

UNISEM (M) BERHAD

Registration No. 198901006009 (183314-V)

MINUTES OF THE 31ST ANNUAL GENERAL MEETING (“31ST AGM”) CONDUCTED ENTIRELY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT UNISEM (M) BERHAD, BOARD ROOM, 9TH FLOOR UBN TOWER, 10 JALAN P RAMLEE, 50250 KUALA LUMPUR ON 25 JUNE 2020, THURSDAY AT 10.30 A.M.

- Present at Broadcast Venue : Mr John Chia Sin Tet – *Chairman and Group Managing Director*
Ms Chin Hock Yee – *Company Secretary*
- Present via video conferencing : Mr Lee Hoong Leong – *Executive Director, Group Chief Operating Officer*
Mr Francis Chia Mong Tet – *Executive Director, Group Finance*
Mr Alexander Chia Jhet-Wern – *Executive Director*
Dato’ Gregory Wong Guang Seng – *Senior Independent Director*
Mr Ang Chye Hock – *Independent Director*
Ms Lim Siew Eng – *Independent Director*
Puan Mahani Binti Amat – *Independent Director*
Mr Xiao Zhiyi – *Non-Independent Director*
Mr Cui Weibing – *Non-Independent Director*

The attendance of members/corporate representatives/proxies is as per the Summary of Attendance List via the Remote Participation and Voting facilities (“RPV”) provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website.

CHAIRMAN

The Chairman welcomed the members and attendees to the Company’s 31st AGM. The Chairman informed that as part of the Company’s safety measures to curb the spread of the Covid-19 pandemic, the 31st AGM was convened entirely through live streaming from the Broadcast Venue. The Chairman then introduced the Board members, Company Secretary and auditors to the shareholders.

NOTICE

The notice convening the meeting, having been circulated earlier to all members of the Company and advertised in the New Straits Times within the prescribed period, was taken as read.

QUORUM

The Chairman advised the meeting that the Constitution of the Company required the presence of at least two (2) members or proxies or corporate representatives to form a quorum. For a fully virtual general meeting, the quorum shall be determined by the number of members who logged-in at the commencement of the meeting.

The Chairman informed the quorum requirement has been met at the start of the meeting and called the meeting to order at 10.30 a.m.

The Chairman advised that pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice of a general meeting must be voted by poll. Pursuant to the Constitution of the Company, the Chairman declared that Resolutions 1 to 7 in the Notice of the 31st AGM shall be voted by poll. The poll would be conducted after all items on the agenda have been dealt with. The Chairman then briefed the shareholders on the flow of the meeting.

The meeting would go through all the resolutions as set out in the Notice of AGM. Thereafter, there would be a question and answer (“Q&A”) session. During the Q&A session, the Board and Management would address the questions that have been submitted by the shareholders electronically in advance of the 31st AGM and also the questions posed by shareholders at 31st AGM via real-time submission of typed texts in the query box.

The poll administrator was Tricor Investor & Issuing House Services Sdn Bhd (“Poll Administrator”) and the independent scrutineer was Asia Securities Sdn Berhad (“Scrutineer”).

1. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (“AFS 2019”) AND THE REPORTS OF DIRECTORS AND AUDITORS THEREON

The Chairman informed that the AFS 2019 together with the Directors’ and Auditors’ Reports was meant for discussion only as the Companies Act 2016 did not require a formal approval of the shareholders for the AFS 2019. Therefore, the item was not put forward for voting.

The Chairman declared the AFS 2019 together with the Directors’ and Auditors’ Reports thereon be received.

**2. RESOLUTION 1
PAYMENT OF DIRECTORS’ FEES AMOUNTING TO RM1,355,400 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

The Chairman moved to the next item on the agenda i.e. Resolution 1 on the payment of Directors’ fees for the financial year ended 31 December 2019. He put the following motion to the meeting for consideration:-

“THAT the payment of Directors’ fees amounting to RM1,355,400 for the financial year ended 31 December 2019 be hereby approved.”

