CORRUPTION

Code of Ethics

At Unisem, we value integrity and honesty and this is our commitment embedded in our COE, which promotes and shapes the culture of honesty, integrity, and responsibility in the Group and its employees' professional and business conduct. The COE emphasises on upholding integrity and honesty when dealing with third parties, truthful and accurate financial reporting, responsible use and protection of Unisem's assets, and the promotion of a diverse, cooperative, and productive work environment. It also specifically sets out Unisem's **zero tolerance** towards any form of bribery, corruption, fraud, extortion, or embezzlement.

The COE is applicable to all employees including the Group's Directors who are required to sign and commit compliance with the COE before joining the Group. The COE is communicated annually to employees across the Group and is publicly available on Unisem's corporate website.

Anti-Corruption and Bribery Policy

Unisem has established a Group-wide Anti-Corruption and Bribery Policy ("ABAC Policy") to address and set out the Group's stance in relation to bribery and corruption and to provide information and guidance to those working for Unisem in recognising and addressing bribery and corruption issues. Unisem takes a zero-tolerance approach towards bribery and corruption, which includes misuse of power, facilitation payments, kickbacks, as well as gifts, entertainment, or anything of value given in an attempt to affect a person's actions or decisions to order to gain or retain a business advantage.

The ABAC further specifies that the Group does not make any charitable donations or contributions to political parties and, while employees are not prohibited to make personal political contributions, it will not make any reimbursement with regard to employee's personal political contributions.

In managing corruption and bribery risks, the ABAC Policy provides a risk-based approach towards managing corruption and bribery risks in the Group. Regular performance of corruption risks assessment and review on operations are performed to determine the corruption risk levels where more intensive efforts will be put into addressing areas with higher risks, such as implementing anti-corruption training programs for employees working in high-risk areas.

On top of the Group's Directors and Employees, the ABAC Policy is also applicable to persons associated with the Group including agents, suppliers, contractors, and business partners. Personnel of Unisem is also required to communicate the Group's zero-tolerance towards corruption and bribery to agents, suppliers, contractors, and business partners at the outset of the Group's relationships with them, and as appropriate thereafter. Furthermore, it is also a requirement of the ABAC Policy to consider corruption and bribery risks during the due diligence process for the selection of new suppliers.

The GCOO, the site COOs, and General Managers are responsible for the overall compliance with the ABAC Policy. The ABAC Policy is also publicly available on the corporate website.

The COE and the ABAC Policy are subject to annual review. During the financial year under review, both the COE and the ABAC Policy had been reviewed and approved by the Board, considering the latest amendments on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 which came into effect on 1 June 2020.

Corruption Risk Assessment and Training

Corruption Risk Assessment was last conducted by the Ethics Working Committees of both the Group's operating sites in Malaysia and China. The Corruption Risk Assessment scope covers various areas ranging from business process analysis, active and passive bribery, abuse of power, and the controls in place to manage these risks. In addition, corruption risk has also been incorporated in our enterprise risk management.

During the financial year under review, the Group provided awareness and training in the form of leaflet materials where employees are required to sign acknowledgement of their understanding and commitment to comply with the COE. The following table summarises the number and percentage of Unisem's employees and directors who have received communication and training during the financial year under review.

	Unisem Ipoh		Unisem Chengdu	
	Number	Percentage	Number	Percentage
Board of Directors	11	100%	Not applicable	Not applicable
Senior Management and Management	89	100%	42	100%
Executive, Non-Executives, and Operators	3,385	100%	2,212	100%
Total	3,485	100%	2,254	100%

These are communicated via email, website, etc. are provided and accessible in 3 languages – English, Bahasa Malaysia and Chinese to all key agents, suppliers, contractors, and business partners during the financial year under review.

Unisem's Ethics Hotline

At Unisem, an Ethics Hotline is available to internal and external parties to report inappropriate or unethical behaviour, including concerns relating to ethical business practices, corruption, and bribery.

There were no cases reported during FY2020.

Whistle Blowing

Through its Whistle Blowing, Ethics & Compliance Policy ("WBEC Policy"), Unisem provides a confidential channel for all internal and external stakeholders to the Group to report cases of or whistle blow unethical or unlawful behaviour in confidence.

The concerns which can be raised through the WBEC Policy covers actual or suspected misconduct or unethical business practices within Unisem or by persons associated with Unisem. The WBEC Policy also covers violation of the COE, i.e., standards relating to labour standards and human rights, safety and health, non-discrimination and equal opportunity, environmental management, and business ethics and anti-corruption. The WBEC Policy further provides the process and procedures for employees to report any improper conduct and malpractice in a safe and confidential manner.

The WBEC Policy is developed based on the following key principles:

- confidentiality – confidentiality of the reported matter and the person making the report will be protected;
- anonymous reporting – anonymous reporting is not prohibited; and
- non-retaliation – no retaliation or unfair treatment will be tolerated against whistle blowing made in good faith.

SUSTAINABILITY REPORT

To ensure the independence and objectivity of the processes formalised via the WBEC Policy, the ARMC Chairman receives monthly reports on cases submitted through the established whistle blowing channels and any grievances or serious cases will be looked at and escalated immediately.

The WBEC Policy is publicly available on the corporate website.

A summary of the incidents and cases reported via the Ethics Hotline and the WBEC Policy is as follows:

	No. of cases		
Types of cases	**FY2018**	**FY2019**	**FY2020**
Workplace grievances from employees	14	8	3
Whistleblowing from employees	1	4	2
Whistleblowing from external parties	0	0	0

During the financial year under review, there were no reported incidents of corruption nor non-compliance with the Group's anti-corruption policies. Hence, there were no fines, penalties, or settlements related to corruption.

OUR FOCUS ON CUSTOMERS

Unisem understands that in addition to operational excellence, we take pride in improving our quality of service and making sure our customers receive the proper attention it deserves. Unisem has always placed customers intimacy as a core differentiation strategy to build successful long-term business partnership to achieve a win-win customer supplier relationship.

Our RBA Obligations

RBA was first introduced to Unisem back in 2014 and has since went on to become an integral guiding principle in the way the organisation manages the respective RBA pillars – people, ethics, safety, environment, and management systems.

In the Unisem Group, we have established governance structures and programmes to provide leadership with the setting up of RBA WCs headed by certified competent professionals. These Working Committees meet on a regular basis to review initiatives and KPIs for their respective pillars.

On an annual and biennial basis, SAQ and third-party RBA VAP audit, respectively, are conducted on all our sites focusing on the areas of labour, health and safety, environment, ethics, and management systems. All Unisem sites post their SAQ scores and VAP audit results on the Unisem Group website for the general public's viewing. We have also provided trading relationship access to our current and potential customers to view the findings and results of our VAP audits. Our customers hold our commitment to and compliance with the RBA Code of Conduct as a mission critical requirement to enter into a business relationship.

In response to the adoption of Version 7.0 of the RBA Code of Conduct which is effective starting January 2021, the Management Systems Working Committees of the respective operating sites conducted preparedness assessment to take appropriate measures to fill in the gaps.

The SAQ and VAP scores of Unisem Ipoh and Unisem Chengdu for the last 3 years are as follows.

	SAQ	SAQ Score*	VAP	VAP Score*	Level of Risk
Unisem Ipoh	Completed in Mar 2020	93.3	Completed in Sept 2018	151.6	Low
	-	-	Completed in Dec 2020	183.7 (Silver status)	Low
Unisem Chengdu	Completed in Mar 2020	93.7	Completed in Nov 2019	177.1 (Silver status)	Low

* full score for SAQ is 100, while the full score for VAP is 200

SUSTAINABILITY REPORT

CUSTOMER SATISFACTION

Customer Relationship Management

Dedicating customer account champions and teams at the factory level for key accounts helps to ensure we maintain and enhance our reputation as a quality supplier providing one-stop solutions and ease of doing business. Our key account champions provide 24/7 services and help deliver breakthrough thinking on how to improve a customer's situation.

At Unisem, customer management is guided by an established customer relationship management process, as follows.

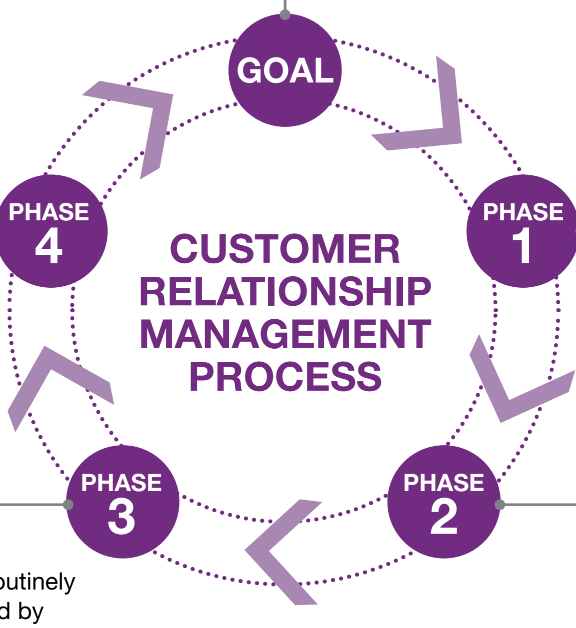
Goal achieved
- Achieve internal target on 90% of satisfied customers.
- Effective customer engagement
- Implementation of closed-cycled process.

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, providing 24/7 services and help deliver breakthrough solutions and drive improvement plans.

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

Feedback is also incorporated in other areas of operations, such as Technology Road Maps, operational and investment strategy, and supply chain



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.

Management
Customer feedback is routinely reviewed and considered by Management.

Engagement and Collaboration with Customers

Other formal avenues of engagement complementing Customer Relationship Management are listed below:

Customer Engagement Platforms	Frequency	Details
Balanced scorecard	Quarterly	Approximately 80% of Unisem's key customers evaluate their satisfaction on our products and services via a balanced scorecard approach. There is no general satisfaction target set due to the different assessment and criteria used by each key customer.
Customer satisfaction survey	Yearly	Unisem uses its internally developed survey form to assess the satisfaction of the 20% of its key customers who do not use a balanced scorecard approach.
Quarterly Business Review ("QBR")	Quarterly	QBR is conducted by key customers to convey their report card on their suppliers' performance, business opportunities, and roadmaps.
Annual visits to customers' premises	Annually	Top management and the 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 Map.

Over the years, our customers have acknowledged our value proposition, below are the recognition awards conferred by our customers:

- Huawei Quality Award 2020;
- pSemi 2019 Best Supplier Award;
- Menlo Microsystems 2020 Supplier of the Year;
- Espressif 2020 Best Supplier Award;
- SGS 2019 Best Strategic Partner Award;
- Halo Microelectronic 2020 Best Supplier Award;
- Vesper 2020 Supplier of the Year Best Assembly Provider;
- SGMicro 2020 Best Service Award; and
- Convenient Power Semiconductor 2020 Supplier Excellence Award.

Delivering Customer Value

During FY2020, the Board reviewed and revised the Customer Satisfaction target from 85% to **90%** for the Unisem Group. The objective of the revision exercise is to push our limit to achieve enhanced delivery of quality products and services.

For the financial year under review, the Unisem Group achieved a score of 85% which falls short of the 90% target. We have identified the shortfalls, analysed the inputs and have set up taskforce to address the causes.

KPI	Satisfaction of key customers		
Group Target (FY2019)	To achieve 85% of satisfied key customers		
Group Target (FY2020)	To achieve 90% of satisfied key customers		
Performance	FY2018 89%	FY2019 89%	FY2020 85%

SUSTAINABILITY REPORT

Quality and Lean Operations

Quality is the fundamental element of our products and services. We have invested extensively in producing consistent, high-quality products and services.

Operations in Ipoh and Chengdu are certified with international quality and environmental standards. Refer to our **Company Profile** in the Annual Report for the list of certifications.

We have been implementing Kaizen initiatives across all our manufacturing sites since 2004. Employees are given training to enhance their problem-solving capabilities such as Plan-Do-Check-Act ("PDCA") techniques, Design of Experiment, Technical Excellence, Poka Yoke, and Root Cause Analysis ("RCA"). Improvement or Kaizen initiatives extend across functions from the production floor to the support functions with involvement from production operators to executive and engineering staff.

This employee engagement activity has been notably successful in developing a positive workplace culture and enhancing employees' competencies to meet the highly competitive demands of a fast-paced business environment. We intend to continue promoting such employee engagement which we believe will continue to contribute to operational effectiveness and efficiency.

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

CUSTOMER PRIVACY AND DATA PROTECTION

To safeguard our customer's proprietary information, we have in place a robust security management system 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 summarises our key internal controls relating to customer privacy and data protection.

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 COE and sign a Non-Disclosure Agreement
Adhering to strict protocols in ensuring all proprietary information in e-wastes are scrapped prior to disposal. Ensuring the secured scrap disposal process for the disposal of defective products and e-waste complies with the Group's internal scrap procedures.
Securing all computers, laptops, and workstations are equipped with password-protected screensaver, anti-virus software, Security Endpoint Protection Software, and firewall.
Protecting the confidentiality of information of all parties through the signing of Non-Disclosure Agreements between Unisem and its contractors, suppliers, and service providers
Provision of training to employees to enhance skillsets on data protection and security

For the financial year under review, there were no complaints received from outside parties and regulatory bodies. We have not identified or noted any cases of leaks, theft, and loss of consumer data.

PEOPLE

At Unisem, we respect every person and their basic rights, and we believe in the value of diversity. We do not discriminate against any person and we endeavour to embrace diversity in our employee base.

Our workplace diversity across Unisem Ipoh and Unisem Chengdu is presented in the table below, followed by a breakdown of employment by gender and employment types, i.e., permanent contract and fixed-term contract. Employees comprise most of the workforce of Unisem Group's operations and we do not employ part-time employees.

	< 30 years old		30 - 50 years old		> 50 years old		Total	
Number (percentage)*	M	F	M	F	M	F	M	F
Board members	0	0	3	0	6	2	9 (82%)	2 (18%)
	0 (0%)		3 (27%)		8 (73%)		11	
Senior Management	0	0	16	3	32	0	48 (94%)	3 (6%)
	0 (0%)		19 (37%)		32 (63%)		51	
Management	0	0	41	10	24	5	65 (81%)	15 (19%)
	0 (0%)		51 (64%)		29 (36%)		80	
Executives	92	8	325	256	25	15	442 (61%)	279 (39%)
	100 (14%)		581 (81%)		40 (5%)		721	
Non-Executives	439	142	761	268	52	5	1,252 (75%)	415 (25%)
	581 (35%)		1,029 (62%)		57 (3%)		1,667	
Operators	280	1,711	192	914	2	110	474 (14%)	2,735 (86%)
	1,991 (62%)		1,106 (34%)		112 (4%)		3,209	
Total	811	1,861	1,338	1,451	141	137	2,290 (40%)	3,449 (60%)
	2,672		2,789		278		5,739**	

Note:
* the percentage of employees in certain age group/ gender in relation to the total number of employees in the employee category
** including 11 Board members and 5,728 employees across the Group

SUSTAINABILITY REPORT

		Permanent	Fixed-term contract
Unisem Ipoh	Male	1,104	6
	Female	1,241	1,123
	Total	3,474	
Unisem Chengdu	Male	331	840
	Female	416	667
	Total	2,254	

The diversity spread for female is more concentrated at the Operators category while the male concentration is higher at Non-Executives category and above. This is attributed to the job nature for semiconductor manufacturing environment where female production operators are more suited to the dexterity requirement. For Non-Executives and above, the diversity spread leans towards more male employees mainly due to limited proportion of women engineers in the field, especially mechanical, electronic, and electrical and computer engineering.

Ratio of basic salary	Female	Male
Unisem Ipoh		
Senior Management and Management	0.50	1
Executives and Non-Executives	0.87	1
Operators	0.95	1
Unisem Chengdu		
Senior Management and Management	0.46	1
Executives and Non-Executives	0.96	1
Operators	1.12	1

In Unisem, we ensure our compensations and benefits commensurate with employees' competency and capability and there shall be no discrimination based on gender. The larger gap between the male and female employees at Management level and above are skewed by the higher number of male Management personnel due to the reason discussed above.

Providing fair and equal opportunities in the areas of career development, remunerations, benefits, and welfare has always been a feature in our Vision, Mission, and Core Values. In Unisem, we stand by our tag line "We Care We Can". Equally important is our commitment to creating a safe and healthy workplace environment that is conducive and productive. We have always been observant and compliant with the labour laws and regulations and international labour standards where appropriate. We expect our key material suppliers to adhere to the same standards.

Unisem also acknowledges that it can make a difference or impact on the local communities in which it operates, and we are committed to delivering our social responsibility in this area.

OCCUPATIONAL HEALTH AND SAFETY

The Group's CSR Policy and Safety and Health Policy define group-wide standards in relation to employees at the workplace. It is the responsibility of every employee to ensure compliance in providing and maintaining a safe and healthy working environment.

The management of occupational safety and health in Unisem's operations is embedded in the Group's sustainability governance structure. A Health and Safety Working Committee is set up at each operating site of the Group. Each Health and Safety Working Committee is headed by the senior manager of the Facility Department of each operating site. The Health and Safety Working Committees are responsible for overseeing and the daily monitoring of the health and safety management of the respective operating sites, including risk assessment and risk management, compliance, audits and investigations, receiving complaints, addressing grievances, as well as the implementation of action plans and initiatives.

At the Unisem Group, all our site's safety and health standards are adopted in compliance with accredited international standards.

As of 31 December 2020, the occupational safety and health management systems of both our operating sites are as follows:

Operating Sites	Entities	Occupational Health and Safety Management Systems
Unisem Ipoh	Unisem (M) Berhad	ISO 45001:2018 (fully certified)
	UAT	ISO 45001:2018 (fully certified)
Chengdu, China	Unisem Chengdu	OHSAS 18001:2007 (fully certified)

As of 31 December 2020, in line with the global transition of OHSAS 18001 to ISO 45001:2018, Unisem Chengdu is the process of undergoing audit in pursuit of full certification of ISO 45001:2018.

Occupational Safety and Health Risk Management

Unisem takes a risk-based approach towards managing its occupational safety and health risk. Led by the Safety and Health Working Committees, the Management and worker representatives from operations perform a Hazard Identification, Risk Assessment and Risk Control ("HIRARC") review, at least once in a year and as and when required, to identify the hazards and risks involved in operational processes, considering amongst others, any past incidents, the competency of persons carrying out the processes and of the persons monitoring the processes, the existing controls in place, and if further improvement to these processes may be necessary or possible, such as further automation to reduce human contact. Issues arising from HIRARC review are reported to the site COO and Management at meetings where action plans are devised.

Any action plans arising from the HIRARC review, such as the implementation of additional control procedures, will be documented, implemented, and reviewed by the Safety and Health Working Committee during the upcoming meetings, which are generally conducted on a monthly basis.

SUSTAINABILITY REPORT

Incident Response and Reporting

Policies and procedures have been established to guide employees what to do in the event of incidents, including accidents, and to provide a structured and accessible platform for reporting of unsafe or potentially unsafe act or workplace conditions, including conditions arising from unsafe or unhealthy work conditions and processes.

In the event of incidents, employees are required to prioritise their own safety, removing themselves from situations where they believe could cause injury or ill health, followed by that of others. They are then required to immediately report to their designated safety officer or persons-in-charge for further emergency responses to be undertaken. All incidents shall be properly reported and documented, followed by investigations and determination of action plans. The implementation of action plans will be monitored and shall be updated to the Safety and Health Working Committee and the site COO before the case can be closed.

Governed by the principles of the COE and WBEC Policy, the Group does not retaliate against genuine responses and reporting of incidents in accordance with the established policies and procedures, including the employee's removal of himself/ herself from work position to protect his/ her own safety or health.

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.

Serious violations or breaches of the Group's safety and health policies and procedures can also be reported via the Group's Ethics Hotline or via the WBEC Policy, which provides protection to the reported with respect to confidentiality and against retaliation within the Group.

Employee Safety and Health Monitoring and Support

In order to promote and to provide support to the management and awareness of occupational and non-occupational safety and health amongst employees, we provide healthcare benefits and access to healthcare services to all our employees, such as regular health screenings, health and safety talks, and access to medical treatment from panel clinics. While Unisem Chengdu is located in close proximity to medical facilities, in Unisem Ipoh we maintain an in-house 24-hour clinic staffed with experienced industrial nurses and visiting doctors to provide medical consultation and treatment to our employees. Where necessary, Unisem also seeks advice from these healthcare professionals in relation to the identification and management of occupational safety and health risk arising from operations.

Safety and Health Trainings

To enhance employee safety and health awareness and to prevent workplace accidents, Unisem provides ongoing training programmes which include both tailored and general training, such as:

- training tailored to different employee groups – addressing specific types of work activities and associated health and safety risks; and
- general safety and health training – providing awareness and education to employees regarding occupational and non-occupational health and safety issues, such as prevention measures for COVID-19.

The Facility Departments of the respective operating sites are responsible for reviewing and developing annual training programme schedules to ensure they reflect the operational, industry, regulatory changes, and health and safety performance within the Group. A summary of the types of training programmes conducted during the financial year under review is as follows:

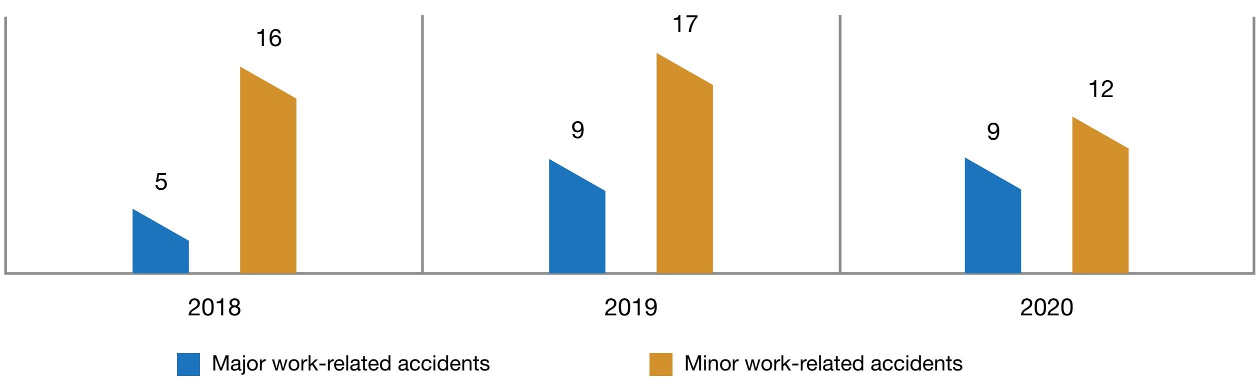
- Fire and Gas ERT;
- Fire Warden;
- Forklift;
- First Aid;
- Chemical Spillage; and
- Safety Hazard.

Performance on Workplace Safety

The Safety and Health Working Committees monitor safety performance at operating sites through performance indicators. Safety performance at each of Unisem's operating sites is reviewed by the respective SWCs at least quarterly.
Amongst the key indicators monitored, two of the prevalent ones are as follows:

- Major work-related accidents – accidents causing employees to be on medical leave for more than four days; and
- Minor work-related accidents – accidents causing employees to be on medical leave for at least one day to up to four days.

NUMBER OF MAJOR AND MINOR WORK-RELATED ACCIDENTS



SUSTAINABILITY REPORT

During FY2020, the number of work-related accidents has reduced from the FY2019. Minor work-related accidents were mainly trip and falls arising from safety negligence.

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. Major accidents generally arise from working with heavy objects and heights and we continue to invest in facilities to increase automation and reduce safety risks. We are also pleased to report no recorded incidents of work-related ill health or cases with high consequence work-related injury* during the reporting period.

Note: *work-related injury that results in a fatality or an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months. *(GRI 403 – Occupational Health and Safety 2018)*.

The Management continues to emphasise safety awareness via safety training, briefings and placing safety signs. 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.

Injury Frequency Rate

KPI	Injury frequency rate for industrial accidents		
Group Target	Injury frequency rate for industrial accidents below 2 accidents per million hours worked*		
Performance	FY2018 1.69	FY2019 1.80	FY2020 1.51

Note: * 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")

	FY2018	FY2019	FY2020
Fatality rate	0	0	0
Major Occupational Accidents	5	9	9
Minor Occupational Accidents	18	18	12
Total Recordable Work-Related Injuries	**23**	**27**	**21**

We have set a target to keep our injury frequency rate below 2.0 across all employees at both our Unisem Ipoh and Unisem Chengdu operating sites. For the financial year under review, we have achieved 1.51 injury frequency rate. We are also pleased to report we have continued to maintain 0 fatality rate since the commencement of the plants' operation.

COVID-19 response

In response to COVID-19, the Safety and Health Working Committees conducted risk assessments and emergency response plans to safeguard the people and operations of the Group. The Group has undertaken preventive measures to take care of our employees and visitors, per the COVID-19 guidelines issued by the federal and state governments. Additional COVID-19 protocols and procedures were established and regularly monitored for compliance.

Physical distancing, face mask, temperature monitoring, health declarations, COVID-19 testing, sanitization of workplace, frequent hand washing, minimised gatherings, Work-from-Home arrangements, contact tracing, etc. became the order of the day at all Unisem sites.

EMPLOYEE WELFARE

Human capital will continue to be one of the key enablers of Unisem in achieving its strategic priorities. The welfare and wellbeing of our employees, as well as their talents, skills, and experience, is a valuable commodity which Unisem aims to maintain and preserve.

The Group is responsible for ensuring employees are being cared for and taken care of. To achieve this, we provide competitive compensation, employee benefits, and a conducive working environment that promotes employee morale and productivity.

In Unisem, our compensation and benefits are reviewed annually considering, amongst others, industry benchmarks. Furthermore, all non-executives and operators at Unisem Ipoh are represented by an in-house union and collective bargaining agreements are reviewed by the union every three years.

The Group aims to support our employees in their professional and personal development, including enabling them to develop better livelihood and quality families. In addition, sports and recreation programs and facilities are also provided to ensure employees achieve a quality work life balance environment.

The Group's compensation and benefits for employees are summarised as follows.

COMPENSATION AND BENEFITS			
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, in line with local regulations • contribution to employees' social security • provision of annual leave and other leaves	• social insurance • commercial insurance	• personal accident insurance coverage • child delivery subsidies • medical benefits for outpatient, specialist and hospitalisation

FACILITIES AND PRIVILEGES	
Unisem Ipoh	
• surau • 24-hour canteen • mini mart 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 • 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 healthy work-life balance
Unisem Chengdu	
• gated parking space • dedicated lactation room for breastfeeding mothers • hostel for operators who do not have homes in Chengdu	• 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 2020	
Unisem Ipoh	
• Congkak Competition • Fun Ride • Bowling Tournament • Self Defence 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

Communications and Engagements with Employees

In Unisem, we have always appreciated and valued the importance of employee engagement and open communication. Our tagline "We Care We Can" underlines the spirit of mutual support and respect and the need to reach out to engage each other. A healthy engagement is indicative of a highly motivated workforce. Human Capital is at its best when fully engaged.

Below are some of the many engagement channels within the organisation:

We also have channels for employees to voice grievances through the grievance reporting mechanism established by the Group.

In the event of actual or suspected misconduct or violation of laws, regulations, or the Group's COE, an employee can make reports through the WBEC Policy or the Ethics Hotline, while being protected by the WBEC Policy.

Furthermore, prior to the implementation of any significant operational changes that could substantially affect our employees, we ensure that all employees are informed within an appropriate time frame.

Employee Climate Survey ("Survey")

The Survey is another safe and confidential engagement tool deployed to solicit feedback on the individual factors and overall satisfaction rate of employees. This Survey is conducted annually in Unisem Ipoh and once every 2 years in Unisem Chengdu. Topics covered in the Survey are leadership by Management, job satisfaction, career development, and top-down communication.

During FY2020, the overall participation rate of the Surveys conducted is recorded at 99.0%.

Professional and Personal Development of Employees

As Unisem continues to grow, investing in the qualities and competence of our employees is necessary to enable us to maintain our innovative momentum and competitive edge. We believe in the sustainable value brought by internally developed skills, talents, and experience which will also help to demonstrate and sustain a working culture aligned with the Group's Vision, Mission, and Core Values. Therefore, we are committed to provide opportunities for employee development, both professionally and personally, within the Group as they take on higher positions and continue to cultivate the next generation of human capital. During the financial under review, we have revised our Group target from achieving 60% of our employees to have minimum 6 hours of training per year to 75% to further strengthen our workforce capability and professionalism.

The respective sites' Training Department is responsible for facilitating the training needs analysis with the respective departmental heads in identifying development programs for their employees.

For the financial year under review, Unisem was not able to achieve its KPI target of 75% due to restrictions arising from COVID-19 pandemic protocols.

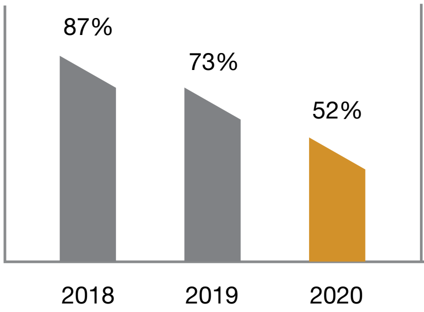
KPI	Average training hours per employee*		
Group Target	75% of employees have minimum 6 hours training per year		
Performance	FY2018 86.8%	FY2019 73.2%	FY2020 52.4%

Note:
* Operators are not included in the target for training hours because operators are employed on a short-term basis (contract duration of 2 years on average)

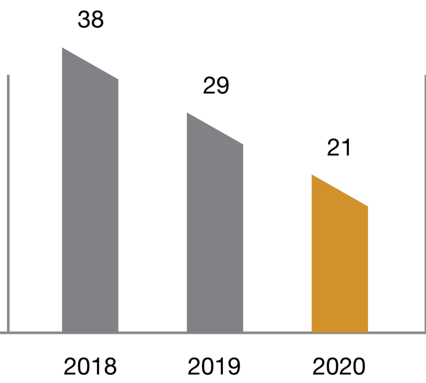
SUSTAINABILITY REPORT

We achieved the target of providing at least 6 hours of training to 52.4% of employees (excluding operators) for the financial year. We have resorted to on-line training solutions where appropriate to overcome the restrictions brought about by the COVID-19 pandemic protocols. The charts below illustrate our learning and talent development performance indicators for employees (excluding operators).

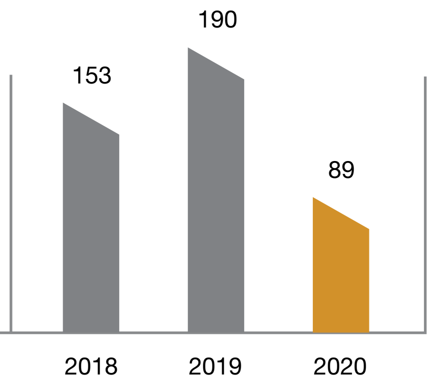
PROPORTION OF EMPLOYEES WITH MINIMUM 6 HOURS OF TRAINING EACH YEAR (%)



AVERAGE TRAINING HOURS EMPLOYEE (HRS)



AVERAGE TRAINING COST (RM) PER EMPLOYEE



Our training programmes are developed to include a combination of skills, including technical and non-technical skills, interpersonal skills, team skills, and leadership skills, and are aimed to equip our employees with the relevant functional competencies aligned with the professional needs, operational job requirements and industry demands. These training programmes may be conducted in the form of on-the-job training or development programme series.

Furthermore, programmes focusing on management, leadership and supervisory development competencies are also offered to leadership positions at the Management and Supervisory levels. These competencies will equip them to better address complex and diverse people management at the workplace. As part of employee development, we also conduct team building activities to boost morale reinforce the teamwork culture, and to build a positive work environment.

The various types of training provided to employees during the financial year under review are summarised as follows.

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 COE, 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.
Specific Requirements (e.g., RBA / TS16949 / ISO14001 / ISO45001 / SST / X-Ray etc.)	Catering to the needs of customers, regulatory agency/government and international standards.

SUSTAINABILITY REPORT

Overall, we managed to clock a total of 117,624 training hours, breakdown as follows.

	Training Hours (FY2020) Unisem Ipoh and Unisem Chengdu
Average training hour per employee – by employee category	
Senior Management and Management	3.77
Executives	15.81
Non-Executives	16.82
Operators	24.56
Average training hour per employee – by gender	
Male	23.62
Female	18.79
Total training hours	117,624
Total man-hours worked	13,949,589

New Hire and Retention

Apart from developing our human capital, it is also important to attract and retain talents to enable a sustainable and long-term contribution to the Group. The new hire rates and turnover rates of the Unisem Ipoh and Unisem Chengdu, respectively, are presented as follows.

	< 30 years old	30 - 50 years old	> 50 years old	Male	Female	Total
			New Hire Headcount (New Hire Rate)*			
Unisem Ipoh	244 (7.0%)	38 (1.1%)	0 (0.0%)	54 (1.6%)	228 (6.6%)	282 (8.1%)
Unisem Chengdu	994 (45.1%)	217 (9.8%)	1 (0.0%)	820 (37.2%)	392 (17.8%)	1,212 (55.0%)
			Turnover Headcount (Turnover Rate)*			
Unisem Ipoh	545 (15.7%)	237 (6.8%)	37 (1.1%)	96 (2.8%)	723 (20.8%)	819 (23.6%)
Unisem Chengdu	898 (40.7%)	229 (10.4%)	2 (0.1%)	754 (34.2%)	375 (17.0%)	1,129 (51.2%)

Note: * New Hire Rate and Turnover Rate are calculated using total number of employees at the respective sites as at the end of the financial year as denominators.

The high number of hiring are mainly to backfill vacated positions arising from the high turnover of operators at production level, which is a common phenomenon in the industry. At Unisem Chengdu, we observe a higher turnover rate – a common trend across all China industrial sites and in the semiconductor industry in China.

Due to the cultural and country differences our target turnover rate is set differently for Unisem Ipoh and Unisem Chengdu. For FY2020, we maintained Unisem Ipoh's turnover within target while achieving improvement in our Unisem Chengdu turnover rate despite missing our target. In order to address Unisem Chengdu's high turnover rate, the site has undertaken actions to review and align its compensation and benefit to ensure they are competitive with respect to local offerings.

KPI		Annual turnover rates		
Target	Unisem Ipoh	Annual turnover rate below 25%		
	Unisem Chengdu	Annual turnover rate below 45%		
Performance		FY2018	FY2019	FY2020
	Unisem Ipoh	21.9%	20.6%	23.6%
	Unisem Chengdu	58.9%	57.9%	51.2%

LABOUR RIGHTS

Our commitments to upholding and respecting human rights are incorporated into the COE and Group CSR Policy. Labour rights are amongst the key focus areas safeguarded across all Unisem's operating sites. The following diagram stipulates the labour standards adopted by Unisem Group.

WE CARE WE CAN

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 allowable as per RBA requirement in their own language.

HUMANE TREATMENT AND NON-DISCRIMINATION

Unisem does not engage in discrimination based on race, colour, 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. Unisem treats all people equally.

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.

FREELY CHOSEN LABOUR

Use of forced, bonded or indentured labour, involuntary prison labour, slavery or trafficking of persons are prohibited at all times. There is no unreasonable restriction of employees' freedom of movement. Unisem does not withhold employees' original government-issued identification, travel documents, or education certificates. All workers are given employment letters which clearly convey the conditions of employment in a language they understand.

CHILD LABOUR AVOIDANCE

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

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.

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.

SUSTAINABILITY REPORT

The Labour Working Committee at each operating site conducts risk assessment and review at least once a year to identify actual and potential risks related to labour and human rights issues including their supply chain and all significant investment agreements and contracts (including significant business arrangements for the sourcing of key materials or human resources).

Training on humane treatment and labour standards are provided to employees under operations and HR recruitment staff.

	FY2018	FY2019	FY2020
Total hours trained on labour standards and human rights issues	3,115	3,055	2,599
Percentage of employees trained on labour standards and human rights issues	100%	100%	100%

In line with RBA SAQ and VAP, compliance checks or audits are also conducted regularly by our Unisem's RBA Auditors to ensure compliance with labour and human rights standards. Likewise, we have also established due diligence process to screen new suppliers for issues relating to labour standards and human rights using RBA SAQ tools.

Based on the results of our most recent audits, operations at Unisem Group do not present risks of infringing employees' rights to freedom of association and collective bargaining, risks of child labour practices, nor risks of forced or compulsory labour.

Stakeholders internal and external to the Group can report violations and breaches of labour standards or human rights standards via the Group's Ethics Hotline or via the WBEC Policy. Whistle blowers are protected under our policy and are assured of non-retaliation by Unisem Group for reporting in good faith.

We are pleased to report that there have been no incidences of human rights violations or violations of labour standards noted within the Group for the financial year under review.

LOCAL COMMUNITIES

As a responsible corporation, we acknowledge the difference and impact we can have on the local communities in creating shared values and our obligations to reduce any negative impacts.

Our local community engagement framework is represented by 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 wellbeing of the community in general and the wellbeing of our employees living in the community.

The Group's operations in Unisem Ipoh and Unisem Chengdu are located in local industrial parks with residential areas surrounding our operating facilities. At both sites, we practise open communication and regular engagements with local communities through established grievance channels, designated personnel as contact point, and volunteering programmes.

Supporting Local and National Economic Development

Local Hiring

The provision of career and employment opportunities to locals is one of the more direct approaches where businesses can support the development of the local community and local economy. Local employment mutually benefits us and the local community. In Perak, Malaysia, Unisem is one of the largest private sector employers.

Proportion (%) of local* hires amongst employees		
	Senior Management	Non-Senior Management
Unisem Ipoh	63%	57%
Unisem Chengdu	54%	81%

Note: * in relation to local employment, local means the Perak State for Unisem Ipoh and the Chengdu province for Unisem Chengdu

Youth development

One of the key concepts of sustainability involves building the next generation and enabling them to meet their own needs. In relation to community development, this includes providing youths with learning opportunities and equipping them with skills and experience.

In addition to permanent hires, we invest in the development of the youths through training programmes at Unisem. Unisem Ipoh offers regular trainee programmes for industrial trainees from various local universities and polytechnic institutions we partner with. We enrol trainees for a period of between 3 months to 12 months and provide them with the opportunity to work in various departments in our Unisem Ipoh operations, such as Assembly, Final Test, Quality Assurance, Engineering, Maintenance, Finance, Management Information Systems and Human Resources. These trainee programmes enable trainees to gain hands-on experience in relation to their tertiary education and to have a better idea of their potential career prospects. On the other hand, we are also able to identify potential candidates to assimilate into our Group.

In 2020, Unisem Ipoh provided opportunities to a total of 46 students from various local polytechnics and universities in Malaysia as trainees, of which 35 are pursuing Engineering Studies and 9 are from Non-Engineering backgrounds. 7 students have received permanent placements with Unisem.

Noise Monitoring

Boundary noise levels of our operating facilities in Unisem Ipoh and Unisem Chengdu are regulated by local laws and regulations. In addition, as residentials were established in the vicinity of our operations in Unisem Ipoh*, the noise coming from our plants may cause discomfort to the local community and needs to be managed and controlled within the permissible limits.

Note: * 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, the existing primary buffer is 40 meters as residential areas were developed approximately 17 years after the commencement of our business activities in 1992.

SUSTAINABILITY REPORT

We have established Boundary Noise monitoring and mitigating measures to ensure the noise impact from our operations does not exceed the applicable and permitted noise levels set by the relevant authorities.

The boundary noise levels of our operating sites are maintained below the thresholds permitted by the regulations and guidelines set by the local authorities. Our performance against the regulated limits is illustrated below.

Boundary Noise Level	Day				Night			
	Regulated limit	2018 Average	2019 Average	2020 Average	Regulated limit	2018 Average	2019 Average	2020 Average
Unisem Ipoh	**70**	60	60	60	**60**	58	58	56
Unisem Chengdu	**65**	52	51	60	**55**	49	49	52

Community and Social Contribution

Unisem Group's community and social contribution programmes are reviewed annually to ensure that the distribution of our corporate contributions effectively address the changing needs of the community and society. Generally, we encourage the support of the communities underserved such as orphans, the elderly who are uncared for, and those with special needs, as well as programmes promoting the causes of education, and safety and health, civic activities, and sports and recreation. Decisions for community and social contributions also consider the outcome arising from our engagements with municipal bodies and local communities.

Our CSR culture encourages our employees to volunteer and contribute in the form of service as we trust that volunteerism brings community and society closer. That said, due to the COVID-19 outbreak in FY2020, programmes involving volunteering and employee participation were limited to safeguard the safety and health of both our employees and the community. We made contributions in money donations, daily necessities, food, masks, and hand sanitisers to the COVID-19 front-liners and the under privileged communities.

Unisem Ipoh donated RM42,056 this year to the local schools, children and special needs homes, the local fire and rescue association, local unions and supported uplifting events that are aligned with our "We Care, We Can" spirit.

ENVIRONMENT

In Unisem, our commitment to minimise impact on the environment is integrated into our culture, business decisions, and business processes as well as our CSR Policy.

The management of the Group's environmental issues is guided by our Environmental Policy. Our management of environmental matters considers risk assessment which takes into account both actual and potential risks.

Our environmental management systems are in line with ISO14001 and the RBA Code of Conduct. All our operating sites are fully certified with ISO 14001:2015 and are regularly assessed or audited via independent audits.

The Environmental Working Committees at Unisem Ipoh and Unisem Chengdu are responsible for overseeing the environmental management and performance of their respective sites. They are responsible for the maintenance and compliance with applicable environmental laws, regulations, and commitments made by Unisem. The performance outcomes are reviewed annually by the SWCs and reported to the Board through the SC.

Environmental Management

The Group's 5-year roadmap below outlines five key broad-brush initiatives for the respective sites. Our management policy is to show exemplary environmental responsibilities by conducting our business in a manner consistent with sound environmental practices. Going forward these initiatives will continue to expand and new projects/programs will be identified. The main objectives of the roadmap are:

1. Enhancement of awareness and education of stakeholders on environmental compliance;
2. Identification of continuous improvement projects in the reduction of industrial waste and water management;
3. Climate change - reduce greenhouse gas emission (scope 2 emission); and
4. Compliance with environmental regulatory and international standards.

SUSTAINABILITY REPORT

Initiatives	Programs	Unisem Environmental Roadmap (5-year Plan) 2018	2019	2020	2021	2022
Climate Change	Energy saving program (Scope 2 emission)	LED Lighting Conversion Target: cumulative 50% conversion (area)	LED Lighting Conversion Target: cumulative 70% conversion (area)	LED Lighting Conversion. Target: cumulative 80% conversion (area)	LED Lighting Conversion Target: cumulative 90% conversion (area)	LED Lighting Conversion Target: cumulative 100% conversion (area)
		Retro-commission of HVAC (Heating, Ventilation and Air Conditioning) system	Installation of Heat Recovery System - Boiler	Installation of Heat Recovery System – Air Compressor	N/A	N/A
		N/A	Dryer transformation project	Dryer transformation project	N/A	N/A
		Vacuum System Improvement in Leadless Dept	Vacuum System Improvement in Leaded Dept	N/A	N/A	N/A
		N/A	Installation of UPPC System controller	Installation of UPPC System controller	Installation of UPPC System controller	Installation of UPPC System controller
		Reduction in GHG intensity by 10% against 2011 baseline	Reduction in GHG intensity by 10% against 2011 baseline	Reduction in GHG intensity by 10% against 2011 baseline	Reduction in GHG intensity by 10% against 2011 baseline	Reduction in GHG intensity by 10% against 2011 baseline
	Air Emission	Compliance with Air Emission Standard	Compliance with Air Emission Standard	Compliance with Air Emission Standard	Compliance with Air Emission Standard	Compliance with Air Emission Standard
Water Management	3 R Programs - Reuse, Reduce & Recycle	N/A	N/A	Water reuse in Reverse Osmosis System	Water reuse in Reverse Osmosis System	Water reuse in Reverse Osmosis System

Unisem Environmental Roadmap (5-year Plan)						
Initiatives	Programs	2018	2019	2020	2021	2022
Industrial Waste Reduction	3 R Programs - Reuse, Reduce & Recycle	Hazardous Waste recycling 50%	Hazardous Waste reduction 50%	Hazardous Waste reduction 50%	Hazardous Waste reduction 51%	Hazardous Waste reduction 52%
		Non-Hazardous Waste recycling 50%	Non-Hazardous Waste recycling 50%	Non-Hazardous Waste recycling 50%	Non-Hazardous Waste recycling 52%	Non-Hazardous Waste recycling 55%
	Effluent Waste Management	Compliance with Industrial Effluent Standard	Compliance with Industrial Effluent Standard	Compliance with Industrial Effluent Standard	Compliance with Industrial Effluent Standard	Compliance with Industrial Effluent Standard
Education / Development Awareness	Certification in environmental related competencies	Competent Personnel - Scrubber, Schedule Wastewater Schedule Waste, Dust Collector, Sewage Treatment Plant	Competent Personnel - Scrubber, Wastewater Schedule Waste, Dust Collector, Sewage Treatment Plant	Competent Personnel - Scrubber, Wastewater Schedule Waste, Dust Collector, Sewage Treatment Plant	Competent Personnel - Scrubber, Wastewater Schedule Waste, Dust Collector, Sewage Treatment Plant	Competent Personnel - Scrubber, Wastewater Schedule Waste, Dust Collector, Sewage Treatment Plant
	Heighten Awareness of employees & stakeholders on Environmental Matters & Management	ISO14001 awareness and legal compliance register	ISO14001 legal compliance register	ISO14001 & ISO45001 awareness and legal compliance register	ISO14001 & ISO45001 legal compliance register	ISO14001 & ISO45001 awareness and legal compliance register
		Internal RBA auditors training	N/A	Internal RBA auditors training	N/A	Internal RBA auditors training
		EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement

SUSTAINABILITY REPORT

		Unisem Environmental Roadmap (5 year Plan)				
Initiatives	Programs	2018	2019	2020	2021	2022
Compliance with Standards / Product Stewardship	Compliance and Declaration on Green requirements (e.g.: RoHS, REACH and other customer requirements) and continuous improvement in order to promote environmentally friendly products	ISO14001 Certification Sony Green Partner	ISO14001 Certification Sony Green Partner	ISO14001 & ISO45001 Certification Sony Green Partner	ISO14001 & ISO45001 Certification Sony Green Partner	ISO14001 & ISO45001 Certification Sony Green Partner
		RBA Compliance	RBA Compliance	RBA Compliance	RBA Compliance	RBA Compliance
		Customer Compliance QBR	Customer Compliance QBR	Customer Compliance QBR	Customer Compliance QBR	Customer Compliance QBR

Compliance to the standards of the RBA Code of Conduct and the Unisem Group's Environmental Policy is required for all Unisem employees, its operations, activities, and supply chain. Any violations or breaches to the Group's environmental standards can be reported via the Group's Ethics Hotline or via the WBEC Policy.