**3. RESOLUTIONS 2, 3 AND 4
RE-ELECTION OF MR ANG CHYE HOCK, Y. BHG. DATO’ GREGORY WONG GUANG SENG AND MR ALEXANDER CHIA JHET-WERN AS DIRECTORS PURSUANT TO REGULATION 115 OF THE CONSTITUTION OF THE COMPANY**

The Chairman informed the meeting that the next item on the agenda was on the re-election of Mr Ang Chye Hock, Y. Bhg. Dato’ Gregory Wong Guang Seng and Mr Alexander Chia Jhet-Wern as Directors pursuant to Regulation 115 of the Constitution of the Company under Resolutions 2, 3 and 4 respectively.

The Chairman put the following resolutions to the meeting for consideration:-

“THAT Mr Ang Chye Hock who retires pursuant to Regulation 115 of the Constitution of the Company and being eligible, be hereby re-elected as Director of the Company.”

“THAT Y. Bhg. Dato’ Gregory Wong Guang Seng who retires pursuant to Regulation 115 of the Constitution of the Company and being eligible, be hereby re-elected as Director of the Company.”

“THAT Mr Alexander Chia Jhet-Wern who retires pursuant to Regulation 115 of the Constitution of the Company and being eligible, be hereby re-elected as Director of the Company.”

4. RESOLUTION 5
RE-ELECTION OF MR JU FENG PURSUANT TO REGULATION 118 OF THE CONSTITUTION OF THE COMPANY

The Chairman proceeded to the item 4 on the agenda, which was on the re-election of Mr Ju Feng, and put the following motion to the meeting for consideration:

“THAT Mr Ju Feng who retires pursuant to Regulation 118 of the Constitution of the Company and being eligible, be hereby re-elected as Director of the Company.”

5. RESOLUTION 6
APPOINTMENT OF DELOITTE PLT AS AUDITORS OF THE COMPANY

The Chairman moved on to Resolution 6 on the re-appointment of Auditors.

He put the following motion to the meeting for consideration:

THAT Deloitte PLT be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting and the Directors be authorized to fix their remuneration.”

8. RESOLUTION 7
AUTHORITY TO ALLOT SHARES

The Chairman informed that the next item on the agenda was on the authority to allot shares.

Resolution 7, if passed, will grant a renewed mandate and provide flexibility for the Company to empower the Directors of the Company, from the date this AGM, 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 renewed 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 AGM.

The Chairman put the motion to the meeting for consideration:-

“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.”

ANY OTHER BUSINESS

The Chairman informed that no notice for other business pursuant to the Companies Act 2016 and the Constitution of the Company had been received.

Q&A SESSION

The Chairman then addressed the questions submitted prior and during the 31st AGM by the shareholders.

The summary of questions and management response (Summary of Key Matters Discussed) is attached hereto as “Appendix A”.

CONDUCT OF POLL

Having dealt with all the items on the agenda, the meeting then proceeded to vote on Resolutions 1 to 7 by poll at 11.30 a.m.. The Chairman adjourned the meeting at 11.40 a.m. for the counting of votes.

Upon completion of the counting of votes by the Poll Administrator and verification of the results by the Scrutineer, the Chairman resumed the meeting at 12.00 noon for the declaration of the results of the poll.

Based on the poll results attached hereto as “Appendix B”, the Chairman declared Resolutions 1 to 7 carried.

CLOSURE

The Chairman thanked those present for their attendance and closed the meeting at 12.03 noon.

READ AND CONFIRMED BY

CHAIRMAN

Dated:

Annexure A - Summary of Key Matters Discussed

The Company had received questions submitted prior and during the 31st AGM by the shareholders and all the questions submitted were covered during the Q&A session at the AGM. The followings are the key matters discussed:

Q1. On the last year AGM, Chairman mentioned that there will be a growth in second half of year 2019, but why it can't be materialized? Submitted by HO XI WEN

A1. As is normally the case in the semiconductor industry, the second half of the year would be generally stronger in terms of sales due to new orders of smartphones and other electronic devices, preparation for end of year/Christmas and back to school sales. However, in May of 2019 the US government announced a ban on US companies selling chips and doing business with Huawei. As some of our major US customers were suppliers to Huawei, the impact on our revenue was significant and immediate. The continuing tensions around Huawei/5G technology and trade tensions generally remain a concern as it will inevitably have an impact on global consumption and on our business.

Q2. What is the impact of Covid-19 to the Group? How long does it needs to fully recover? Submitted by HO XI WEN, CHONG LIM FAH

Operations badly disrupted by Covid? Supply chain back to normal? Strategy going forward? Submitted by Teh Kian Lang

What is the Group strategy moving forward because this pandemic? Submitted by TAN HOOI IM
In view of the Pandemic and since the company has been badly affected by the MCO, in which earnings are expected to be depressed, is the BOD going to layoff staff and/or cut salaries? Submitted by STEPHEN LYE TUCK MENG

A2. The immediate impact of Covid-19 was the complete closure of our operations in Chengdu, China in Feb/March 2020. In Malaysia the MCO started on 18 March and MITI allowed partial resumption of operations in April and we were allowed to resume full operations in May 2020. The pandemic had the effect of lower sales for about two months and higher payroll costs as we did not retrench any of our employees and had to pay full wages for no attendance at the factory and for those that were requested to return to work during the MCO we had to provide incentives. From mid-May onwards our operations returned to normal and we are currently operating at high utilization rates both in Chengdu as well as in Ipoh.

With operations substantially back to normal both in our plants in Ipoh and Chengdu, we nonetheless take the view that the full impact of Covid-19 may not been felt on the real economy. It is still uncertain if a second wave of the pandemic will recur or how long this pandemic will last till an effective vaccine becomes available universally. Almost everyone and every sector of the economy will continue to be affected for some time and global consumption will remain weak and tentative.

Our strategy going forward would be:

1. Keeping our employees safe by adhering to tight SOPs at the plants and not let our guard down when the Covid cases improve.
2. We will try to do more with less in our operations. We have taken a decision to freeze hiring temporarily, lower our payroll costs and other overheads. We will invest in greater automation on our production lines to reduce headcount in the longer term. We will also focus on more advanced packages that are less headcount intensive.

3. We will have a more restrained capex policy – insisting on co-funding with customers and take or pay arrangements on new investments wherever possible.
4. These measures taken early in the pandemic and the closure of our operations in Batam have steadied our balance sheet and we remain in good shape financially.

Q3. What is the future outlook for OSAT industry? Submitted by HO XI WEN

Semi conductor turning around? TEH KIAN LANG

The company has been making a loss for three consecutive quarters. When can we expect it to return to profitability? Submitted by CHUA ENG KIAT

A3. Gartner Inc, a leading commentator on the semiconductor industry has forecast a double-digit decline in overall sales in the second half of 2020. If overall sales decline, the OSAT sector will naturally decline as well. We believe however, that this will be only temporary. MNCs in the US and Europe have been increasingly outsourcing their manufacturing needs to the Far East for the last 30 years for the simple reason that it makes complete business sense from their perspective. In short, they find it more efficient to adopt this out-sourcing model whilst they focus on the IC design, branding, end product etc. For these reasons we are of the view the out-sourcing portion of the industry will continue to be strong for a very long time.

Q4. Why is the dividend so low every year while the company doesn't grow much all these years? Even ATE companies like Pentamaster and Elsoft are giving way better returns. Submitted by CHONG PEI SHEAH

Is there a dividend policy for UNISEM? If so, what is that policy? What is the expectation on dividend to shareholders this financial year? Submitted by TEH KHANG SUON @ TEH SING HAO

A4. In FY2019 the Company paid three dividends, a total of 6 sen per share. Going forward we will constraint on capital expenditure and will try to increase the quantum in the next couple of years.

Q5. Please inform us any component part issues if any to your supply chain in next 24 months? Situation with local skilled and unskilled labour steady? Range of products for the company? Submitted by WONG SHIANG NGOH

A5. We do not see any component parts issue for our business in the foreseeable future.

We only employ skilled labour or those that are trainable. We are able to recruit and retain local operators technicians and engineers due to an active HR recruitment and retention policy.

We manufacture a wide variety of products used in smartphones, PCs, consumer electronics, automotive and industrial applications.

Q6. With Batam closure, does management expect the Company to turn positive results? Submitted by TAN SEONG KOK

A6. We gave notice of cessation of operations to the customers and employees in end-June 2019 and as of 31 March 2020 we ceased operations completely. All provisions have been made in our accounts including severance pay to employees, all amounts due and owing to suppliers and Bankers

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have been settled. We have transferred some of the equipment to our other plants in Ipoh/Chengdu. Going forward and without the Batam operations, the earnings of the Group would be substantially better and all our resources would be deployed in the operations that have performed well all these years.