During the financial year under review, the Group has not identified any non-compliance with environmental laws or regulations.

ENERGY MANAGEMENT AND GHG EMISSION

Efficient use of energy, particularly electricity, is one of the key areas the Unisem Group is constantly monitoring as the Group's energy sources are derived mainly from purchased electricity. Annual electricity cost generally contributes to 5% – 10% of the Group's overall operating costs. The Group's Scope 1 and Scope 2 greenhouse gas ("GHG") emissions are also mainly derived from our energy consumption.

Inefficient energy use means higher and unnecessary emission of GHG which in turn will impact negatively on climate change. The Group is committed to promoting energy savings and will continuously explore cost-effective methods to improve energy efficiency and to optimise energy consumption and minimise GHG emissions.

Currently, our energy and GHG emissions reporting scope covers energy consumption within the organisation and our Direct (Scope 1 and Scope 2) GHG emissions. While we will continue to work on obtaining reliable information on energy consumption outside the organisation and our Indirect (Scope 3) GHG emissions, our currently reported performance on energy and GHG emission performance represents Unisem Group's overall energy consumption and Direct (Scope 1 and Scope 2) GHG emissions.

Energy Consumption

In Unisem Group, energy consumption generally comprises the following:

- **Fuel** – fleet fuel (e.g., diesel and petrol used in forklifts and company cars) and natural gas used in boilers and generator sets;
- **Purchased electricity** – the main source of energy in Unisem Group. Purchased electricity comprises more than 96% of the Group's energy consumption and GHG emissions.

The Group does not sell any electricity, heating, cooling or steam.

Electricity supply in Malaysia and Chengdu are mainly fuelled by fossil fuels such as natural gas and coal.

Energy source \ Annual energy consumption*	FY 2018 (GJ)	FY 2019 (GJ)	FY 2020 (GJ)
Diesel	455	160	78
Petrol	2,506	2,424	1,623
Natural Gas	22,449	27,382	23,684
Purchased Electricity	595,365	626,636	645,149
Total Energy Consumed	620,775	656,602	670,534
Breakdown by operating site:			
Unisem Ipoh	381,173	395,944	393,539
Unisem Chengdu	239,602	260,658	276,995

Note: * Energy consumption is calculated according to 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

Compared to the previous financial year, due to our expansion programme in both Unisem Ipoh and Unisem Chengdu, our overall energy consumption has increased by 2% during the financial year. Nevertheless, we are able to achieve better energy efficiency as higher energy consumption is converted to higher production levels. See following discussion on **Energy Intensity** in relation to energy efficiency.

Energy Intensity

In order to assess the energy efficiency of our processes, we monitor the energy intensity, i.e., energy consumption per unit produced (MJ/ unit produced)*. For the financial year under review, our energy intensity is recorded at 87 MJ/ unit produced. Compared to the previous financial year, the decrease is due to higher sales volume which allows us to achieve efficiency due to economies of scale. For detailed discussion on the Group's business performance, refer to the section on **Sustainability Performance: Managing Our Business – Growing Our Business** of this Report and the **Management Discussion and Analysis** of Unisem's Annual Report.

Energy Intensity (MJ/unit produced*)		
FY 2018	**FY 2019**	**FY 2020**
80	92	87

Note:
*Number of units produced is adjusted based on a standardised adjustment method depending on the types of product – i.e. based on 10,000 units per wafer. Includes all types of energy disclosed in **Energy Consumption**.

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GHG Emissions

While there is no specific GHG-specific legislation at our areas of operations, the Unisem Group has long incorporated the practice of managing, recording, monitoring, and reporting our GHG emissions, alongside our effort to pursue energy efficiency and reduction.

Since 2017, the Group performed comprehensive reviews and enhancement to its GHG emission data collection to enable more structured emissions management. Our measurement of GHG Emissions is measured based on the GHG Protocol and its tools, including the Global Warming Potential ("GWP") values from 2014 IPCC Fifth Assessment Report.

Direct (Scope 1) GHG emission comprises emissions arising from our fuel consumption while Indirect (Scope 2) GHG emission is derived primarily from our purchased electricity. See previous sections on **Energy Consumption and Energy Intensit**y on how we use and manage energy. Our Scope 1 and Scope 2 GHG emissions, including CO2 and N2O amongst others, by Unisem Ipoh and Unisem Chengdu for the financial year under review are reported as follows. The 3% increase in total Direct and Indirect (Scope1 and Scope 2) GHG emissions recorded in FY2020 is due to the expansion and higher production activities. This increase correlates with the increase in energy consumption.

('000 tCO_2e)	FY 2018	FY 2019	FY 2020
Direct (Scope 1) GHG emissions			
Unisem Ipoh	0.1	0.1	0.1
Unisem Chengdu	1.3	1.6	2.0
Total Direct (Scope 1) GHG emissions	**1.4**	**1.7**	**2.1**
Indirect (Scope 2) GHG emissions			
Unisem Ipoh	70.7	73.5	73.2
Unisem Chengdu	44.1	47.4	51.5
Total Indirect (Scope 2) GHG emissions	**114.8**	**120.9**	**124.7**
Direct and Indirect (Scope 1 and Scope 2) GHG emissions			
Unisem Ipoh	70.8	73.6	73.3
Unisem Chengdu	45.4	49.0	53.5
Total Direct and Indirect (Scope 1 and Scope 2) GHG emissions	**116.2**	**122.6**	**126.8**

GHG Intensity

We measure our emission management performance through monitoring our GHG emission intensity, i.e., tCO2e/ unit produced*. Using FY 2011** as a baseline, we have set a target to achieve 10% reduction in GHG emission intensity to measure our plan to enhance the efficiency of operations in terms of GHG produced for each unit produced. GHG intensity is monitored at least on an annual basis.

Note:

*Number of units produced is adjusted based on a standardised adjustment method depending on the types of product – i.e. based on 10,000 units per wafer. Includes Direct and Indirect (Scope 1 and Scope 2) GHG emissions and gases.

** Unisem started collecting and monitoring GHG data in 2011.

GHG Emission Intensity (tCO_2e/ unit produced*)			
FY2011 (Baseline)	**FY 2018**	**FY 2019**	**FY 2020**
0.016	0.015	0.017	0.016

KPI	Reduction of GHG emission intensity		
Target	To achieve 10% reduction in GHG emissions intensity (Baseline: FY 2011)		
Performance	FY2018 Reduced 10%	FY2019 Increased 4%	FY2020 Reduced 1%

For the financial year under review, our GHG emission intensity was recorded at 0.016 tCO2e/ unit produced and we achieved a reduction of 1% using FY 2011 as a baseline. For the reporting year, we were unsuccessful in achieving our GHG emissions intensity target. This was due to the increase in energy consumption with the expansion of Phase 2 manufacturing facility and optimisation of office into production floor space to expand capacity for additional businesses in Chengdu and Ipoh respectively.

Energy and GHG Emission Management Initiatives

Since we started reporting on energy consumption in 2011, we have taken several measures to reduce energy consumption. Amongst our noteworthy projects include the installation of heat recovery system for Unisem Chengdu to reduce natural gas consumption which was completed in 2015 and our initiative to convert all diesel forklifts to electric forklifts in Unisem Ipoh which was completed in 2019.

Our most recent initiative is our project to study the installation of energy optimisation control system for our plant chillers and compressors across Unisem Ipoh and Unisem Chengdu which aims to calibrate their power use with load. The project is estimated to reduce 40% of energy consumption in the chillers and compressors when implemented.

Our energy initiatives and investments throughout the past years continue to pay off in reducing cost, energy use and emissions. The performance of these initiatives and investments for FY2020 is mapped against the Group's 5-year Environmental Roadmap is reported as follows.

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Initiative	Description	2020 Target	Progress as of 31 December 2020	Reduction Achieved in FY2020
LED Lighting Conversion	Conventional lighting is progressively converted to a more energy-efficient alternative i.e. LED lighting.	80% conversion (area)	Completed 80% conversion	Electricity: 797,020 kwh GHG Emission: 535.09CO_2
Retro-commission of HVAC (Heating, Ventilation and Air Conditioning) system	The heat recovery system allows for heating demand to be reduced.	Installation of Heat Recovery System – Air Compressor	Completed	Electricity: 460,080 kwh Natural Gas: 96,960 m^3 GHG Emission: 308.88CO_2 Water: 9,331 ton
Dryer transformation project	Cooler will be installed/ upgraded in compressed air dryer to reduce the temperature of the CDA in order to reduce the consumption of air for the dryer.	Completion in 2021	In progress and projected to complete in 2021	Electricity: 1,250,000 kwh GHG Emission: 839.204CO_2
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.	Completion in 2022	In progress and projected to complete in 2022	Electricity: 1,073,466 kwh GHG Emission: 720.686CO_2
Conversion to Electrical Forklifts*	Conversion of all diesel-powered forklifts to electricity-powered.	Not applicable	Completed in 2019	Diesel: 900 Litre GHG Emission: 2.417CO_2
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.	Completion 2021	In progress and projected to complete in 2021	Electricity: 228,600 kwh GHG Emission: 153.474CO_2

Note: * Initiatives undertaken on top of the 5-year Environmental Roadmap

Energy Consumption Outside the Group and Other Indirect (Scope 3) Emissions

Energy consumption outside of the organisation and Other Indirect (Scope 3) GHG emissions include those which are not consumed/ produced as part of the Group's operations and may occur in the upstream and downstream of the operations, such as in relation to the travelling and commuting of employees and outsourced logistics.

We are currently focusing our resources on managing our energy consumption and Direct and Indirect (Scope 1 and Scope 2) GHG Emissions within the Group while taking into consideration and obtaining a better understanding of the extent of energy consumption outside the Group and Other Indirect (Scope 3) GHG Emissions in our activities. We will consider reporting on energy consumption external to the Group and Other Indirect (Scope 3) GHG Emissions when we are able to perform reliable and accurate data collection.

At Unisem, we consciously practise reduction of energy and carbon footprint in the way we do business, as practicable as possible. For example, we try to avoid all non-essential air or ground travel. On the other hand, our supply chain management is guided by the RBA Code of Conduct which continues to raise awareness on sustainable business management within our supply chain.

Other Air Emissions

We strictly monitor, control, and treat emissions produced in our operations prior to discharge in our effort to minimise our impact on the environment, on top of ensuring compliance with the applicable country laws and regulations. Our emission management practices are also aligned with the environmental standards of the RBA Code of Conduct which specifically addresses emissions including volatile organic chemicals, aerosols, corrosives, particulates, ozone-depleting chemicals, and combustion by-products generated from operations.

KPI & Target	Compliance with air emission laws and regulations		
	FY 2018	FY 2019	FY 2020
Unisem Ipoh	Compliant	Compliant	Compliant
Unisem Chengdu	Compliant	Compliant	Compliant

We have scrubbers and carbon absorption treatment systems installed in our operations to treat and monitor emission-quality before they are being released into the atmosphere. We also have a regular maintenance schedule of our facilities and treatment systems to ensure they remain effective. The Environmental Working Committees of the operating sites are responsible for overseeing the performance of these facilities and systems. In addition, air quality is also subject to annual independent review and verification by a third-party contractor.

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The air quality of both of our operating sites, based on data required by applicable local environmental regulation and measured at the points of discharge, are presented in the following table.

Types of air pollutant	Unit	Local Regulations and/or Standards	FY 2018	FY 2019	FY 2020
Unisem Ipoh (based on Malaysian laws, regulations, and guidelines)					
Nitric acid	mg/m^3	30	1.53	1.25	1.49
Sulphuric acid	mg/m^3	5	1.48	1.19	0
Lead	mg/m^3	1	Insignificant	Insignificant	Insignificant
Hydrochloric acid	mg/m^3	5	0.83	0.60	0
Hydrofluoric acid	mg/m^3	5	0.71	1.01	0
Hydrogen sulphide	mg/m^3	1	Insignificant	Insignificant	Insignificant
Chlorine	mg/m^3	5	Insignificant	Insignificant	Insignificant
Oxides of nitrogen	mg/m^3	30	-	-	0
Sulphur dioxide	mg/m^3	30	Insignificant	Insignificant	Insignificant
Solid particles	mg/m^3	5	0.18	0.05	2.75
Particulate Matter	mg/m^3	150	-	-	16.2
Unisem Chengdu (based on Chinese laws, regulations, and guidelines)					
Volatile Organic Compounds (VOCs)	mg/m^3	60	3.4	4.5	2.6
Sulphur oxides (SOx)	mg/m^3	45	12.6	1.7	3.7
Sulphur dioxide (SO2)	mg/m^3	50	0.7	11.2	11.2
Nitrous oxides (NOx)	mg/m^3	150	83.0	59.8	45.3
Hydrogen fluoride (HF)	mg/m^3	9	3.3	0.2	0.4

Note: Unisem Ipoh does not emit NOx or Volatile Organic Compounds in its operations while Unisem Chengdu does not emit particulate matters.

EFFLUENTS AND WASTE MANAGEMENT

Waste and effluents generated from our operations are broadly categorised as follows:

Hazardous waste	Hazardous waste generated from our operations are primarily electrical and electronic waste ("E-waste"), spent solvents, spent cleaning solutions, sludges from wastewater treatment plant, and spent cyanide solutions. A significant portion of the Group's hazardous waste is e-waste – also known as waste electrical and electronic equipment ("WEEE"), is one of the fastest-growing waste streams in modern society. E-waste of the Group primarily comprises defective wafers, ICs, frames, and waste gold wires.
Non-hazardous waste	Non-hazardous waste generated from our operations includes domestic trash, such as paper, plastic, cardboard boxes, etc.
Effluents	Water is used for various purposes including cleaning and cooling during in operating processes, e.g., cutting, sawing, and plating.

Hazardous and Non-Hazardous Waste

The handling and management of hazardous waste is a key focus in waste management due to its negative impact on the environment and safety and health of our workplace and our communities. Furthermore, stringent requirements are imposed by local laws and regulations to regulate the management of hazardous waste.

We have established strict policies and processes for proper and safe handling, management, and disposal of hazardous waste including e-waste. These policies and processes, at minimum, comply with local environmental laws and regulations. They include measures to ensure appropriate and secured storage and handling and disposal to be performed by stringently assessed and selected licenced waste contractors.

A few types of non-hazardous waste generated from our operations are recoverable or recyclable. Our non-hazardous waste is also handled and disposed by licenced waste contractors.

When selecting waste contractors, we consider their ability to perform high rates of recovery or recycling, particularly in relation to e-waste. At Unisem, where appropriate, we practise active sorting and separation of these waste types to facilitate a higher level of recoverability and recyclability.

In addition to complying with regulatory requirements, our Facility Department measures and monitors the types of waste and the amount generated at each operating site on daily basis or as and when required. Records are kept on waste type, amount, and how the collected waste is managed, i.e., how much is recycled, sold for reuse, or disposed.

To further make use of the data collected, we also analyse information collected to manage or reduce our waste generated in view of minimising waste generation as well as cost management. During the past 2 years, we have invested in enhancing our data collection and reporting process by standardising our waste classification across Unisem Ipoh and Unisem Chengdu. As a result, we are able to gather more accurate information for reporting and to facilitate better waste management strategies.

Our sites undergo regular audits by regulators in ensuring our waste management measures are in compliance with the laws and regulations. On the other hand, we also perform regular audits on our waste contractors to ensure they comply with local laws and regulations especially those concerning environmental and health and safety.

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Hazardous Waste Recycling

Our target to recycle 50% of our hazardous waste generated hinges largely on the recycling of e-waste which is handled offsite through our licenced waste contractor.

KPI	Recycling rate of hazardous waste generated*		
Target	To achieve 50% recycling rate of total hazardous waste generated		
Performance	FY2018 50%	FY2019 49%	FY2020 40%

Note: * For the purpose of this KPI, waste reused is also considered as recycled.

In 2020, we achieved a 40% recycling rate for hazardous waste generated by the Group and this is mainly contributed by the recycling of our e-waste. The shortfall against the target of 50% was attributable to the increased chemical consumption arising from qualification activities carried out in the new wafer bumping line.

E-waste Recovery

E-waste poses both a challenge and an opportunity to us – the handling of e-waste is costly and hazardous, but appropriately recovering valuable materials such as aluminium, gold, silver, and copper helps to enhance market supply as well as facilitating ethical and sustainable disposal, contributing towards the global goals such as **SDG 12 for Responsible Consumption and Production.**

E-waste comprises approximately 51% and 28% of the hazardous waste generated at Unisem Ipoh and Unisem Chengdu, respectively. The movement in e-waste generated is primarily in tandem with the overall production activity in each site.

For each batch of e-waste collected and processed, our licenced contractor will submit a formal report on their actual recovery rate. The reported average recovery rate for e-waste for FY2020 is 79% and 93% for Unisem Ipoh and Unisem Chengdu respectively. The drop in the recovery rate for both sites is mainly due to the package mix.

	Percentage of e-waste recovered		
	FY 2018	FY 2019	FY 2020
Unisem Ipoh	81.3	81.3	78.7
Unisem Chengdu	98.8	98.9	92.5

Non-Hazardous Waste Recovery

The recovery of non-hazardous waste generated by the Group is mainly handled and managed offsite by our waste contractors who reports on the actual recovery rate for every batch of waste handled. The main materials recovered are paper, cardboard, and plastic which are recycled as new form of raw materials.

For FY2020, we recovered 60% of our non-hazardous waste generated through our waste contractors compared with 51% recovery rate in FY2019.

The breakdown of our waste generated from operations for the financial year under review, including the amount diverted from disposal and directed to disposal, is reported as follows.

	Waste Generated (MT*)			Waste Diverted from Disposal	Waste Directed to Disposal
	FY 2018	FY 2019	FY 2020	FY 2020	FY 2020
Unisem Ipoh					
Hazardous waste					
E-waste	151	139	119	94	25
Other hazardous waste	112	94	116	2	114
Total hazardous waste	263	233	235	95	140
Non-hazardous waste					
Total non-hazardous waste	621	695	632	284	348
Total waste generated	884	928	867	379	488
Unisem Chengdu					
Hazardous waste					
E-waste	42	40	45	42	3
Other hazardous waste	76	75	113	21	92
Total hazardous waste	118	115	158	63	95
Non-hazardous waste					
Total non-hazardous waste	257	364	575	434	141
Total waste generated	375	479	733	497	236
Unisem Ipoh and Unisem Chengdu					
Total hazardous waste	381	348	393	158	235
Total non-hazardous waste	878	1,059	1,207	718	489
Total waste generated	1,259	1,407	1,600	876	724

Note: * 1 MT = 1,000 kg

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FY2020 Unisem Ipoh and Unisem Chengdu	Diverted from Disposal (MT)*		Directed to Disposal (MT)**	
Hazardous waste	Preparation for reuse	18	Incineration	30
	Recycling	140	Landfilling	202
	Other recovery options	0	Other disposal operations (chemical treatment)	3
	Total	**158**	**Total**	**235**
Non-hazardous waste	Preparation for reuse	91	Incineration	57
	Recycling	627	Landfilling	432
	Other recovery options	0	Other disposal operations	0
	Total	**718**	**Total**	**489**
Total		**876**		**724**

Note:
* All waste diverted from disposal are handled and managed by vendors offsite
** All waste is disposed by vendors offsite

Other Waste Reduction and Management Initiatives

Apart from managing our waste properly, we have also embarked on a programme to use lesser resources and materials in our operations. We reviewed our operations and had come up with revised packaging and storage practices to reduce the use of shipping tubes, canister cans, and wafer carriers or containers. Since the implementation of this initiative more than five years ago, we have noted significant reduction in the use of these materials, benefiting us in the form of significant cost savings and less waste generated.

In FY2019, we launched a programme in collaboration with our vendors to encourage the use of reusable plastic reels instead of paper reels. This initiative further helped us avoid the disposal of approximately 20,802 units of paper reels in FY2020.

In addition, we often promote awareness amongst our employees for responsible waste management in our daily lives as well as in our day-to-day business management and our workplace – such as minimizing wastages by raising consciousness on avoiding unnecessary waste, and encouraging the use of recycle bins and how to use them.

Effluents management

Generally, wastewater generated from the Group's operations contains chemicals, metals, and organic and inorganic compounds which are harmful to the environment and has a potential to disrupt the ecosystem of the water bodies into which it is discharged without treatment. Components in the wastewater may include heavy metals and toxic solvents such as lead and copper, hydrogen peroxide, hydrofluoric acid, ammonia concentrations, and other water pollutants.

Both of the Group's operating sites, i.e., Unisem Ipoh and Unisem Chengdu, are governed by local environmental laws and regulations, i.e., Standard B under Environmental Quality Act (Industrial Effluents) Regulations 2009 of Malaysia and the Integrated Wastewater Discharge Standard (GB8978-1996) of China. We have on-site treatment plants at all our operating sites to ensure wastewater is treated before it is being discharged. In Unisem Ipoh, treated effluent is discharged into the municipal drainage which is directed to the municipal water treatment plant. In Unisem Chengdu, treated effluent is discharged into the water treatment plant of the Industrial Park in which we operate.

Our wastewater treatment facilities are managed and regularly maintained by trained and qualified employees/ engineers. Effluent quality is monitored at least daily by our Facility Department as well as periodic independent monitoring and checks by external accredited laboratories or government-appointed third parties. In both operations, we monitor more than 20 indicators in assessing effluent quality, in alignment with relevant laws and regulations. These indicators include, but are not limited to, acidity level, biological oxygen demand ("BOD") and chemical oxygen demand ("COD"), total suspended solids, Cu^{2+} concentration, Ni^{2+} concentration, and ammonia concentration.

In FY 2020, we continue to remain compliant with the locally applicable laws and requirements relating to effluent management and discharge.

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	FY 2018	FY 2019	FY 2020
	Compliant	Compliant	Compliant
Unisem Chengdu	Compliant	Compliant	Compliant

The amount of effluent discharged is further disclosed together with water withdrawal and water consumption in the **Sustainability Performance: Environment – Water Consumption.**

WATER CONSUMPTION

Semiconductor assembly and test is a water-intensive process. It is crucial for our operations to have consistent and stable water supply. Water is mainly used for cleaning and cooling in our operations. All our wet-processing processes require the use of purified water, also known as Ultra-Pure Water ("UPW"), which we produce ourselves using water withdrawn. Water is also required in other processes of our operations such as cooling and cleaning and for domestic use.

We do not operate in water stress areas. In both operating sites, municipal water is the primary source of water, accounting for almost all water withdrawal of our operations during the financial year under review, as well as in the past. To ensure that our water withdrawal does not put the municipal water supply at stress, we maintain close engagement with the relevant municipal governments to make sure our withdrawal limits are within the permissible range and to hear from them if there are any concerns regarding water-related impacts in the areas we have operations in.

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We also process a large portion of water withdrawn before utilising them in our processes, e.g., to produce process chilled water ("PCW") and deionised water ("DI Water"). A huge volume of water, sometimes with a mixture of chemicals, is used for cleaning and rinsing during the production process, producing wastewater that is contaminated with heavy metals and toxic solvent. This wastewater is directed to our wastewater treatment plants for treatment before discharging. Further details on wastewater treatment are disclosed in the previous section of this Report – **Sustainability Performance: Environmental – Effluents and Waste Management.** On the other hand, water is also used in our cooling systems.

The Group's water withdrawal, water discharge, and water consumption for the financial year under review are summarised as follows.

		FY 2018	FY 2019	FY 2020
Unisem Ipoh	**Water Withdrawal by source (million m³)**			
	*^Third-party water: Municipal water	1,803	1,840	1,819
	Water Discharge by destination (million m³)			
	^Third-party water: Municipal drainage	837	699	726
	Water Consumption (million m³)	966	1,141	1,093
Unisem Chengdu	**Water Withdrawal by source (million m³)**			
	^^Third-party water: Municipal water	1,078	1,176	1,243
	Water Discharge by destination (million m³)			
	^^Third-party water: Industrial treatment plant	906	990	821
	Water Consumption (million m³)	172	187	422
Unisem Ipoh and Unisem Chengdu	**Water Withdrawal by source (million m³)**			
	Third-party	2,881	3,016	3,062
	Water Discharge by destination (million m³)			
	Third-party	1,743	1,689	1,547
	Water Consumption (million m³)	1,138	1,328	1,515

Note:
* classification based on GRI 303: Water and Effluents 2018
^ freshwater (≤1,000 mg/L Total Dissolved Solids) classified based on GRI 303: Water and Effluents 2018
^^ other water (>1,000 mg/L Total Dissolved Solids) classified based on GRI 303: Water and Effluents 2018

The Group has also assessed its water impact in the areas of its operating sites and has not noted any significant water-related impacts. Nevertheless, the Group continues to undertake initiatives to enhance water efficiency through investments to reuse or recycle water.

Water Reuse and Recycling Initiatives

As we explore various opportunities to recycle and reuse water across our operating sites, most initiatives require significant investments and therefore, thorough considerations in terms of resource and strategic planning are required before investment plans can be made.

One of our more noteworthy initiatives 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 the lightly contaminated water is properly collected and reused. In addition, Unisem Chengdu has a reverse osmosis system which processes water for reuse. For the financial year under review, the amount of water recycled over water withdrawn is reported as follows.

	Proportion of water recycled over water withdrawn (%)		
	FY 2018	FY 2019	FY 2020
Unisem Ipoh	3%	3%	3%
Unisem Chengdu	7%	9%	9%

In addition, our water management as well as other resource management initiatives throughout the past years have helped us achieve the following water reduction during the financial year under review, summarised below.

Initiative	Description	2020 Target	Progress as of 31 December 2020	Reduction Achieved in FY2020
Installation of Heat Recovery System	The heat recovery system allows for heating demand to be reduced.	Not applicable	Completed in 2019	Water: 9,331 ton Electricity: 460,080 kwh Natural Gas: 96,960 m^3

PRODUCT STEWARDSHIP

We acknowledge our obligation to our customers, end consumers, and other stakeholders across our value chain on the quality, safety, and ethical production processes of the products we deliver. As demonstrated by our measures and actions disclosed in this Report, we are cognisant of the environmental and social impacts of our operations in product delivery. We also continue to deliver our commitment to ethical practices as an adopted of the RBA Code of Conduct.

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In ensuring our products are safe and ethical, we have to ensure our products are free from hazardous substances listed under the Restriction of Hazardous Substances (RoHS) directive. We also performed assessment on the various life cycle stages of our products to look into the safety and ethical considerations. Furthermore, all of our operations are in compliance with specific regulations and customers' requirements relating to product stewardship. Please refer to the table below:-

Regulations and customer requirements & descriptions	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.
ISO14001 and ISO45001	• We continue to ensure we are compliant with and maintain the management standards required of ISO14001 and ISO45001

CONCLUSION

The global business environment surrounding the industry and the Group has become increasingly challenging in the midst of geopolitical uncertainties, trade conflicts and restrictions, COVID-19 pandemic, etc. That said, the Unisem Group is committed to continue creating sustainable value through ongoing engagement with stakeholders and continuous improvement to its management systems, operations, and people.

DATA FOR SUSTAINABILITY REPORT

Parental Leave	FY 2018	FY 2019	FY 2020
Total number of employees that were entitled to parental leave - by gender			
Male	1,912	2,002	2,245
Female	2,164	2,264	2,303
Total number of employees that took parental leave - by gender			
Male	146	153	114
Female	174	191	129
Total number of employees that returned to work in the reporting period after parental leave ended - by gender			
Male	146	153	112
Female	148	150	107
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	154	129	133
Female	147	120	107
Return to work rates of employees that took parental leave - by gender			
Male	100%	100%	98%
Female	85%	79%	83%
Retention rates of employees that took parental leave and were still employed 12 months after their return to work - by gender			
Male	100%	88%	87%
Female	95%	81%	71%

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PROFILE OF BOARD OF DIRECTORS

Mr John Chia Sin Tet, aged 71, 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.

JOHN CHIA SIN TET

Chairman/Group Managing Director
Malaysian, Male

Mr Francis Chia Mong Tet, aged 69, 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.

FRANCIS CHIA MONG TET

Executive Director
Malaysian, Male

PROFILE OF BOARD OF DIRECTORS

Mr Alexander Chia Jhet-Wern, aged 40, 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.

ALEXANDER CHIA JHET-WERN

Executive Director
Malaysian, Male

DATO' GREGORY WONG GUANG SENG

Independent Director
Malaysian, Male

Y.Bhg. Dato' Gregory Wong Guang Seng, aged 69, 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 71, 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 68, 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 financial services industry. She began her career at Malaysian International Merchant Bankers Berhad, (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 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 in 2009, she was invited to be a member of the Qualitative Assurance Committee which was set up 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.

PROFILE OF BOARD OF DIRECTORS

MAHANI BINTI AMAT

Independent Director
Malaysian, Female

Puan Mahani Binti Amat, aged 66, 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 and Executive Vice President of Operations and Services Division.

Puan Mahani is currently an Independent and Non-Executive Director of Scicom (MSC) Bhd since June 2017. In 2018 Puan Mahani was 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 as an Independent and Non-Executive Director. In January 2021, Puan Mahani was appointed to the board of JP Morgan Chase Bank Berhad as an Independent and Non-Executive Director. In March 2021, she was appointed to the board of AIA PUBLIC Takaful Berhad as an Independent and Non-Executive Director.

She also sits on the board of several private limited companies. Other than the directorships in Scicom (MSC) Bhd and Leong Hup International Berhad, Puan Mahani does not have other directorships in public listed companies.

Mr Xiao Zhiyi, aged 44, 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.

XIAO ZHIYI

Non-Executive Director
Chinese, Male

Mr Cui Weibing, aged 53, 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.

CUI WEIBING

Non-Executive Director
Chinese, Male

PROFILE OF BOARD OF DIRECTORS

Mr Ju Feng, aged 37, 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.

JU FENG

Non-Executive Director
Chinese, Male

Save as disclosed in Note 18 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 55, 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 50, 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 for over 300 clients, ranging from public listed companies, multinational companies, asset management companies to manufacturing companies.

PROFILE OF SENIOR MANAGEMENT

HO CHOON SENG

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

Mr Ho Choon Seng, aged 66, 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 45 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 71, 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 47 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 57, 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 33 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.

KEVIN KHOO CHUNG SHIN

Senior Vice President, Group Sales
Malaysian, Male

Mr Kevin Khoo, aged 53, is the Senior Vice President, Unisem Group Sales, a position he has held since 1 December 2020. Mr Khoo holds a Bachelor's Degree in Electrical Engineering from Oklahoma State University, Stillwater, Oklahoma, United States of America.

Mr Khoo has over 28 years of experience in the semiconductor assembly and test industry. He joined the Company in 1992 as Marketing and Sales Engineer. In 2007 he joined Unisem Chengdu as Senior Manager to lead the marketing team and was promoted to Vice President of Business Development in 2013 with added responsibility of new product introduction (NPI) function. Prior to joining Unisem Chengdu in 2007, he was the Senior Package Development Manager in AIC Semiconductor in Kulim, Malaysia for a period of 3 years.

THAM ENG HUAK

Vice President, Group Finance
Malaysian, Male

Mr. Tham Eng Huak, aged 59, 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 35 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.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

This Corporate Governance Overview Statement is supplemented with a Corporate Governance Report, based on a prescribed format so as to provide a detailed articulation on the application of the Group's corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance ("MCCG") during the financial year ended 31 December 2020. The Corporate Governance Report is made available on Unisem's corporate website, www.unisemgroup.com as well as via an announcement on the website of Bursa Malaysia Berhad. The Corporate Governance Overview Statement and Corporate Governance Report are made pursuant to paragraph 15.25 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad ("MMLR") and are narrated with reference to the guidance provided in Practice Note 9 of MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Securities Berhad.

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

Corporate Governance Approach

In view of its current market capitalisation of above RM2 billion, Unisem reports as a Large Company[1] in 2020 even though the market capitalisation of the Company was below RM2 billion at the start of the financial year. 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.

Summary of Corporate Governance Practices

Unisem has applied all the Practices in MCCG for the financial year ended 31 December 2020, save for the following:

- Practice 1.3 (demarcation of the Board Chairman and Managing Director);
- Practice 4.1 (Board comprises a majority 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); and
- Practice 11.2 (adoption of Integrated Reporting).

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.

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

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.

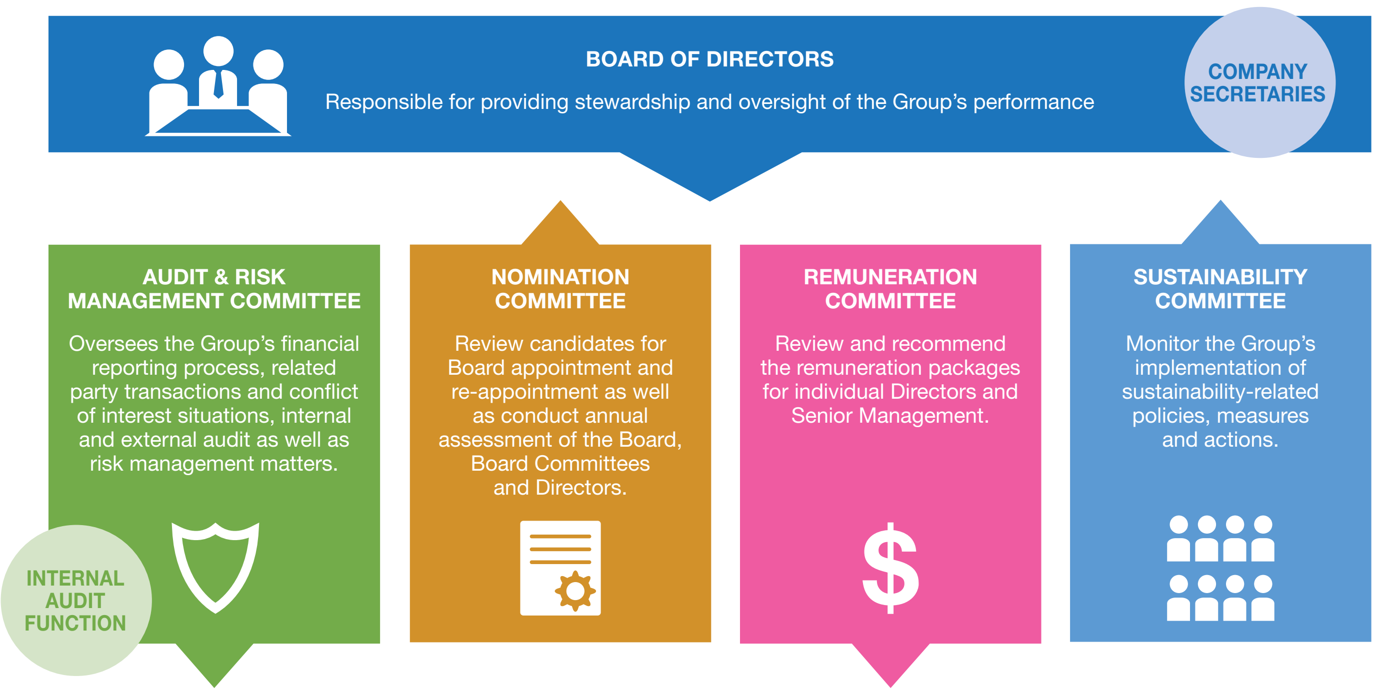
A summary of Unisem's corporate governance practices with reference to the MCCG is outlined in the subsequent pages of this Corporate Governance Overview Statement.

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.

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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 on 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	5/5	1/1		2/2
Mr Ang Chye Hock	6/6	5/5		1/1	2/2
Mdm Lim Siew Eng	6/6	5/5	1/1	1/1	
Puan Mahani binti Amat	6/6		1/1		2/2
Non-Independent Non-Executive Directors					
Mr Cui Weibing	6/6				
Mr Xiao Zhiyi	5/6				
Mr Ju Feng	6/6				

Legend: Board/Board Committee Chairman   Member

** Mr Lee Hoong Leong resigned (end of tenure of service contract, retired as Group COO) on 31 December 2020.*

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.

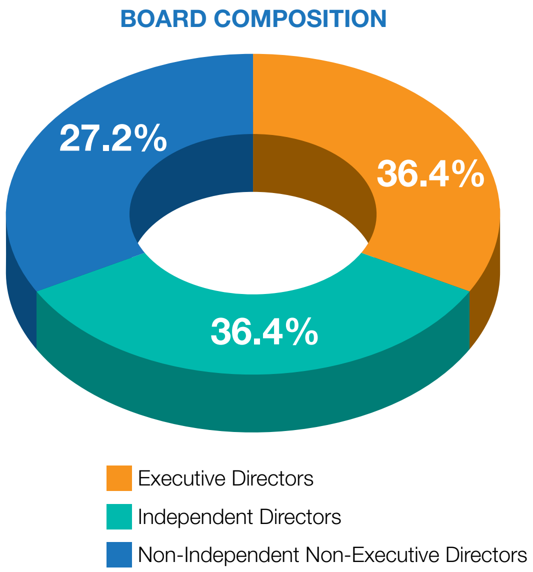
The Board has formalised and implemented a Code of Ethics, which is regularly reviewed and monitored to foster an ethical culture that permeates across the Group. Unisem's Code of Ethics was established with reference to the Responsible Business Alliance (RBA, formerly known as the Electronic Industry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

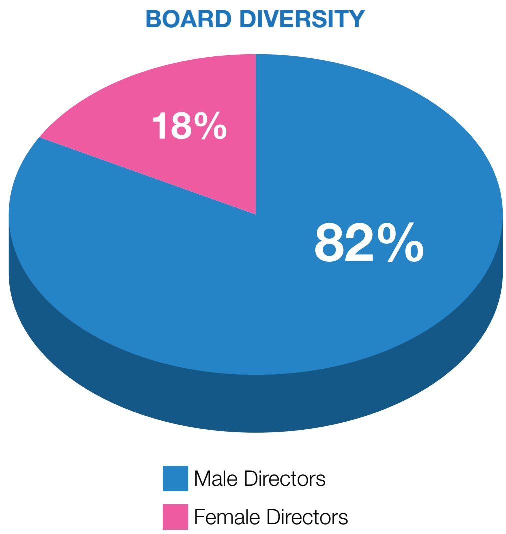
Board composition

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

In 2020, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT





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

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.

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 and strategies 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:

Date	Particulars of training programmes attended	Attended by
7 Jan 2020	2019 Annual Report Disclosure Training Course (2019年年报披露培训班) organised by Shenzhen Stock Exchange (深圳证券交易所)	Mr Ju Feng
29 June - 1,3, 7-10 July 2020	FIDE Core Module A-July Programme	Puan Mahani Amat
8 July 2020	FIDE Forum virtual seminar on RISKS: A FRESH LOOK FROM THE BOARD'S PERSPECTIVE conducted by Sir Howard Davies, Chairman RBS Bank	Puan Mahani Amat
13-21 July 2020	FIDE Core Module B-July Programme	Puan Mahani Amat
24 July 2020	Training on Environmental Social Governance by Mark De Silva, representative from AIA Group, organised by AIA Berhad	Puan Mahani Amant
24 August 2020	Sharing session in IFRS17 and its implications to Products and Industry, organised by AIA Berhad	Puan Mahani Amat
25 August 2020	Closed Period & Insider Trading (LHI In-House Training conducted by Chee Kai Mun of CKM Advisory Sdn Bhd)	Puan Mahani Amat
25 & 26 August 2020	National Tax Conference 2020 organized by CTIM	Y.Bhg. Dato' Gregory Wong Guang Seng

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Date	Particulars of training programmes attended	Attended by
9 September 2020	COVID-19: Managing Transfer Pricing Risks and Cash Flow Does Matter to MNEs organized by Malaysian Institute of Accountants	Y.Bhg. Dato' Gregory Wong Guang Seng
10 September 2020	Focus Group Discussion: FIDE FORUM's Board Effectiveness Evaluation Project	Puan Mahani Amat
17 September 2020	Webinar Series: Board Evaluation and Succession Planning organized by The Malaysian Institute of Chartered Secretaries and Administrators	Puan Mahani Amat
25 September 2020	KPMG Captains' Forum: Transformation towards recovery, Session 1	Y.Bhg. Dato' Gregory Wong Guang Seng
12 October 2020	KPMG Captains' Forum: Transformation towards recovery, Session 2: Operational Resilience	Y.Bhg. Dato' Gregory Wong Guang Seng
28 October 2020	FIDE ICLIF-Risk Management & Internal Control System by Gillian Ng	Puan Mahani Amat
9 & 10 November 2020	Webinar Series: Governance Symposium 2020 organized by Malaysian Institute of Accountants	Y.Bhg. Dato' Gregory Wong Guang Seng Mr Ang Chye Hock Mdm Lim Siew Eng Puan Mahani Amat
11 November 2020	Green Fintech: Ping An's journey to becoming a top ESG-performing Financial Institution, organised by AIA Berhad	Puan Mahani Amat
13 November 2020	Engagement Session on the IFRS Foundations Consultation Paper on Sustainability Reporting organized by The Malaysian Accounting Standards Board	Y.Bhg. Dato' Gregory Wong Guang Seng
16 & 17 November 2020	Malaysia Tax Budget 2021: A Budget for the New Normal? organized by Crowe Malaysia PLT	Y.Bhg. Dato' Gregory Wong Guang Seng
17 November 2020	Training on AMLA 2001: Risk, Challenges, Governance & Transparency in Managing Business & Compliance by Vijayaraj R Kanniah, organised by AIA Berhad	Puan Mahani Amat
23 November 2020	Fraud Risk Management workshop organized by Bursa Malaysia	Mr Alexander Chia Jhet-Wern
8 December 2020	Special Training On Improving The Quality Of Listed Companies (提高上市公司质量专题培训), organised by China Securities Regulatory Commission Gansu Bureau (中国证券监督管理委员会甘肃监管局)	Mr Cui Weibing
11 December 2020	FIDE Board Simulation Exercise, Insurance group	Puan Mahani Amat

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company engaged Baker Tilly Monterio Heng Governance for the services of internal audit function with effect from 24 August 2020. Prior to that the internal audit function was carried out by the in-house internal audit department. The internal audit function 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.

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

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

Mail: Lot No. 9(H), 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.

On 25 June 2020, the Company conducted its 31st AGM through live streaming and online remote voting ("fully virtual") using Remote Participation and Voting facilities ("RPV") from the Broadcast Venue at Unisem's registered office at Lot No. 9(H), 9th Floor UBN Tower, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, the Chairman of the meeting was present at the broadcasting venue, all Directors attended the AGM via TEAMS meeting.

The notice for the AGM was provided 28 days in advance to enable shareholders to make adequate preparation. Shareholders were advised/ informed to attend, speak (including posing questions to the Board of Directors via real time submission of typed texts) and vote (collectively, "participate") remotely at the 31st AGM via RPV provided by the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

The remote poll voting results were validated by Asia Securities Sdn Bhd which is an independent scrutineer.