Q7. What are the contributions in terms of operations from our China partner after it emerged as a major share-holder? Submitted by TAN SEONG KOK

A7. TSHT came in as a strategic investor. It was clear from the start that although they will be represented meaningfully on the Board of Directors, the management would remain with the Malaysian offerors and management team. However, we do engage on a regular basis on the exchange of best practices at the operating level and on the macro level on industry trends/issues at the Board and shareholder levels.

TSHT has been throughout our engagement kept to the spirit and letter of our Collaborative Agreement and have been supportive of our management.

Q8. PUBLIC SHAREHOLDINGS SPREAD is less than 25% to-date. Is there a plan to take private? 2. Why Huatian Technology paying RM3.30 / share but share price still below RM3.30 since become major shareholder? What are the benefit for both parties? Submitted by TAN SEONG KOK

A8. No, there is no plan to take the Company private. The Company is working with TSHT to address the shortfall in the public shareholding spread requirement.

Q9. What is the reason for increase of term loan from RM33m to RM174m (pg 171). What are the plan for the term loan utilization? Submitted by TAN SEONG KOK

A9. The increased term loan was mainly attributable to the financing for the severance and other costs relating to PT Unisem closure and term loan raised for the capex at UAT.

Q10. Is there a plan for bonus issue given reserve is higher than share capital since the last bonus issue was 10 years ago? Submitted by TAN SEONG KOK
How do you compare our company with Penta,Uwc Greatech And Inari When will the company giving us a bonus issue like the company above. Submitted by LIEW CHEE SENG

A10. No, there are no plans for bonus issue. Our priority is to grow the revenue and improve the profitability of the Group.

Q11. How much director get for attend this virtual meeting? Submitted by TAN HOOI IM, LIEW CHEE MENG, CHONG LIM FAH

A11. The directors do not receive any fees for attending the AGM.

Q12. Why no invite for meeting? *Submitted by TAN SEONG KOK*

A12. Notice has been emailed and posted to shareholders. Notice of AGM has been advertised, posted on website and announced to Bursa.

Q13. Questions asking for voucher/e-voucher *Submitted by TEE BENG CHOO, CHEE TENG HO, TEE BENG HEE, CHEONG SOW YOKE, CHAN LAI YIN, STEPHEN LYE TUCK MENG, TAN HOOI IM, CHAN CHEE KONG, TEE BENG CHOO, TEE BENG NGO, CHEE TENG HO, LIM BA TAI @ LIM ENG KIM, TEE BENG HEE,,SEE YOOT WAH, LAU ATI @ LAU CHUAN TENG, TAN KONG HUAT @ TAN KONG YAM, GOH PEK HONG,LUM PEK KAM, SHIRLEY TAN, TAN SAIK KUEN, CHONG LIM FAH, TAN ENG WAUN, LEONG FOOK SEN@FRANCIS LEONG, RIEN HASHIM*

A13. In the past, we have provided lunch for members attending the AGMs and in recent years lunch vouchers were given in appreciation of their support for the Company. This year is the first virtual AGM of the Company and we did not plan for any vouchers. If this virtual meeting becomes the new normal we will look into giving some form of vouchers for future AGMs.

**Q14. Who authorise Tricor to create very troublesome registration and participation for AGM/EGM, why after Tricor received completed nomination form from our broker, Tricor still insist to register to their system, and requires more than 2 days before meeting to register online? Whereas during physical meeting, Tricor can register us for meeting before voting start? not to mention with around 10 clicks or more to vote, why can't they follow Boardroom system? we can vote and participate easier
How directors make it easier for shareholders to participate in virtual meeting, as Tricor's registration is much more troublesome than boardroom, there were cases in other meeting whereby Tricor just refused participation although completed form duly received. Please investigate and audit whether Tricor has thoroughly allowed shareholders to participate in AGM/ EGM?
Please post hardcopy of annual report, circular and admin note to my address as registerd via my broker as I have not received them.** *Submitted by RIEN HASHIM*

A14. We will provide your feedback to Tricor on their website and system.

Notice has been emailed and posted to shareholders. Notice of AGM has been advertised, posted on website and announced to Bursa. Please submit the annual report requisition form for hard copy.