Focus area during the year

The focus corporate governance area during the financial year ended 31 December 2020 is set out below:

Boardroom dynamics

In 2020, due to the movement control and travel restrictions all board and board committees meetings were held virtually, via telephone/video conference. In spite of this, the Board continued to place great importance on healthy boardroom dynamics. Board members were able to ask questions, challenge one another's assumptions and beliefs coherently. The Board continued with its practice of having boardroom decisions being unanimous with dissenting views leading to deliberations being reconsidered or proposals being aborted.

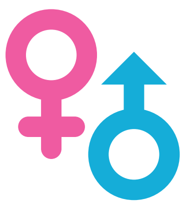
Corporate governance priorities (2021 and beyond)

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 Board currently has 4 independent directors out of 10 board members. It is our priority to increase the ratio of independent directors to meet the majority target. Alongside the Nomination Committee the Board, will undertake a review of the Board composition and source for suitable candidates that can reinforce the independence of the Board and contribute to the effective governance of Unisem.

Gender Diversity



The Board is supportive of gender diversity in the Board composition as recommended by MCCG and will endeavour to continuously identify and assess suitably qualified female candidates for nomination to achieve the 30% women directors target and also work towards broadening this target to include women in senior management. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ADDITIONAL COMPLIANCE INFORMATION

During the financial year under review,

(i) Status of utilisation of proceeds raised from any corporate proposal

In November 2020, the Board of the Company approved the implementation of a private placement of up to 10% of the total number of issued shares (excluding treasury shares) of the Company pursuant to a general mandate obtained from the shareholders on 25 June 2020 ("Private Placement").

The Private Placement was completed on 3 February 2021 following the listing of and quotation of the second and final tranche of the Private Placement on the Main Market of Bursa Malaysia Securities Berhad on 3 February 2021.

The Company issued a total of 72,708,500 new ordinary shares (51,633,000 placement shares at RM5.50 per placement share and 21,075,500 placement shares at RM7.70 per placement share) and raised a total gross proceeds of RM446.264 million from the Private Placement.

The status of utilisation of proceeds raised from Private Placement is as follow:

Purpose	Intended timeframe for utilisation*	Proposed Utilisation (RM'000)	Actual Utilisation as at 31 Dec 2020 (RM'000)	Deviation	Balance available for Utilisation (RM'000)
Capital expenditure for the Group's expansion plans in:					
Unisem Ipoh	Within 12 months	124,193	6,569	-	117,624
Unisem Chengdu	Within 24 months	204,010	-	-	204,010
Working capital for the Group	Within 24 months	113,661	40,002	-	73,659
Expenses in relation to the Private Placement	Within 1 month	4,400	3,231	-	1,169
		446,264	49,802		396,462

* from 3 February 2021, being the listing date of the placement shares.

Pending utilisation, the balance of the proceeds has been placed in deposit accounts with financial institutions or in short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used for the working capital of the Unisem Group.

(ii) Material contracts or loans involving Directors or Major Shareholders

Other than as disclosed in Note 18 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 requirements 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 2020
Y.Bhg. Dato' Gregory Wong Guang Seng (A Fellow of the Institute of Chartered Accountants (England & Wales) and a Chartered Management Accountant (UK), a member of MIA, MICPA and an Associate Member of Tax Institute Malaysia.)	Chairman	Independent Director	5/5
Mr Ang Chye Hock (Bachelor of Science in Electronics (Honours). More than 28 years of experience in the semiconductor industry)	Member	Independent Director	5/5
Mdm Lim Siew Eng (Bachelor of Economics (Honours) degree. More than 28 years of working experience in the financial services industry.)	Member	Independent Director	5/5

TERMS OF REFERENCE

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

SUMMARY OF WORK

The Committee met five times during the financial year ended 31 December 2020. 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 26 February 2020 and 23 October 2020 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; and
- cost effectiveness.

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 firm 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 seven years with a cooling-off period of at least five 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 November 2020, the Committee reviewed with management the annual budget of the Group together with the underlying business plans, marketing strategies, major assumptions and sensitivity analysis on the impact of foreign exchange rate to the revenue, EBITDA and profit attributable to shareholders.

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Oversight of Internal Auditors

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

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

SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION

The Company engaged Baker Tilly Monterio Heng Governance for the services of internal audit function with effect from 24 August 2020. Prior to that the internal audit function was carried out by the in-house internal audit department.

The primary responsibility of the internal audit function 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 outsourced and headed by Mr Kuan Yew Choong. He is a Professional Member of the Institute of Internal Auditors Malaysia ("IIA Malaysia") and has two decades of experience in the field of internal auditing and is equipped with the knowledge and expertise in the realm of risk management, internal controls and governance practices. He also possesses full professional certification from the Association of Chartered Certified Accountants. Mr Kuan is the Head of Internal Audit & Governance Advisory at Baker Tilly Malaysia. He is supported by a team of up to four (4) internal audit personnel in completing different internal audit assignments carried out since the appointment. Mr Kuan Yew Choong and all the personnel involved in carrying out the internal audit function are free from any family relationship with any Directors and/or major shareholder and do not have any conflict of interest with Unisem throughout the financial year.

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

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

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

- Inventory Control and Buyback;
- Inventory Management;
- Spare Part Management.

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 2020.

The cost incurred for the Internal Audit function of the Group in respect of the financial year ended 31 December 2020 amounted to RM389,417.

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 2020.

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 Company outsourced its internal audit function with effect from 24 August 2020. Prior to that the internal audit function was carried out by the in-house internal audit department.

The ARMC is supported by the outsourced Internal Audit Function, 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 outsourced Internal Audit Function. For each key risks identified, the risk owner is assigned to ensure appropriate action plans are meted out in a timely manner.

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:

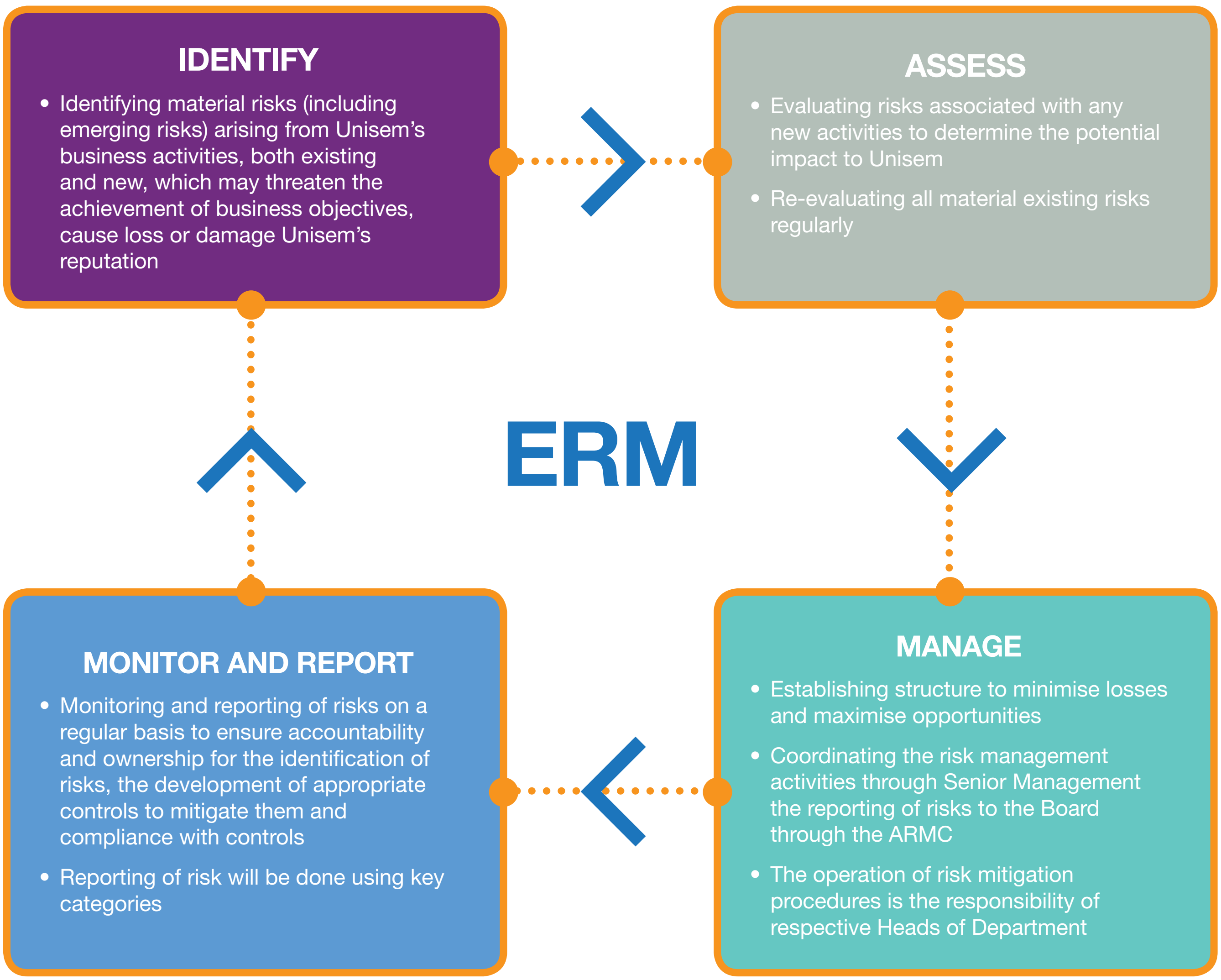


Diagram 1: Enterprise Risk Management Framework

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Internal control framework

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group's internal audit function independently 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 2020, the internal audit function assessed the adequacy and operating effectiveness of internal controls deployed by Management for the Group's key processes namely, inventory control and buyback, inventory management and spare part management.

The outsourced Internal Audit function is currently headed by Mr Kuan Yew Choong who reports directly to the ARMC. He is a Professional Member of the Institute of Internal Auditors Malaysia ("IIA Malaysia") and has two decades of experience in the field of internal auditing and is equipped with the knowledge and expertise in the realm of risk management, internal controls and governance practices. He also possesses full professional certification from the Association of Chartered Certified Accountants. Mr Kuan is the Head of Internal Audit & Governance Advisory at Baker Tilly Malaysia. He is supported by a team of up to four (4) internal audit personnel in completing different internal audit assignments carried out since their appointment. 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 RM389,417.

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 2020.

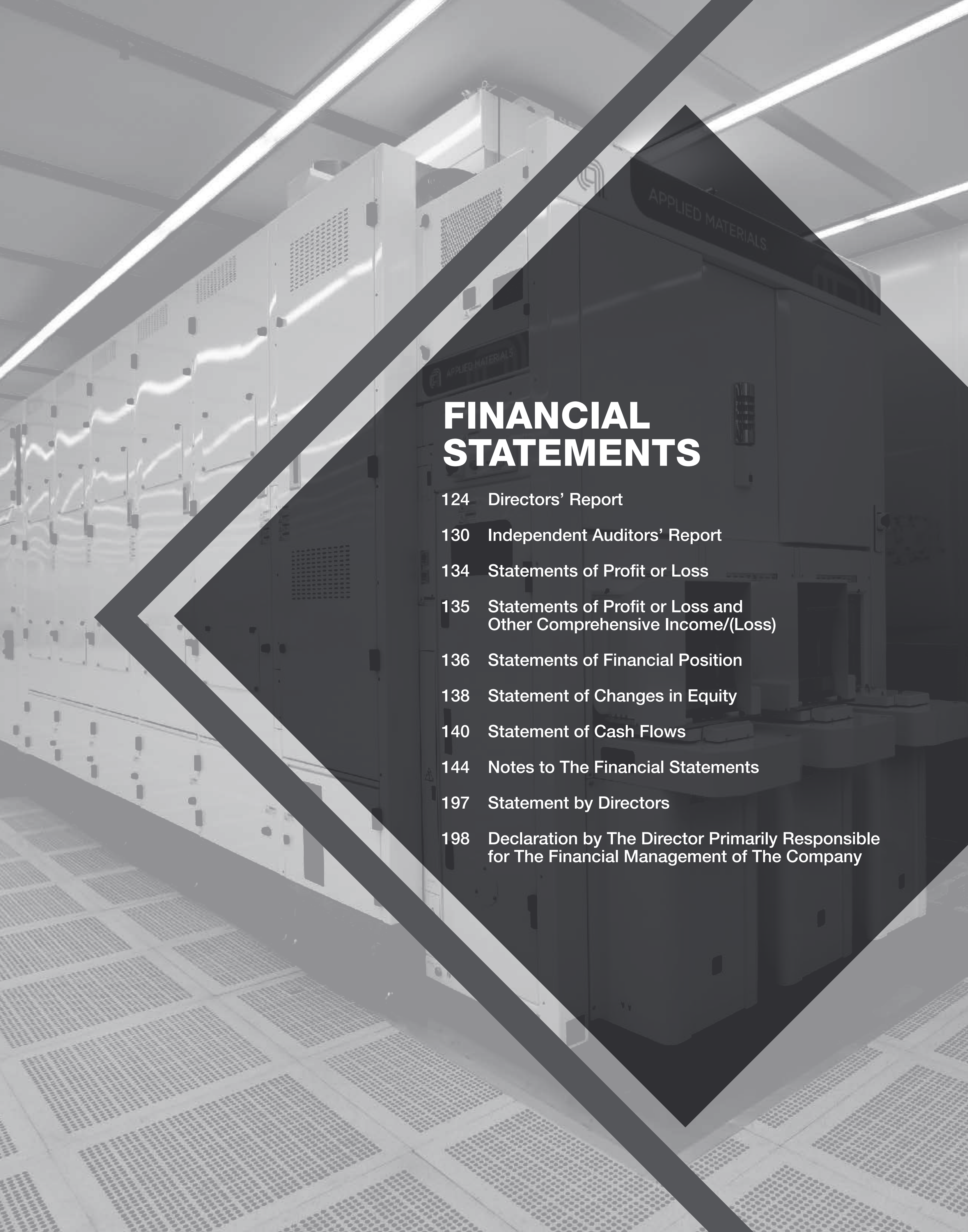
The review of this Statement by the external auditor was performed in accordance with the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3"), issued by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

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

Commentary on the adequacy and effectiveness of the Group's internal control and risk management system

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

The Group Managing Director 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** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2020.

PRINCIPAL ACTIVITIES

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

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

RESULTS OF OPERATIONS

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

	THE GROUP RM'000	THE COMPANY RM'000
Profit for the year from continuing operations	142,579	135,114
Profit for the year from discontinued operations	207	-
Profit for the year attributable to owners of the Company	142,786	135,114

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 except for discontinued operations as disclosed in Note 11 to the financial statements.

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 third interim dividend of 2.0 sen per share, tax-exempt, amounting to RM14,541,717 proposed in the previous financial year and dealt with in the previous year's directors' report, was paid on April 29, 2020.

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 3, 2020.

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 November 27, 2020.

On February 25, 2021, the directors declared a third interim dividend of 2.0 sen per share, tax-exempt, for the current financial year. The interim dividend has not been included as a liability in the financial statements for the financial year ended December 31, 2020 and will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2021.

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

On December 1, 2020, the Company completed the issuance of the first tranche of the private placement comprising 51,633,000 new ordinary shares at an issue price of RM5.50 per share which resulted in a net increase in the share capital (after deducting expenses incurred in relation to the private placement) by RM280,750,960.

ISSUE OF SHARES AND DEBENTURES (CONT'D)

On February 3, 2021, the Company completed the issuance of the second and final tranche of the private placement comprising 21,075,500 new ordinary shares at an issue price of RM7.70 per share.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any 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 21 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 30 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.

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. 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
Mr. Lee Hoong Leong (resigned on December 31, 2020)

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. Francis Chia Mong Tet	UI, UAT, UCC, UMH, UCIIEC, UIHK
Mr. Lee Hoong Leong*	UAT, UCC, UMH, 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

* resigned during the financial year

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 1.1.2020	BOUGHT	SOLD	BALANCE AS OF 31.12.2020
Shares in the Company				
Registered in the name of directors				
Mr. John Chia Sin Tet	60,544,225	1,781,900	-	**62,326,125**
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	121,862,813	-	-	**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 nor 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 18 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	268	3,167	380	3,815	98
Mr. Lee Hoong Leong	145	1,963	236	2,344	36
Mr. Francis Chia Mong Tet	145	1,630	196	1,971	31
Mr. Alexander Chia Jhet-Wern	145	345	38	528	7
	703	7,105	850	8,658	172
Non-executive Directors					
Dato' Wong Guang Seng	220	-	-	220	-
Mr. Ang Chye Hock	195	-	-	195	-
Mdm. Lim Siew Eng	195	-	-	195	-
Puan Mahani Binti Amat	145	-	-	145	-
Mr. Xiao Zhiyi	- #	-	-	-	-
Mr. Cui Weibing	- #	-	-	-	-
Mr. Ju Feng	- #	-	-	-	-
	755	-	-	755	-
	1,458	7,105	850	9,413	172

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, 2020 are as follows:

	THE GROUP RM'000	THE COMPANY RM'000
Fees paid/payable to external auditors:		
Statutory audit	700	273
Others	5	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
March 1, 2021

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, 2020, 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 134 to 196.

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, 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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.

Key Audit Matter	How the matter was addressed in the audit
Capitalisation of expenses as property, plant and equipment A foreign subsidiary, Unisem Chengdu Co., Ltd. ("UC") has embarked on an expansion plan to increase its production lines for assembly and bumping services with newer technologies. Total capital expenditure of the Group for the financial year ended December 31, 2020 amounted to RM270.9 million, as disclosed under Note 12 to the financial statements, out of which RM190.5 million pertaining to UC's capital investment. The significant levels of capital expenditure requires careful consideration of the nature of costs incurred to ensure that capitalisation of such costs as property, plant and equipment meets the specific recognition criteria of MFRS 116 *Property, Plant and Equipment*.	Our audit procedures, amongst others, include the following: 1. Tested the design and implementation of key controls surrounding the review and approval of capitalisation process. 2. Tested, on a sample basis, the accuracy and appropriateness of costs capitalised by assessing the nature of such costs with reference to internal request forms and goods received notes, suppliers' invoices and delivery notes, and payments related evidences. 3. Evaluated costs capitalised met the recognition criteria set out in MFRS 116. 4. Evaluated whether any borrowing costs capitalised are in accordance with the requirements of MFRS 123. 5. Physically verified a sample of additions during the financial year.

We have not identified any key audit matter pertaining to the financial statements of the Company for the financial year ended December 31, 2020.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

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

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

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 scepticism 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, actions taken to eliminate threats or safeguards applied.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

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

LIM KENG PEO
Partner - 02939/01/2022 J
Chartered Accountant

Ipoh
March 1, 2021

STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020

		THE GROUP		THE COMPANY	
	NOTE	2020 RM'000	2019 RM'000 (RESTATED)	2020 RM'000	2019 RM'000
Continuing Operations					
Revenue		**1,289,294**	1,119,819	**590,061**	567,846
Investment income	8	**3,477**	5,399	**89,511**	67,055
Other gains/(losses)		**(7,155)**	2,626	**2,193**	(441)
Other operating income		**12,217**	16,733	**8,273**	8,526
Changes in inventories of finished goods and work-in-progress		**9,569**	3,544	**1,941**	2,388
Raw materials and consumables used		**(428,429)**	(365,842)	**(172,528)**	(160,844)
Depreciation of property, plant and equipment		**(167,234)**	(154,700)	**(67,395)**	(63,655)
Loss allowance on financial assets measured at amortised cost		**-**	(170)	**(8,778)**	(68,759)
Impairment of investment in a subsidiary	14	**-**	-	**(3,492)**	(10,436)
Employee benefit expenses		**(306,530)**	(298,489)	**(163,303)**	(164,722)
Directors' remuneration	6	**(9,413)**	(9,173)	**(9,413)**	(9,173)
Amortisation of prepaid interests in leased land		**(324)**	(317)	**(44)**	(44)
Finance costs	7	**(4,887)**	(4,222)	**(2,474)**	(861)
Other operating expenses		**(226,561)**	(217,097)	**(125,203)**	(127,840)
Profit before tax		**164,024**	98,111	**139,349**	39,040
Taxation	9(a)	**(21,445)**	(19,132)	**(4,235)**	(10,198)
Profit for the year from continuing operations	5	**142,579**	78,979	**135,114**	28,842
Discontinued Operations					
Profit/(Loss) for the year from discontinued operations	11	**207**	(89,240)	**-**	-
Profit/(Loss) for the year		**142,786**	(10,261)	**135,114**	28,842
Attributable to:					
Owners of the Company		**142,786**	(9,542)	**135,114**	28,842
Non-controlling interests		**-**	(719)	**-**	-
		142,786	(10,261)	**135,114**	28,842
Earnings/(Loss) per share					
From continuing and discontinued operations: Basic and diluted (sen)	10	**19.52**	(1.31)		
From continuing operations: Basic and diluted (sen)	10	**19.49**	10.96		

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME/(LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2020

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000 (RESTATED)	2020 RM'000	2019 RM'000
Profit/(Loss) for the year	**142,786**	(10,261)	**135,114**	28,842
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**37,629**	(14,657)	**-**	-
Total comprehensive income/(loss) for the year	**180,415**	(24,918)	**135,114**	28,842
Total comprehensive income/ (loss) attributable to:				
Owners of the Company	**180,415**	(24,199)	**135,114**	28,842
Non-controlling interests	**-**	(719)	**-**	-
	180,415	(24,918)	**135,114**	28,842

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

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

		THE GROUP		THE COMPANY	
		2020	2019	2020	2019
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,215,064**	1,100,076	**457,871**	430,416
Prepaid interests in leased land	13	**16,640**	17,061	**3,386**	3,430
Investments in subsidiaries	14	**-**	-	**500,078**	418,528
Intangible assets	15	**-**	-	**-**	-
Amount owing by subsidiaries	18	**-**	-	**14,869**	109,872
Total non-current assets		**1,231,704**	1,117,137	**976,204**	962,246
Current assets					
Inventories	16	**176,110**	154,026	**104,132**	88,548
Trade receivables	17	**167,522**	145,038	**81,230**	65,014
Other receivables, deposits and prepaid expenses	17	**11,660**	13,283	**2,757**	4,075
Amount owing by subsidiaries	18	**-**	-	**52,327**	6,819
Tax recoverable	9(b)	**11,698**	200	**353**	183
Cash and cash equivalents	19	**664,095**	342,803	**475,557**	98,299
		1,031,085	655,350	**716,356**	262,938
Non-current assets classified as held for sale	20	**8,757**	-	**-**	-
Total current assets		**1,039,842**	655,350	**716,356**	262,938
Total assets		**2,271,546**	1,772,487	**1,692,560**	1,225,184

		THE GROUP		THE COMPANY	
		2020	2019	2020	2019
	NOTE	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21(a)	**876,118**	595,367	**876,118**	595,367
Treasury shares	21(b)	**(15,888)**	(15,888)	**(15,888)**	(15,888)
Reserves	22	**912,566**	775,776	**534,481**	442,992
Total equity		**1,772,796**	1,355,255	**1,394,711**	1,022,471
Non-current liabilities					
Borrowings	23	**108,562**	120,638	**78,439**	54,941
Deferred income	24	**24,011**	17,719	**-**	-
Deferred tax liabilities	9(c)	**37,889**	24,522	**4,849**	5,196
Total non-current liabilities		**170,462**	162,879	**83,288**	60,137
Current liabilities					
Trade payables	26	**71,974**	72,138	**40,178**	32,074
Other payables and accrued expenses	26	**155,338**	120,218	**82,781**	65,522
Amount owing to subsidiaries	18	**-**	-	**25,231**	22,481
Amount owing to other related companies	18	**2,138**	4,091	**2,011**	4,091
Borrowings	23	**98,838**	53,471	**64,360**	18,408
Provision for taxation	9(b)	**-**	4,435	**-**	-
Total current liabilities		**328,288**	254,353	**214,561**	142,576
Total liabilities		**498,750**	417,232	**297,849**	202,713
Total equity and liabilities		**2,271,546**	1,772,487	**1,692,560**	1,225,184

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

				NON DISTRIBUTABLE RESERVES					
THE GROUP	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	CAPITAL RESERVE RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	DISTRIBUTABLE RESERVE RETAINED EARNINGS RM'000	ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL RM'000
Balance as of January 1, 2019		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	27	-	-	-	-	(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
Profit for the year		-	-	-	-	142,786	142,786	-	142,786
Other comprehensive income for the year, net of income tax		-	-	-	37,629	-	37,629	-	37,629
Total comprehensive income for the year		-	-	-	37,629	142,786	180,415	-	180,415
Dividends	27	-	-	-	-	(43,625)	(43,625)	-	(43,625)
Issuance of shares	21	280,751	-	-	-	-	280,751	-	280,751
Transfer to statutory reserve fund		-	-	9,613	-	(9,613)	-	-	-
Balance as of December 31, 2020		**876,118**	**(15,888)**	**49,868**	**162,428**	**700,270**	**1,772,796**	**-**	**1,772,796**

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, 2019		595,367	(15,888)	465,046	1,044,525
Profit and total comprehensive income for the year		-	-	28,842	28,842
Dividends	27	-	-	(50,896)	(50,896)
Balance as of December 31, 2019		595,367	(15,888)	442,992	1,022,471
Profit and total comprehensive income for the year		-	-	135,114	135,114
Issuance of shares	21	280,751	-	-	280,751
Dividends	27	-	-	(43,625)	(43,625)
Balance as of December 31, 2020		**876,118**	**(15,888)**	**534,481**	**1,394,711**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	NOTE	THE GROUP 2020 RM'000	THE GROUP 2019 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit/(Loss) for the year		**142,786**	(10,261)
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**169,406**	166,370
Unrealised loss/(gain) on foreign exchange		**8,430**	(202)
Taxation		**8,227**	23,882
Finance costs		**4,904**	6,789
Impairment of property, plant and equipment		**999**	24,730
Loss allowance on financial assets measured at amortised cost		**410**	2,162
Write down of inventories to net realisable values		**329**	10,310
Amortisation of prepaid interests in leased land		**325**	1,135
Property, plant and equipment written off		**34**	2,212
Investment income		**(3,478)**	(5,403)
Gain on disposal of property, plant and equipment		**(2,138)**	(842)
Amortisation of deferred income		**(1,637)**	(1,071)
Loss allowance on financial assets measured at amortised cost, no longer required		**(1,436)**	-
Reversal of retirement benefit obligations		**-**	(35,587)
		327,161	184,224
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		**(19,796)**	12,156
Trade receivables		**(19,246)**	4,208
Other receivables, deposits and prepaid expenses		**1,463**	324
(Decrease)/Increase in:			
Trade payables		**(544)**	(11,783)
Other payables and accrued expenses		**18,150**	(22,405)
Amount owing to related companies		**127**	-
Cash Generated From Operations		**307,315**	166,724
Income tax paid		**(11,545)**	(5,327)
Defined benefit obligations paid	25	**-**	(470)
Net Cash From Operating Activities		**295,770**	160,927

	NOTE	THE GROUP 2020 RM'000	THE GROUP 2019 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**4,688**	2,518
Investment income received		**3,099**	5,368
Additions to property, plant and equipment	19	**(240,707)**	(228,551)
Additions to prepaid interest in leased land	19	**-**	(463)
Net Cash Used In Investing Activities		**(232,920)**	(221,128)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares	21(a)	**280,751**	-
Proceeds from term loans	19	**50,257**	166,289
Proceeds from/(Repayment of) revolving credits - net	19	**41,115**	(25,062)
Proceeds from deferred income	24	**7,004**	6,474
Dividends paid		**(58,166)**	(36,354)
Repayment of term loans	19	**(54,040)**	(38,097)
Finance costs paid		**(4,887)**	(6,927)
Repayment to related companies	19	**(2,096)**	-
Acquisition of remaining interests in a subsidiary from non-controlling interests		**-**	(2,872)
Net Cash From Financing Activities		**259,938**	63,451
NET INCREASE IN CASH AND CASH EQUIVALENTS		**322,788**	3,250
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**342,803**	344,110
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(1,496)**	(4,557)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**664,095**	342,803

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	NOTE	THE COMPANY 2020 RM'000	THE COMPANY 2019 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**135,114**	28,842
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**67,395**	63,655
Loss allowance on financial assets measured at amortised cost		**8,778**	68,759
Taxation		**4,235**	10,198
Impairment of investment in a subsidiary		**3,492**	10,436
Finance costs		**2,474**	861
Unrealised loss on foreign exchange		**630**	1,573
Amortisation of prepaid interests in leased land		**44**	44
Property, plant and equipment written off		**7**	4
Investment income		**(89,511)**	(67,055)
Gain on disposal of property, plant and equipment		**(207)**	(217)
		132,451	117,100
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		**(15,584)**	6,228
Trade receivables		**(17,247)**	8,287
Other receivables, deposits and prepaid expenses		**1,318**	2,168
Decrease/(Increase) in:			
Trade payables		**8,702**	(5,254)
Other payables and accrued expenses		**9,806**	(7,205)
Cash Generated From Operations		**119,446**	121,324
Income tax paid		**(4,752)**	(4,687)
Net Cash From Operating Activities		**114,694**	116,637

	NOTE	THE COMPANY 2020 RM'000	2019 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Repayment from/(Advances to) subsidiaries		**41,278**	(135,281)
Investment income received		**1,939**	1,607
Proceeds from disposal of property, plant and equipment		**756**	945
Additions to property, plant and equipment	19	**(72,872)**	(56,779)
Net Cash Used In Investing Activities		**(28,899)**	(189,508)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares	21(a)	**280,751**	-
Proceeds from term loan	19	**50,258**	75,046
Proceeds from revolving credits	19	**41,115**	-
Advances from subsidiaries	19	**3,293**	7,631
Dividends paid		**(58,166)**	(36,354)
Repayment of term loan	19	**(18,806)**	-
Finance costs paid		**(2,457)**	(781)
Repayment to related companies	19	**(2,096)**	-
Acquisition of remaining interests in a subsidiary from non-controlling interests	19	**-**	(2,872)
Net Cash From Financing Activities		**293,892**	42,670
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**379,687**	(30,201)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**98,299**	129,298
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(2,429)**	(798)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**475,557**	98,299

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The registered office of the Company is located at Lot No.9(H), 9th Floor UBN Tower, 10, Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, 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 March 1, 2021.

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, 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(b) Standards in issue but not yet effective

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

Amendments to MFRS 16	COVID-19 Related Rent Concessions[1]
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2[2]
Amendments to MFRS 3	Reference to the Conceptual Framework[3]
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use[3]
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract[3]
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018-2020[3]
MFRS 17	Insurance Contracts[4]
Amendments to MFRS 17	Insurance Contracts[4]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current[4]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

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

(b) Standards in issue but not yet effective (cont'd)

[1] Effective for annual periods beginning on or after June 1, 2020, with earlier application permitted, including in financial statements not authorised for issue at May 28, 2020.
[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 January 1, 2022, with earlier application permitted.
[4] Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.
[5] Effective date deferred to a date to be announced by MASB.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and Basis of Consolidation (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (cont'd)

Contracts with customers (cont'd)

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.

For 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

The Group as a lessee (cont'd)

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 a 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 a 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.

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.

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

Leases (cont'd)

The Group as a lessee (cont'd)

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 a 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currencies (cont'd)

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 are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation accumulated in a separate component of equity shall be reclassified from equity to the statement 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Research and Development Costs

Research costs relating to the original and planned investigations undertaken with the prospect of gaining new technical knowledge and understanding, are recognised as an expense when incurred.

Development costs represent costs incurred in the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use. Development costs are charged to the statements of profit or loss in the year in which they are incurred except where a clearly-defined project is undertaken and it is probable that the development costs will give rise to future economic benefits. Such development costs are recognised as an intangible asset and amortised on a straight-line method over the life of the project from the date of commencement of full scale commercial business operations.

Impairment of Assets

At the end of each reporting period, the Group and the Company review the carrying amounts of their tangible and intangible assets (other than inventories, goodwill, deferred tax assets and financial assets which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit ("CGU"), to which the asset belongs, is estimated.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statements of profit or loss. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. A reversal is recognised immediately in the statements of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the "Weighted Average" method. The cost of raw materials and factory supplies comprised the original purchase price plus cost incurred in bringing the inventories to their present location. The cost of work-in-progress and finished goods comprises the cost of raw materials, direct labour and a proportion of production overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less costs of completion and costs necessary to make the sale.

Non-current Assets Classified as Held for Sale

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale when the carrying amount of the assets will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the reclassification.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Discontinued Operations

A discontinued operation is a component of the Group's businesses that represent a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and statement of profit or loss and other comprehensive income are presented as if the operation had been discontinued from the start of the comparative period.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(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 entirety 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").

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

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.

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, 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.

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)

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

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).

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

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

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.

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 - 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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)

(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.

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.

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.

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)

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

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 the 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.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised at cost including transaction costs and deducted directly in equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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

Financial Instruments (cont'd)

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

(iii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities of the Group and of the Company are trade payables, other payables 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

The carrying amount of property, plant and equipment is disclosed under Note 12.

(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.

As of December 31, 2020, the carrying amounts of tax recoverable, provision for taxation and deferred tax liabilities are as follows:

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tax recoverable	**11,698**	200	**353**	183
Provision for taxation	**-**	4,435	**-**	-
Deferred tax liabilities	**37,889**	24,522	**4,849**	5,196

(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 of the Group for matters in the ordinary course of business.

The carrying amount of contingent liability is disclosed under Note 30.

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)

(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.

The carrying amounts of trade and other receivables and amount owing by subsidiaries are disclosed under Notes 17 and 18 respectively.

(f) 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.

The carrying amount of investments in subsidiaries is disclosed under Note 14.

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.

During the financial year, the plant at Batam, Indonesia has been discontinued. The segment information reported on the next page does not include any amounts for this discontinued plant. The details of the discontinued operations are disclosed in Note 11.

4. SEGMENT INFORMATION (CONT'D)

Geographical segment (cont'd)

THE GROUP	ASIA 2020 RM'000	ASIA 2019 RM'000 (RESTATED)	EUROPE 2020 RM'000	EUROPE 2019 RM'000 (RESTATED)	UNITED STATES OF AMERICA 2020 RM'000	UNITED STATES OF AMERICA 2019 RM'000 (RESTATED)	CONSOLIDATED 2020 RM'000	CONSOLIDATED 2019 RM'000 (RESTATED)
Geographical segments by location of customers								
Statement of Profit or Loss								
Revenue								
External sales from continuing operations	**466,916**	433,701	**131,955**	93,665	**690,423**	592,453	**1,289,294**	1,119,819
Results								
Segment results from continuing operations	**65,472**	41,954	**21,103**	9,047	**78,779**	45,732	**165,354**	96,733
Non-reportable segments							**80**	201
Finance costs							**(4,887)**	(4,222)
Investment income							**3,477**	5,399
Profit before tax from continuing operations							**164,024**	98,111
Taxation							**(21,445)**	(19,132)
Profit for the year from continuing operations							**142,579**	78,979
Profit/(Loss) for the year from discontinued operations							**207**	(89,240)
Profit/(Loss) for the year							**142,786**	(10,261)

Information about major customers

Included in revenues are the following revenues which arose from sales to the Group's largest customers:

	2020 RM'000	2019 RM'000
Segment of United States of America	**205,636**	272,819
Segment of Asia	**-**	133,578

No single customers contributed 10 per cent or more to the Group's revenue in either 2020 or 2019 other than those disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

5. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

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

		THE GROUP		THE COMPANY	
	NOTE	2020 RM'000	2019 RM'000 (RESTATED)	2020 RM'000	2019 RM'000
Grant income received		**2,911**	2,567	**-**	-
Rental income		**1,968**	1,649	**2,348**	2,226
Foreign exchange:					
Realised gain		**1,063**	1,503	**2,473**	98
Unrealised (loss)/gain		**(8,569)**	11	**(630)**	(1,573)
Gain on disposal of property, plant and equipment		**208**	217	**207**	217
Gain arising on financial assets designated as at FVTPL		**143**	895	**143**	817
Employee benefit expenses:					
Wage subsidies received		**1,556**	-	**840**	-
Defined contribution plans		**(27,842)**	(29,652)	**(11,007)**	(10,920)
Research and development expenses		**(6,634)**	(6,841)	**(5,638)**	(5,867)
Rental expenses		**(1,027)**	(916)	**(360)**	(362)
Property, plant and equipment written off		**(31)**	(52)	**(7)**	(4)

6. DIRECTORS' REMUNERATION

	THE GROUP AND THE COMPANY	
	2020 RM'000	2019 RM'000
Continuing Operations		
Directors of the Company		
Executive:		
Fees	**703**	632
Other emoluments	**7,105**	6,981
Defined contribution plans	**850**	837
	8,658	8,450
Non-executive fees	**755**	723
	9,413	9,173

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 RM172,000 (2019: RM107,000).

7. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000 (RESTATED)	2020 RM'000	2019 RM'000
Continuing Operations				
Interest on:				
Term loans	**4,349**	3,600	**2,185**	590
Revolving credit	**44**	-	**44**	-
Bank charges and commissions	**494**	605	**245**	271
Loan and facility arrangement fees	**-**	17	**-**	-
Total interest expense for financial liabilities that are not designated as at FVTPL	**4,887**	4,222	**2,474**	861

8. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000 (RESTATED)	2020 RM'000	2019 RM'000
Continuing Operations				
Interest income from:				
Short-term deposits	**3,477**	5,301	**1,939**	1,568
Financial assets measured at amortised cost	**-**	-	**6,022**	3,073
Total interest income earned on financial assets that are not designated as at FVTPL	**3,477**	5,301	**7,961**	4,641
Dividend income from a foreign subsidiary (Note 14)	**-**	-	**81,550**	62,316
Income on financial assets designated as at FVTPL	**-**	98	**-**	98
	3,477	5,399	**89,511**	67,055

9. TAXATION

(a) Taxation recognised in profit or loss

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000 (RESTATED)	2020 RM'000	2019 RM'000
Continuing Operations				
Tax expense comprises:				
Current tax in respect of the financial year:				
Malaysian	**(4,905)**	(5,130)	**(4,801)**	(4,789)
Foreign	**(320)**	(4,696)	**-**	-
Deferred tax relating to origination and reversal of temporary differences	**(16,461)**	(9,809)	**347**	(5,812)
Adjustments recognised in the current year in relation to the taxes of prior years - income tax	**241**	503	**219**	403
Total taxation of continuing operations	**(21,445)**	(19,132)	**(4,235)**	(10,198)

NOTES TO THE FINANCIAL STATEMENTS

9. TAXATION (CONT'D)

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

Malaysian income tax is calculated at the statutory tax rate of 24% for the year of assessment 2020 (2019: 24%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000 (RESTATED)	2020 RM'000	2019 RM'000
Continuing Operations				
Profit before tax	**164,024**	98,111	**139,349**	39,040
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2019: 24%)	**(39,366)**	(23,547)	**(33,444)**	(9,370)
Effect of reduced tax rate for a foreign subsidiary operating in promoted area	**10,130**	5,055	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**124**	9	**-**	-
Tax effects of:				
Unabsorbed reinvestment allowances recognised as deferred tax assets	**11,544**	-	**11,544**	-
Utilisation of unutilised tax losses and reinvestment allowances not recognised as deferred tax assets	**-**	2,401	**-**	2,401
Income that is exempted from taxation	**2,531**	933	**21,795**	15,589
Expenses that are not deductible in determining taxable profit	**(4,193)**	(1,134)	**(4,349)**	(19,221)
Unabsorbed reinvestment allowances and capital allowances and unutilised tax losses not recognised as deferred tax assets	**(2,456)**	(3,352)	**-**	-
	(21,686)	(19,635)	**(4,454)**	(10,601)
Adjustments recognised in the current year in relation to the taxes of prior years - income tax	**241**	503	**219**	403
Taxation recognised in the statements of profit or loss	**(21,445)**	(19,132)	**(4,235)**	(10,198)

9. TAXATION (CONT'D)

(b) Tax Recoverable and Provision for Taxation

Tax recoverable relates to tax refundable and provision for taxation relates to income tax payable.

Contingent tax expenses pending outcome of court cases are as follows:

	THE GROUP 2020 RM'000	THE GROUP 2019 RM'000
Years of Assessment:		
2009	**10,567**	10,746
2010	**1,862**	1,894
2011	**8,852**	9,002
2012	**4,256**	4,328
Contingent tax expense pending outcome of court cases (included in tax recoverable of the Group)	**25,537**	25,970
Add : Translation reserve	**1,151**	269
Add : Reversal of tax expense recognised in prior years arising from favourable outcome of court cases	**(9,519)**	-
Less : Amount recognised as tax expense upon early adoption of IC Int. 23 in prior years	**(17,169)**	(26,239)
	-	-

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.

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 RM4,485,928 and interest of RM1,435,498 instead of an overpayment of RM446,860.

PT Unisem had made a partial payment of RM1,777,945, RM1,206,750 and RM2,936,731 in year 2011, 2012 and 2015 respectively for the assessed underpayment amount inclusive of interest of RM5,921,426 subsequent to the rejection of appeal by both the Director General of Tax and Tax Court. Following the rejected appeal, a penalty of RM4,139,820 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 RM58,733 and made a full payment within the same year.

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

NOTES TO THE FINANCIAL STATEMENTS

9. TAXATION (CONT'D)

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

Year of Assessment 2010 (YA 2010)
Based on the revised tax assessment for YA 2009 disclosed above, PT Unisem amended the corporate income tax for YA 2010 due to the utilisation of fiscal loss carried forward disputed for YA 2009. The revision of tax assessment had resulted in an underpayment for YA 2010 including interest of RM1,586,184, instead of an overpayment of RM275,843. 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 judicial review in the Supreme Court is still in progress.

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 and withholding tax amounting to RM2,445,873 and RM457,089 respectively and interest of RM733,764 on the underpayment of corporate income tax, instead of an overpayment of RM1,578,067.

Appeal submitted to the Tax Court on the underpayment had been rejected.

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 RM3,179,637 and RM457,979 respectively were imposed on the late payment of the outstanding balances. PT Unisem made a full payment of the penalty imposed within the same year.

In May 2017, PT Unisem submitted a judicial review to the Supreme Court for the result of the Tax Court.

On December 16, 2020, the Supreme Court had issued a Verdict which granted PT Unisem's judicial review request with a favourable outcome. The underpayment of corporate income tax inclusive of interest and the withholding tax totalling RM5,210,992 will be refunded to PT Unisem.

PT Unisem will submit the request for refund of penalty on corporate income tax and withholding tax of RM3,179,637 and RM457,979 respectively upon receipt of the original Supreme Court Verdict.

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 RM3,112,059 and interest of RM995,858, instead of an overpayment of RM148,178.

In 2014, PT Unisem made a full payment of the assessed underpayment amount inclusive of interest of RM4,256,095. 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.

On December 16, 2020, with the Supreme Court Verdict granting PT Unisem's judicial review request with a favourable outcome, the underpayment of corporate income tax of RM4,256,095 will be refunded to PT Unisem.

9. TAXATION (CONT'D)

(c) Deferred Tax Balances

Certain deferred tax assets and deferred tax liabilities have been offset in accordance with the Group's and the Company's accounting policy. Deferred tax balances are presented in the statements of financial position after appropriate offsetting as follows:

THE GROUP 2020	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets				
Unabsorbed reinvestment allowances	56,851	3,894	-	**60,745**
Unabsorbed capital allowances and unutilised tax losses	14,762	(156)	-	**14,606**
Provisions	5,234	(2,104)	202	**3,332**
	76,847	1,634	202	**78,683**
Offsetting				**(78,683)**
Deferred tax assets (after offsetting)				**-**
Deferred tax liabilities				
Property, plant and equipment	(101,369)	(14,388)	(815)	**(116,572)**
Offsetting				**78,683**
Deferred tax liabilities (after offsetting)				**(37,889)**

THE GROUP 2019	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets				
Unabsorbed 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 COMPANY 2020	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	AT END OF YEAR RM'000
Deferred tax assets			
Unabsorbed reinvestment allowances	56,851	3,894	**60,745**
Offsetting			**(60,745)**
Deferred tax assets (after offsetting)			**-**
Deferred tax liabilities			
Property, plant and equipment	(62,047)	(3,547)	**(65,594)**
Offsetting			**60,745**
Deferred tax liabilities (after offsetting)			**(4,849)**

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			
Unabsorbed 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)

The following components of deferred tax assets of the Group have not been recognised at the end of the reporting period due to the uncertainty of future taxable income of a subsidiary:

	THE GROUP 2020 RM'000	THE GROUP 2019 RM'000
Unabsorbed investment tax allowances	**24,617**	24,617
Unabsorbed reinvestment allowances	**16,050**	10,774
Unabsorbed capital allowances and unutilised tax losses	**-**	4,629
	40,667	40,020

9. TAXATION (CONT'D)

(c) Deferred Tax Balances (cont'd)

The estimated unabsorbed reinvestment allowances and unutilised tax losses of the Group and of the Company will expire by the end of the following years of assessment:

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unabsorbed reinvestment allowances:				
2025	**203,203**	238,477	**203,203**	238,477
2037	**74,761**	73,580	**-**	-
Unutilised tax losses:				
2021	**-**	542	**-**	-
2022	**-**	1,133	**-**	-
2023	**-**	1,431	**-**	-
2024	**-**	1,523	**-**	-
2025	**779**	779	**-**	-

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated as follows:

	THE GROUP	
	2020	2019
Profit/(Loss) for the year attributable to owners of the Company:		
From continuing operations (RM'000)	**142,579**	79,698
From discontinued operations (RM'000)	**207**	(89,240)
	142,786	(9,542)
Number of ordinary shares in issue as of January 1 excluding treasury shares ('000)	**727,086**	727,086
Weighted average number of ordinary shares in issue pursuant to private placement ('000)	**4,303**	-
	731,389	727,086
Basic and diluted earnings/(loss) per share:		
From continuing operations (sen)	**19.49**	10.96
From discontinued operations (sen)	**0.03**	(12.27)
From continuing and discontinued operations (sen)	**19.52**	(1.31)

NOTES TO THE FINANCIAL STATEMENTS

11. DISCONTINUED OPERATIONS

Discontinued operations of Indonesia manufacturing plant

One of the foreign subsidiaries of the Group, PT Unisem, has discontinued its operations on March 31, 2020 due to continuing losses incurred over the previous years.

The results of the discontinued operations which have been included in the statement of profit or loss for the year are set out below. The comparative figures in the statement of profit or loss have been re-presented to reflect the results from discontinued operations.

	2020 RM'000	2019 RM'000
Profit/(Loss) for the year from discontinued operations		
Revenue	**18,287**	131,386
Other operating income	**3,579**	2,361
Other gains	**2,301**	433
Expenses	**(37,178)**	(218,670)
Loss before tax	**(13,011)**	(84,490)
Taxation	**13,218**	(4,750)
Profit/(Loss) for the year attributable to owners of the Company	**207**	(89,240)

The effects of the discontinued operations on the statement of cash flows are as follows:

	2020 RM'000	2019 RM'000
Net cash from/(used in) operating activities	**7,866**	(84,225)
Net cash from/(used in) investing activities	**5,159**	(5,430)
Net cash used in financing activities	**-**	(42,980)
Net cash inflows/(outflows)	**13,025**	(132,635)

The leasehold land and building of PT Unisem have been reclassified from property, plant and equipment to non-current assets held for sale arising from discontinued operations as disclosed in Note 20.

12. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	BUILDINGS RM'000	PLANT AND MACHINERY RM'000	ELECTRICAL INSTALLATION RM'000	OFFICE EQUIPMENT RM'000	AIR-CONDITIONERS RM'000	MOTOR VEHICLES RM'000	FURNITURE AND FITTINGS RM'000	PRODUCTION SUPPORT EQUIPMENT RM'000	CAPITAL WORK-IN-PROGRESS RM'000	TOTAL RM'000
Cost										
As of January 1, 2019	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
Additions	1,082	48,334	745	1,828	988	-	725	490	216,755	270,947
Translation reserve	8,146	55,179	-	823	221	30	340	2,736	2,761	70,236
Reclassified as held for sale (Note 20)	(81,199)	-	-	-	-	-	-	-	-	(81,199)
Disposals	(749)	(307,402)	-	-	-	(201)	(822)	-	-	(309,174)
Write offs	(26,801)	(83,059)	-	(8,038)	-	(52)	(5,489)	(4)	-	(123,443)
Transfers	6,145	194,389	-	(129)	-	-	68	5,094	(205,567)	-
As of December 31, 2020	**286,385**	**3,036,077**	**19,656**	**66,183**	**16,617**	**3,720**	**10,798**	**67,647**	**23,781**	**3,530,864**
Accumulated depreciation and impairment losses										
As of January 1, 2019	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
Charge for the year	6,379	153,507	602	3,242	490	196	326	4,664	-	169,406
Impairment losses for the year	-	999	-	-	-	-	-	-	-	999
Translation reserve	1,315	40,228	-	767	199	25	305	2,047	-	44,886
Reclassified as held for sale (Note 20)	(72,879)	-	-	-	-	-	-	-	-	(72,879)
Disposals	(718)	(304,921)	-	-	-	(164)	(821)	-	-	(306,624)
Write offs	(26,801)	(82,052)	(927)	(7,952)	-	(185)	(5,489)	(3)	-	(123,409)
As of December 31, 2020	**76,681**	**2,096,419**	**16,258**	**52,202**	**12,614**	**2,994**	**8,802**	**49,830**	**-**	**2,315,800**
Carrying amounts										
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
As of December 31, 2020	**209,704**	**939,658**	**3,398**	**13,981**	**4,003**	**726**	**1,996**	**17,817**	**23,781**	**1,215,064**

NOTES TO THE FINANCIAL STATEMENTS

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

THE COMPANY	BUILDINGS RM'000	PLANT AND MACHINERY RM'000	ELECTRICAL INSTALLATION RM'000	OFFICE EQUIPMENT RM'000	AIR-CONDITIONERS RM'000	MOTOR VEHICLES RM'000	FURNITURE AND FITTINGS RM'000	CAPITAL WORK-IN-PROGRESS RM'000	TOTAL RM'000
Cost									
As of January 1, 2019	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
Additions	1,082	85,829	615	1,365	988	-	446	5,081	95,406
Disposals	(680)	(72,693)	-	-	-	-	-	-	(73,373)
Write offs	-	-	-	(9)	-	-	-	-	(9)
Transfers	-	-	-	-	-	-	-	-	-
As of December 31, 2020	**98,788**	**1,473,446**	**17,704**	**50,342**	**11,844**	**3,129**	**6,296**	**6,995**	**1,668,544**
Accumulated depreciation and impairment losses									
As of January 1, 2019	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
Charge for the year	1,956	61,141	436	3,048	490	151	173	-	67,395
Disposals	(680)	(72,144)	-	-	-	-	-	-	(72,824)
Write offs	-	-	-	(2)	-	-	-	-	(2)
As of December 31, 2020	**33,664**	**1,106,472**	**15,663**	**38,903**	**8,318**	**2,460**	**5,193**	**-**	**1,210,673**
Carrying amounts									
As of December 31, 2019	65,998	342,835	1,862	13,129	3,028	820	830	1,914	430,416
As of December 31, 2020	**65,124**	**366,974**	**2,041**	**11,439**	**3,526**	**669**	**1,103**	**6,995**	**457,871**

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

Impairment review of property, plant and equipment

Due to the discontinuance of PT Unisem's operations, management has performed assessment on the recoverability of the carrying amounts of PT Unisem's property, plant and equipment.

The review led to the recognition of impairment losses by the Group of RM999,000 (2019: RM24,730,000).

13. PREPAID INTERESTS IN LEASED LAND

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At cost:				
At beginning of year	**28,706**	28,542	**4,354**	4,354
Addition	**-**	463	**-**	-
Reclassified as held for sale (Note 20)	**(7,277)**	-	**-**	-
Translation reserve	**348**	(299)	**-**	-
At end of year	**21,777**	28,706	**4,354**	4,354
Less: Amortisation				
At beginning of year	**11,645**	10,641	**924**	880
Charge for the year	**325**	1,135	**44**	44
Reclassified as held for sale (Note 20)	**(6,840)**	-	**-**	-
Translation reserve	**7**	(131)	**-**	-
At end of year	**5,137**	11,645	**968**	924
Net	**16,640**	17,061	**3,386**	3,430

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost		
At beginning of year	**665,743**	596,369
Additions:		
Dividend income from a foreign subsidiary re-invested as investment cost (Note 8)	**81,550**	62,316
Deemed contribution arising from waiver of debts owing by a subsidiary	**3,492**	-
Acquisition of remaining interests in a subsidiary	**-**	7,058
At end of year	**750,785**	665,743
Accumulated impairment losses		
At beginning of year	**247,215**	236,779
Additions	**3,492**	10,436
At end of year	**250,707**	247,215
Carrying amount	**500,078**	418,528

NOTES TO THE FINANCIAL STATEMENTS

14. 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 2020 %	2019 %	PRINCIPAL ACTIVITIES
Direct subsidiaries				
Unisem (Ipoh) Sdn. Bhd. #	Malaysia	**100.00**	100.00	Pre-operating.
Unisem Advanced Technologies Sdn. Bhd.	Malaysia	**100.00**	100.00	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. Discontinued operations in 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.

Impairment review of investments in subsidiaries

During the current financial year, the Company has recognised an impairment loss of RM3,492,000 (2019: RM10,436,000) for its investment in Unisem (Mauritius) Holdings Limited group ("Unisem Mauritius group") as a result of the discontinuance of PT Unisem's operations. Arising therefrom, the investment in Unisem Mauritius group has been fully impaired since PT Unisem is the only operating entity within that group.

15. INTANGIBLE ASSETS

THE GROUP	LICENSE FEES AND INTELLECTUAL PROPERTY RIGHTS RM'000	TECH-TRANSFER SUPPORT FEES RM'000	CAPITALISED DEVELOPMENT EXPENSES RM'000	TOTAL RM'000
Cost				
As of January 1, 2019	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
Write offs	(6,815)	(5,672)	(839)	(13,326)
Translation reserve	180	(99)	6	87
As of December 31, 2020	**16,890**	**19,966**	**949**	**37,805**
Accumulated amortisation and impairment losses				
As of January 1, 2019	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
Write offs	(6,815)	(5,672)	(839)	(13,326)
Translation reserve	180	(99)	6	87
As of December 31, 2020	**16,890**	**19,966**	**949**	**37,805**
Carrying amounts				
As of December 31, 2019 and 2020	-	-	-	-

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.

16. INVENTORIES

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Raw materials	**85,904**	71,847	**45,010**	32,421
Factory supplies	**58,858**	59,908	**47,920**	48,412
Work-in-progress	**24,232**	18,553	**8,636**	7,178
Finished goods	**5,560**	3,708	**1,010**	527
Goods-in-transit	**1,556**	10	**1,556**	10
	176,110	154,026	**104,132**	88,548

The cost of inventories of the Group and of the Company recognised as an expense during the year in respect of continuing operations were approximately RM1,065,034,000 (2019: RM974,420,000) and RM500,351,000 (2019: RM487,991,000) respectively.

Write downs of inventories to net realisable values included in the cost of inventories are as follows:

	THE GROUP	
	2020 RM'000	2019 RM'000
Continuing operations	**329**	396
Discontinued operations	**-**	9,914

NOTES TO THE FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables	**167,915**	147,172	**81,230**	65,014
Less: Loss allowance				
At beginning of year	**(2,134)**	-	**-**	-
Addition	**(410)**	(2,162)	**-**	-
No longer required	**1,436**	-	**-**	-
Write off	**757**	-	**-**	-
Translation reserve	**(42)**	28	**-**	-
At end of year	**(393)**	(2,134)	**-**	-
	167,522	145,038	**81,230**	65,014

Trade receivables comprise amounts receivable for sale of goods and services rendered. The credit terms granted range from 30 to 60 days (2019: 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. 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 will only 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.

Other receivables, deposits and prepaid expenses consist of:

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other receivables	**4,959**	3,315	**651**	589
Deposits	**1,164**	3,206	**475**	425
Prepaid expenses	**5,537**	6,762	**1,631**	3,061
	11,660	13,283	**2,757**	4,075

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Chinese Renminbi	**4,031**	1,027	**-**	-
Ringgit Malaysia	**643**	305	**651**	589
US Dollar	**285**	1,983	**-**	-
	4,959	3,315	**651**	589

18. 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 subsidiaries which bear interest rates ranging from 1.90% to 5.00% (2019: 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 previous year and trade transactions which are unsecured, interest-free and are repayable upon demand.

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

	THE COMPANY	
	2020 RM'000	2019 RM'000
Amount due within 12 months	**129,864**	8,757
Less: Loss allowance:		
At beginning of year	**(1,938)**	-
Addition	**(8,778)**	(1,938)
Reclassified from amount due after 12 months	**(66,821)**	-
At end of year	**(77,537)**	(1,938)
	52,327	6,819
Amount due after 12 months	**14,869**	176,693
Less: Loss allowance:		
At beginning of year	**(66,821)**	-
Addition	**-**	(66,821)
Reclassified to amount due within 12 months	**66,821**	-
At end of year	**-**	(66,821)
	14,869	109,872
	67,196	116,691

The Company estimates the loss allowance on amount owing by subsidiaries at the end of the reporting period at an amount equal to lifetime ECL.

The Company recognised a loss allowance of RM8,778,000 (2019: RM68,759,000) during the financial year for the amount owing by subsidiaries based on current financial position of the respective subsidiaries and forecasts of their future economic conditions. Historically, these amounts were not in default.

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

	THE COMPANY	
	2020 RM'000	2019 RM'000
US Dollar	**133,955**	176,693
Ringgit Malaysia	**10,778**	8,757
	144,733	185,450

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

	THE COMPANY	
	2020 RM'000	2019 RM'000
Subsidiaries		
Dividend received	**81,550**	62,316
Purchase of property, plant and equipment	**17,645**	10,706
Loan granted	**13,448**	126,663
Interest received/receivable on loan granted	**6,022**	3,073
Waiver of debts	**3,492**	-
Marketing support fee paid/payable	**2,481**	3,173
Rental income	**834**	834
Management fees received/receivable	**576**	576
Disposal of property, plant and equipment	**557**	658
Purchase of inventories	**421**	-
Marketing support fees received/receivable	**92**	115
Other marketing support fees paid/payable	**-**	250

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other related companies				
Trade purchases	**373**	-	**-**	-
Trade sales	**24**	61	**-**	-
Acquisition of remaining interests in a subsidiary	**-**	7,058	**-**	7,058

Compensation of key management personnel

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

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Short-term employee benefit	**6,506**	7,085	**1,651**	1,774
Post employment benefit	**78**	79	**-**	-
	6,584	7,164	**1,651**	1,774

19. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash on hand and at banks	**219,517**	143,356	**131,091**	77,017
Short-term deposits with licensed banks	**444,578**	178,165	**344,466**	-
Other cash equivalents classified as at FVTPL	**-**	21,282	**-**	21,282
	664,095	342,803	**475,557**	98,299

19. CASH AND CASH EQUIVALENTS (CONT'D)

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

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Ringgit Malaysia	**360,549**	77,230	**350,859**	45,731
US Dollar	**295,011**	247,269	**124,698**	52,568
Chinese Renminbi	**7,545**	18,092	**-**	-
Indonesian Rupiah	**990**	111	**-**	-
Singapore Dollar	**-**	101	**-**	-
	664,095	342,803	**475,557**	98,299

The average effective interest rates per annum are as follows:

	2020 %	2019 %
Short-term deposits		
The Group	**1.62 - 3.50**	3.50 - 4.00
The Company	**2.00 - 3.25**	3.50 - 3.80
Bank current account		
The Group	**0.03 - 2.65**	0.60 - 2.90
The Company	**0.03 - 2.65**	0.60 - 2.90

The average maturity periods as of the end of the reporting period are as follows:

	2020 DAYS	2019 DAYS
Short-term deposits		
The Group	**17 - 90**	30 - 90
The Company	**30 - 90**	30

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 previous financial year.

Additions to property, plant and equipment

During the financial year, property, plant and equipment were acquired by the following means:

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Additions during the year	**270,947**	212,051	**95,406**	49,931
Outstanding balances	**(51,889)**	(21,649)	**(28,498)**	(5,964)
Cash payment in respect of additions in:				
Current year	**219,058**	190,402	**66,908**	43,967
Prior year	**21,649**	38,149	**5,964**	12,812
	240,707	228,551	**72,872**	56,779

NOTES TO THE FINANCIAL STATEMENTS

19. CASH AND CASH EQUIVALENTS (CONT'D)

Additions to prepaid interest in leased land

	THE GROUP 2020 RM'000	THE GROUP 2019 RM'000
Additions during the year	-	463
Cash payment in respect of additions in current year	-	463

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.

	BALANCE AS OF JANUARY 1 RM'000	FINANCING CASH FLOWS[1] RM'000	NON-CASH CHANGES: EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES RM'000	NON-CASH CHANGES: AMORTISATION OF LOAN ARRANGEMENT FEES RM'000	NON-CASH CHANGES: UNREALISED (GAIN)/LOSS ON FOREIGN EXCHANGE RM'000	NON-CASH CHANGES: ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY RM'000	BALANCE AS OF DECEMBER 31 RM'000
THE GROUP							
2020							
Revolving credits	**-**	**41,115**	**-**	**-**	**(890)**	**-**	**40,225**
Term loans	**174,109**	**(3,783)**	**-**	**-**	**(3,151)**	**-**	**167,175**
Amount owing to related companies	**4,091**	**(2,096)**	**-**	**-**	**16**	**-**	**2,011**

	BALANCE AS OF JANUARY 1 RM'000	FINANCING CASH FLOWS[1] RM'000	NON-CASH CHANGES: EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES RM'000	NON-CASH CHANGES: AMORTISATION OF LOAN ARRANGEMENT FEES RM'000	NON-CASH CHANGES: UNREALISED (GAIN)/LOSS ON FOREIGN EXCHANGE RM'000	NON-CASH CHANGES: ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY RM'000	BALANCE AS OF DECEMBER 31 RM'000
THE GROUP							
2019							
Revolving credits	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

19. CASH AND CASH EQUIVALENTS (CONT'D)

			← NON CASH CHANGES →		
	BALANCE AS OF JANUARY 1 RM'000	FINANCING CASH FLOWS[1] RM'000	UNREALISED (GAIN)/LOSS ON FOREIGN EXCHANGE RM'000	ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY RM'000	BALANCE AS OF DECEMBER 31 RM'000
THE COMPANY					
2020					
Term loan	**73,349**	**31,452**	**(2,227)**	**-**	**102,574**
Revolving credits	**-**	**41,115**	**(890)**	**-**	**40,225**
Amount owing to subsidiaries	**22,481**	**3,293**	**(543)**	**-**	**25,231**
Amount owing to related companies	**4,091**	**(2,096)**	**16**	**-**	**2,011**

			← NON CASH CHANGES →		
	BALANCE AS OF JANUARY 1 RM'000	FINANCING CASH FLOWS[1] RM'000	UNREALISED (GAIN)/LOSS ON FOREIGN EXCHANGE RM'000	ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY RM'000	BALANCE AS OF DECEMBER 31 RM'000
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

[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.

20. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	THE GROUP	
	2020 RM'000	2019 RM'000
Cost:		
Buildings (Note 12)	**81,199**	-
Leasehold land (Note 13)	**7,277**	-
	88,476	-
Accumulated depreciation/amortisation:		
Buildings (Note 12)	**(72,879)**	-
Leasehold land (Note 13)	**(6,840)**	-
	(79,719)	-
Carrying amount	**8,757**	-

NOTES TO THE FINANCIAL STATEMENTS

20. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONT'D)

Management has committed to dispose of the land and building of PT Unisem within the next twelve months and is currently in midst of promoting the sale of the property. The proceeds of disposal are expected to substantially exceed the carrying amount of the said property and accordingly, no impairment loss has been recognised upon the classification as non-current assets held for sale.

21. 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, 2019 and December 31, 2019	733,831	(6,745)	727,086	595,367	(15,888)	579,479
Issuance of new shares	51,633	-	51,633	280,751	-	280,751
As of December 31, 2020	**785,464**	**(6,745)**	**778,719**	**876,118**	**(15,888)**	**860,230**

On December 1, 2020, the Company completed the issuance of the first tranche of the private placement comprising 51,633,000 new ordinary shares at an issue price of RM5.50 per share which resulted in a net increase in the share capital (after deducting expenses incurred in relation to the private placement) by RM280,750,960.

On February 3, 2021, the Company completed the issuance of the second and final tranche of the private placement comprising 21,075,500 new ordinary shares at an issue price of RM7.70 per share.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

(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.

22. RESERVES

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-distributable reserves:				
Foreign currency translation reserve	**162,428**	124,799	**-**	-
Capital reserve	**49,868**	40,255	**-**	-
Distributable reserve:				
Retained earnings	**700,270**	610,722	**534,481**	442,992
	912,566	775,776	**534,481**	442,992

22. RESERVES (CONT'D)

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, 2020 is available for distribution as single-tier dividends to the shareholders of the Company.

23. BORROWINGS

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unsecured:				
Term loans	**167,175**	174,109	**102,574**	73,349
Revolving credits	**40,225**	-	**40,225**	-
	207,400	174,109	**142,799**	73,349
Less: Amount due within 12 months (shown under current liabilities)	**(98,838)**	(53,471)	**(64,360)**	(18,408)
Non-current portion	**108,562**	120,638	**78,439**	54,941

The non-current portion is repayable as follows:

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial years ending December 31:				
2021	**-**	59,607	**-**	24,544
2022	**54,258**	55,178	**24,135**	24,544
2023	**24,135**	5,853	**24,135**	5,853
2024	**24,135**	-	**24,135**	-
2025	**6,034**	-	**6,034**	-
	108,562	120,638	**78,439**	54,941

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

The Company has an unsecured Islamic term loan facility of USD30,000,000 (2019: USD30,000,000) with one (2019: one) local bank which is repayable over five (2019: five) years commencing year 2020 and unsecured revolving credits facilities of USD10,000,000 and RM33,000,000 (2019: Nil and RM33,000,000) and bank guarantee facility of RM10,000,000 (2019: RM10,000,000) with three (2019: two) local banks.

NOTES TO THE FINANCIAL STATEMENTS

23. BORROWINGS (CONT'D)

The subsidiaries have the following banking facilities:

i) USD30,000,000 (2019: USD30,000,000) Islamic term loan facility with one (2019: one) local bank which is repayable over five (2019: five) years commencing year 2019. This term loan facility is guaranteed by the Company; and

ii) RM2,700,000 (2019: RM2,700,000) Islamic overdraft and bank guarantee facilities with two (2019: two) local banks. The revolving credits facility of RMB50,000,000 (2019: RMB50,000,000) with a foreign bank of a foreign subsidiary has been terminated during the financial year. These facilities are guaranteed by the Company.

The details of interest rates charged are as follows:

Term loans	- 1.10% - 1.50% (2019: 1.10% - 1.50%) per annum plus LIBOR
	- Nil (2019: 5.00%) per annum below bank term lending rate
Revolving credits	- 0.75% (2019: Nil) per annum plus LIBOR
	- Nil (2019: 5.25%) per annum below bank term lending rate
Supplier financing	- Nil (2019: 5.60%) per annum below bank term lending rate

24. DEFERRED INCOME

	THE GROUP	
	2020 RM'000	2019 RM'000
At beginning of year	**17,719**	12,709
Additions	**7,004**	6,474
Amortisation	**(1,637)**	(1,071)
Translation reserve	**925**	(393)
At end of year	**24,011**	17,719

The deferred income relates to government grants, primarily in respect of capital investments, received by a foreign subsidiary. Amount expected to be recognised as income in the next financial year is RM2,227,000 (2019: RM1,403,000).

25. RETIREMENT BENEFIT OBLIGATIONS

The Group operated an unfunded defined benefit plan for qualifying employees of its subsidiary, PT Unisem, in Indonesia. Under the plans, the employees were entitled to retirement benefits on attainment of the retirement age of 55. No other post-retirement benefits were provided to these employees.

During the previous financial year, PT Unisem 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 on March 31, 2020. Certain of the employees of PT Unisem have been re-employed on contract basis without any retirement benefits.

25. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	THE GROUP	
	2020 RM'000	2019 RM'000
Past service costs and gain on settlements	-	(38,093)
Current service costs	-	990
Interest on obligations	-	1,516
	-	(35,587)

Movements in the present value of the retirement benefit obligations in the prior year were as follows:

	THE GROUP	
	2020 RM'000	2019 RM'000
At beginning of year	-	35,976
Liabilities extinguished on settlements recognised in the statement of profit or loss	-	(38,093)
Benefits paid	-	(470)
Expenses recognised in the statement of profit or loss	-	2,506
Translation reserve	-	81
At end of year	-	-

26. 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 (2019: 30 to 60 days).

The currency profile of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
US Dollar	**69,632**	69,826	**38,328**	30,647
Ringgit Malaysia	**1,850**	1,427	**1,850**	1,427
Chinese Renminbi	**492**	469	**-**	-
Singapore Dollar	**-**	206	**-**	-
Indonesian Rupiah	**-**	111	**-**	-
Japanese Yen	**-**	99	**-**	-
	71,974	72,138	**40,178**	32,074

Other payables and accrued expenses consist of:

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables	**104,161**	75,468	**57,903**	43,772
Accrued expenses	**51,177**	44,750	**24,878**	21,750
	155,338	120,218	**82,781**	65,522

NOTES TO THE FINANCIAL STATEMENTS

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

Other payables comprise mainly outstanding balances for 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 (2019: 30 to 60 days).

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

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
US Dollar	**70,066**	36,100	**29,454**	13,349
Ringgit Malaysia	**56,695**	56,838	**50,588**	51,441
Chinese Renminbi	**22,440**	19,504	**-**	-
Indonesian Rupiah	**2,930**	5,684	**-**	-
Japanese Yen	**1,761**	3	**1,761**	3
Singapore Dollar	**1,097**	1,483	**978**	729
Euro	**339**	595	**-**	-
Others	**10**	11	**-**	-
	155,338	120,218	**82,781**	65,522

27. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2020 RM'000	2019 RM'000
1st Interim dividend for 2020 of 2.0 sen per share, tax-exempt (2019: 2.0 sen per share, tax-exempt)	**14,542**	14,542
2nd Interim dividend for 2020 of 2.0 sen per share, tax-exempt (2019: 2.0 sen per share, tax-exempt)	**14,542**	14,542
3rd interim dividend for 2019 of 2.0 sen per share, tax-exempt (2019: Nil)	**14,541**	-
Final dividend for 2019: Nil (2019: final dividend for 2018 of 3.0 sen per share, tax-exempt)	**-**	21,812
	43,625	50,896

On February 25, 2021, the directors declared a third interim dividend of 2.0 sen per share, tax-exempt, for the current financial year. The interim dividend has not been included as a liability in the financial statements for the financial year ended December 31, 2020 and will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2021.

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's financial risk management objective is to optimise the value creation for shareholders. The main financial risks faced by the Group are as follows:

(a) Market risk

(i) Foreign currency risk management

The Group is exposed to foreign currency exchange risk when the Company or its subsidiaries enter into transactions that are not denominated in their functional currencies. Currently, the Group's revenue, cost of sales, operating expenses, capital expenditure and bank borrowings are denominated primarily in US Dollar, Ringgit Malaysia and Chinese Renminbi.

The Group attempts to significantly limit the foreign currency exchange risk by having a natural hedge between its receivables and a substantial portion of its payables/bank borrowings and may also enter into forward currency exchange contracts.

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the Group and of the Company at the end of the reporting period are disclosed in Notes 17, 18, 19, 23 and 26.

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% (2019: 0.2%) increase and decrease in Ringgit Malaysia 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% (2019: 0.2%) change in foreign currency rates.

A positive number below indicates an increase in profit after tax (2019: decrease in loss after tax) of the Group and increase in profit after tax of the Company for both financial years where Ringgit Malaysia weakens 0.2% (2019: 0.2%) against the relevant foreign currencies. For a 0.2% (2019: 0.2%) strengthening of Ringgit Malaysia against the relevant foreign currencies, there would be a decrease in profit after tax (2019: Increase in loss after tax) of the Group and decrease in profit after tax of the Company for both financial years and the balances below would be negative.

	PROFIT OR LOSS	
	2020 RM'000	2019 RM'000
The Group		
US Dollar impact	**175***	157*
The Company		
US Dollar impact	**158***	229*

* 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.

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

(a) Market risk (cont'd)

(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% (2019: 1.00%) with all other variables including tax rate being held constant, profit after tax (2019: loss after tax) of the Group will decrease (2019: increase) and profit after tax of the Company for both financial years will decrease and a negative number will be shown as follows:

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit or loss	**(1,576)**	(1,323)	**(932)**	(557)

The decrease in annual effective interest rates by 1.00% (2019: 1.00%) with all other variables including tax rate being held constant will have an opposite impact to profit after tax (2019: loss after tax) of the Group and profit after tax of the Company for both financial years 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.

(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.

28. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The age analysis of trade receivables is as follows:

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Neither past due nor impaired	**164,680**	140,086	**78,657**	62,888
Past due but not impaired:				
61 - 90 days	**2,284**	4,123	**2,015**	1,926
91 - 120 days	**434**	565	**434**	125
Above 120 days	**124**	264	**124**	75
	2,842	4,952	**2,573**	2,126
Past due and impaired:				
Within 60 days	**-**	352	**-**	-
61 - 90 days	**-**	275	**-**	-
91 - 120 days	**-**	179	**-**	-
Above 120 days	**393**	1,328	**-**	-
	393	2,134	**-**	-
	167,915	147,172	**81,230**	65,014

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	
	2020 RM'000	2019 RM'000
Corporate guarantee provided to banks for subsidiaries' facilities	**64,602**	100,760

(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. Sufficient credit facilities are also maintained for contingent funding of working capital requirements.

The Group and the Company have unutilised banking facilities of approximately RM38,160,000 and RM35,609,000 (2019: RM116,735,000 and RM84,797,000) respectively at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

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 RM12,453,000 (2019: RM109,872,000) and RM2,416,000 (2019: Nil) which will be matured between the period of 1 to 5 years and over 5 years respectively.

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, 2020			
Trade payables, other payables and accrued expenses	**227,312**	**-**	**-**
Amount owing to other related companies	**2,138**	**-**	**-**
Bank borrowings	**100,870**	**110,628**	**-**
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	-

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, 2020			
Trade payables, other payables and accrued expenses	**122,959**	**-**	**-**
Amount owing to subsidiaries	**25,231**	**-**	**-**
Amount owing to other related companies	**2,011**	**-**	**-**
Bank borrowings	**65,650**	**80,282**	**-**
Financial guarantee contracts	**64,602**	**-**	**-**
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	-	-

28. 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	
	2020	**2019**
Total borrowings (RM'000)	**207,400**	174,109
Total equity attributable to owners of the Company (RM'000)	**1,772,796**	1,355,255
Gearing ratio (times)	**0.12**	0.13

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 and financial assets 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

29. COMMITMENTS

As of December 31, 2020, the Group and the Company have the following commitments in respect of property, plant and equipment:

	THE GROUP		THE COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Approved and contracted for	**205,617**	98,125	**63,155**	5,883

30. CONTINGENT LIABILITY

	THE GROUP AND THE COMPANY	
	2020 RM'000	2019 RM'000
Withholding tax payable	**20,700**	12,500

A wholly-owned foreign subsidiary of the Company distributed dividends during the current and prior years. These dividends attracted a 10% withholding tax under the subsidiary's tax regime. However, as the dividends received were 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.

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, 2020 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

JOHN CHIA SIN TET

DATO' WONG GUANG SENG

Kuala Lumpur
March 1, 2021

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 1st day of March, 2021

Before me,

No. W530
Tan Seok Kett
COMMISSIONER FOR OATHS

SHAREHOLDERS' STATISTICS
AS AT 26 FEBRUARY 2021

1. Issued Shares and Voting Right

The total number of issued shares of the Company stands at 806,539,555 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
482	Less than 100	5,999	0.00
2,343	100 to 1,000	1,468,620	0.18
2,977	1,001 to 10,000	11,704,237	1.46
821	10,001 to 100,000	25,527,047	3.19
221	100,001 to less than 5% of issued Shares	182,611,988	22.83
3	5% and above of issued Shares	578,476,464	72.33
6,847		**799,794,355**	**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	53.58	-	-
Huatian Technology (Hongkong) Industrial Development Co., Limited	-	-	428,553,254	53.58 (a)
Tianshui Huatian Technology Co., Ltd.	-	-	428,553,254	53.58 (b)
Jayvest Holdings Sdn Bhd	87,597,085	10.95	7,134,300	0.89 (c)
John Chia Sin Tet	62,326,125	7.79	121,862,813	15.24 (d)
The Estate of Soo Yut Kuan	-	-	94,731,385	11.84 (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 26 FEBRUARY 2021

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	53.58
2.	Jayvest Holdings Sdn Bhd	87,597,085	10.95
3.	John Chia Sin Tet	62,326,125	7.79
4.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For John Chia Sin Tet (PB)	18,945,000	2.37
5.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN For AIA Bhd.	16,425,900	2.05
6.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AFFIN-HWG)	9,903,000	1.24
7.	SCQ Industries Berhad	7,134,300	0.89
8.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (ASIANISLAMIC)	5,746,200	0.72
9.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Yen Woon @ Low Sau Chee (PB)	4,200,000	0.53
10.	Lancar Indah Sdn.Bhd.	3,500,000	0.44
11.	Yen Woon @ Low Sau Chee	3,000,000	0.38
12.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Francis Chia Mong Tet (CEB)	2,870,480	0.36
13.	Yeoh Yew Choo	2,680,000	0.34
14.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For John Chia Sin Tet (01-00825-000)	2,636,428	0.33
15.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (AHAM EQUITY FUND)	2,618,600	0.33
16.	Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn. Bhd. (AFFIN 2)	2,483,800	0.31
17.	Cartaban Nominees (Tempatan) Sdn Bhd TMF Trustees Malaysia Berhad For Affin Hwang Wholesale Equity Fund	2,279,700	0.29
18.	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Manulife Investment Shariah Progressfund	2,193,900	0.27
19.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	2,091,800	0.26
20.	Alexander Chia Jhet-Wern	2,000,000	0.25

4. Thirty Largest Shareholders (as per the Record of Depositors, without aggregating securities from different securities accounts belonging to the same person) (cont'd)

	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
21.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	1,981,500	0.25
22.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chin Yau Kong	1,764,500	0.22
23.	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (TMEF)	1,742,000	0.22
24.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (AIIMAN IS EQ)	1,693,200	0.21
25.	One IFC Residence Sdn Bhd	1,680,000	0.21
26.	Citigroup Nominees (Asing) Sdn Bhd UBS AG	1,664,300	0.21
27.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Affin Hwang Aiiman Growth Fund (4207)	1,596,300	0.20
28.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For Areca Equitytrust Fund (211882)	1,585,700	0.20
29.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	1,575,600	0.20
30.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Manulife Insurance Berhad (EQUITY FUND)	1,486,100	0.19
		685,954,772	**85.77**

STATEMENT OF DIRECTORS' INTEREST
AS AT 26 FEBRUARY 2021

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

	NO. OF SHARES HELD			
NAME OF DIRECTORS	DIRECT INTEREST	%	DEEMED INTEREST	%
John Chia Sin Tet	62,326,125	7.79	121,862,813	15.24 [(a)]
Francis Chia Mong Tet	-	-	2,870,480	0.36 [(b)]
Alexander Chia Jhet-Wern	2,050,000	0.26	-	-
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 2020

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 2020 (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	-	**2,231**
	Factory building Phase I	Factory	-	130,000 sq ft	March 1992	29	**7,462**
	Factory building Phase II	Factory	-	110,000 sq ft	August 1996	25	**8,194**
	Factory building Phase III	Factory	-	330,000 sq ft	September 2000	20	**38,790**
	Factory building wafer bumping	Factory	-	22,000 sq ft	August 2005	15	**1,945**
PN 289781 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Industrial land	Vacant	99 years leasehold expiring 2100	115,500 sq m	October 2000	-	**5,911**
PT 19130 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Residential land	Hostel	99 years leasehold expiring 2104	20,429 sq m	June 2005	-	**1,155**
	Residential	Hostel	-	50,000 sq ft	June 2012	9	**8,733**

LIST OF PROPERTIES HELD BY THE GROUP
AS AT 31 DECEMBER 2020

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 2020 (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	-	**3,266**
	Industrial land	Factory	49 years leasehold expiring 2057	9.002 hectare	September 2007	-	**4,077**
	Factory building	Factory	-	366,000 sq ft	December 2005	15	**66,852**
	Factory building	Factory	-	254,000 sq ft	December 2012	8	**77,728**
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	-	**307**
	Industrial land	Factory	20 years leasehold expiring 2039	8,991 sq m	May 1998	-	**130**
	Factory Building Main Building	Factory	-	14,640 sq m	November 1991	29	**6,113**
	Factory Building East Wing	Factory	-	17,500 sq m	1998	22	**1,370**
	Factory Building East Wing Extension	Factory	-	1,600 sq m	2007	13.5	**837**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 32nd Annual General Meeting ("32nd AGM") of the Company will be conducted entirely through live streaming from the broadcast venue at Unisem (M) Berhad, Board Room, at Lot No. 9(H), 9th Floor UBN Tower, 10 Jalan P Ramlee, 50250 Kuala Lumpur on 28 April 2021, Wednesday at 10.30 a.m. to transact the following businesses:

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2020 and the Reports of the Directors and the Auditors thereon.
2. To approve the payment of Directors' fees amounting to RM1,458,000 for the financial year ended 31 December 2020, an increase of RM102,600 from RM1,355,400 for the financial year ended 31 December 2019. **Ordinary Resolution 1**
3. To re-elect the following Directors who retire pursuant to Regulation 115 of the Constitution of the Company:-
   (i) Mr Francis Chia Mong Tet **Ordinary Resolution 2**
   (ii) Mr John Chia Sin Tet **Ordinary Resolution 3**
   (iii) Mdm Lim Siew Eng **Ordinary Resolution 4**
4. To appoint Deloitte PLT as Auditors until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business:

To consider and, if thought fit, to pass the following resolution with or without modifications:-

5. **Authority To Allot Shares** **Ordinary Resolution 6**

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approval of the relevant authorities (if any shall be required), the Directors be and are hereby empowered to issue and allot shares in the Company from time to time to such persons and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad.

   THAT such approval shall continue to be in force until:
   (i) the conclusion of the next Annual General Meeting of the Company held after the approval was given;
   (ii) the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
   (iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,
   whichever is the earlier."

6. To transact any other business for which due notice has been given.

By Order of the Board

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

KUAN HUI FANG
SSM PC No. 202008001235
(MIA16876)
Company Secretaries

29 March 2021
Kuala Lumpur

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. ***IMPORTANT NOTICE***

   The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Members WILL NOT BE ALLOWED to attend the 32nd AGM in person at the Broadcast Venue on the day of the meeting.

   Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 32nd AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Guide for the 32nd AGM and take note of procedure below in order to participate remotely via RPV.

2. *A member entitled to participate via RPV at the 32nd AGM is entitled to appoint a proxy to participate via RPV in his stead. A proxy need not be a member of the Company.*

3. *Only members whose names appear in the Record of Depositors as at 20 April 2021 are entitled to participate via RPV at the 32nd AGM of the Company to be held on 28 April 2021.*

4. *Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds, with ordinary shares of the Company standing to the credit of the said securities account to attend, participate and vote remotely via RPV at the 32nd AGM.*

5. *Where a member is an exempt authorised nominee (as defined under the SIDCA) which holds ordinary share in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

6. *Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

7. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or, if such appointor is a corporation, under its common seal or the hands of its attorney.*

8. *The instrument appointing a proxy either in writing or in electronic form shall be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or via TIIH Online at https://tiih.online not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof. Kindly refer to the Administrative Guide for further information on electronic submission of proxy form.*

9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for the meeting or adjourned general meeting at which the person named in the appointment proposes to vote.*

10. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of a poll.*

Notes (cont'd):

11. *Explanatory Note on Special Business*

    Ordinary Resolution 6

    The proposed Ordinary Resolution 6 is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act, 2016.

    The proposed Ordinary Resolution 6, if passed, will grant a renewed general mandate and provide flexibility for the Company to empower the Directors of the Company, from the date of the above Annual General Meeting, to issue new ordinary shares of not more than 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being. In order to avoid any delay and costs involved in convening a general meeting to approve such issuance of ordinary shares, this renewal of general mandate will provide flexibility to the Company for any possible fund raising activities for purpose of financing future investments, major capital expenditure, acquisitions, and/or working capital purposes. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

    The Company had, at the 31st Annual General Meeting held on 25 June 2020, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Companies Act, 2016. As at the date of this Notice, the Company had issued and allotted a total of 72,708,500 new ordinary shares pursuant to this mandate on 27 November 2020 and 29 January 2021 via a private placement exercise. The total proceeds raised from the private placement exercise was RM446,262,850. Further details and status of utilisation of the proceeds are set out on page 112 of the Annual Report.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS WHO ARE SEEKING RE-ELECTION AND RE-APPOINTMENT AT THE 32ND ANNUAL GENERAL MEETING OF THE COMPANY

The details of the directors seeking re-election and re-appointment are set out in their respective profiles on pages 93 to 98 of this Annual Report. The details of their interest in the securities of the Company are set out in the Statement of Directors' Interest on page 202 of the Annual Report.

GENERAL MANDATE TO ISSUE NEW ORDINARY SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT,2016

The details, proceeds and utilisation of proceeds raised from the private placement exercise undertaken in accordance with the authority granted to the Company under the general mandate to issue new ordinary shares pursuant to Sections 75 and 76 of the Companies Act, 2016 obtained from the shareholders of the Company at the 31st Annual General Meeting convened on 25 June 2020 are set out in the Explanatory Note on Special Business in the Notice of 32nd Annual General Meeting and page 112 of the Annual Report.

PROXY FORM

UNISEM (M) BERHAD
198901006009 (183314-V)
(Incorporated in Malaysia)

I/We ______________________ NRIC/Company/Passport No. ______________

of ____

being a Member/Members of Unisem (M) Berhad hereby appoint ______________________

______________________ NRIC/ Passport No. ______________________

of ____

and ____

NRIC/Passport No. ______________________ of ______________________

or failing him, the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the 32nd Annual General Meeting of the Company to be held at the broadcast venue at Unisem (M) Berhad, Board Room, at Lot No. 9(H), 9th Floor UBN Tower, 10 Jalan P Ramlee, 50250 Kuala Lumpur on 28 April 2021, Wednesday at 10.30 a.m. and at any adjournment thereof, and to vote as indicated with √ in respect of the following resolutions. (If you do not do so, the proxy will vote or abstain from voting at his discretion):-

		FOR	AGAINST
Ordinary Resolution 1	To approve the payment of Directors' fees amounting to RM1,458,000 for the financial year ended 31 December 2020, an increase of RM102,600 from RM1,355,400 for the financial year ended 31 December 2019.		
Ordinary Resolution 2	To re-elect Mr Francis Chia Mong Tet as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
Ordinary Resolution 3	To re-elect Mr John Chia Sin Tet as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
Ordinary Resolution 4	To re-elect Mdm Lim Siew Eng as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
Ordinary Resolution 5	To appoint Deloitte PLT as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 6	To authorise the Directors under Sections 75 and 76 of the Companies Act, 2016 to issue new shares not exceeding 10% of the total issued shares (excluding treasury shares) of the Company.		

Dated this __________ day of ______________, 2021.

CDS ACCOUNT NO.	
NO. OF SHARES HELD	

____
Signature/Common Seal

Tel No. : ______________

Notes:

1. *Only members whose names appear in the Record of Depositors as at 20 April 2021 are entitled to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 32nd AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Guide for the 32nd AGM.*
2. *A member entitled to participate at this meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.*
3. *Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds, with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member is an exempt authorised nominee (as defined under the SIDCA) which holds ordinary share in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or, if such appointor is a corporation, under its common seal or the hands of its attorney.*
7. *The instrument appointing a proxy either in writing or in electronic form shall be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or via TIIH Online at https://tiih.online not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof. Kindly refer to the Administrative Guide for further information on electronic submission of proxy form.*
8. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for the meeting or adjourned general meeting at which the person named in the appointment proposes to vote.*
9. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of Meeting will be put to vote by way of a poll.*

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STAMP

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD [197101000970 (11324-H)]
SHARE REGISTRAR FOR
UNISEM (M) BERHAD [198901006009 (183314-V)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr John Chia Sin Tet
Chairman/Group Managing 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

Lot No. 9(H)
9th Floor, UBN Tower
No. 10, Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia
Tel: (603) 2072 3760
Fax: (603) 2072 4018
Website: www.unisemgroup.com

SHARE REGISTRARS

Tricor Investor & Issuing House Services Sdn Bhd [197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel: (603) 2783 9299
Fax: (603) 2783 9222

AUDITORS

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
Level 2, Weil Hotel
292, Jalan Sultan Idris Shah
30000 Ipoh, Perak
Malaysia

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

WWW.UNISEMGROUP.COM