Unisem (M) Berhad

Registration No. 198901006009
(183314-V)

ANNUAL REPORT

2021

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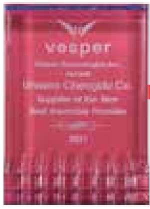
AWARDS & RECOGNITION



VESPER TECHNOLOGIES INC.
2021
SUPPLIER OF THE YEAR
BEST ASSEMBLY PROVIDER

圣邦微电子
SG MICRO
2021
最佳支持服务奖
BEST SUPPORT & SERVICE

INFINEON
OSAT MANUFACTURING EXCELLENCE AWARD SIMIC ASSEMBLY & TEST

希荻微
HALO MICROELECTRONICS CO. LTD
2021
年度最佳合作伙伴
BEST PARTNER

易冲半导体 **CONVENIENTPOWER**
2021
年度最佳供应商
BEST SUPPLIER

成都高新技术产业开发区
CHENGDU HIGH TECH DEVELOPMENT ZONE
2021
年土壤污染防治综合奖
AWARD FOR SOIL POLLUTION PREVENTION

成都市卫生健康委员会
CHENGDU MUNICIPAL HEALTH COMMISSION
2021
成都市职业健康示范单位
CHENGDU EXEMPLARY ENTERPRISE OF OCCUPATIONAL HEALTH

SBA MY
SUSTAINABLE BUSINESS AWARD MALAYSIA 2020/2021 (SBA) – HIGHLY COMMENDED

SOLU-M
2021
BEST OSAT OF THE YEAR

SOLU-M
2021
OUTSTANDING SERVICE AWARD

POWER INTEGRATIONS
2020
BEST SUPPLIER

MACOM
2020
SUPPLIER OF THE YEAR

MENLO MICROSYSTEMS, INC.
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 6,000 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 71% and integrated device manufacturers 29%. About 53% of Unisem group's sales from continuing operations are to customers in North America, 37% to Asia and 10% to Europe.

Unisem is listed on the Main Market of Bursa Malaysia since 1998. The Company is a constituent of the FTSE Bursa Malaysia Mid 70 Index, MSCI Malaysia Small Cap Index, and FTSE4Good Bursa Malaysia Index. The securities of the Company are Shariah-compliant.

UNISEM GROUP

UNISEM (M) BERHAD (the “Company”)

IPOH, MALAYSIA

- commenced operations in 1992
- 3,100 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 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 CHENGDU CO., LTD. (“Unisem Chengdu”)

CHENGDU, PEOPLE’S REPUBLIC OF CHINA

- Commenced operations in 2006
- 2,600 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), ISO45001:2018, Samsung ECO-Partner, IECQ QC080000: 2017 – HSPM (Hazardous Substance Process Management) Certificate, and GSV (Global Security Verification) Certificate, RBA VAP

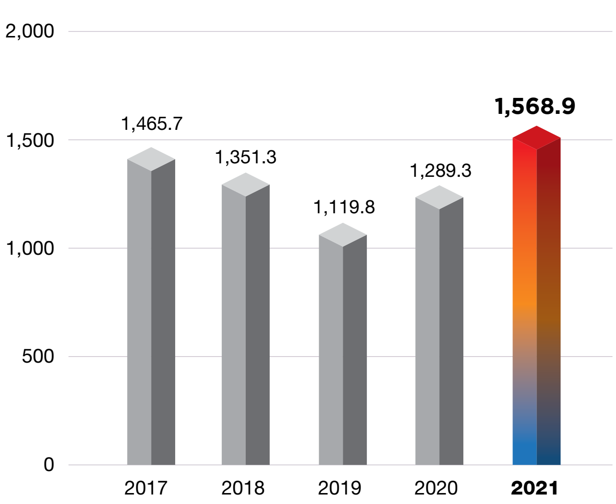
FIVE-YEAR FINANCIAL HIGHLIGHTS

	2017 RM'000	2018 RM'000	2019* (restated) RM'000	2020* RM'000	2021* RM'000
Highlights from Consolidated Income Statements for the year ended 31 December					
Revenue	1,465,727	1,351,276	1,119,819	1,289,294	**1,568,923**
EBITDA	345,830	273,831	251,428	332,499	**407,670**
Profit before taxation	180,779	111,063	98,111	164,024	**222,628**
Profit after taxation	161,404	95,833	78,979	142,579	**198,243**
Highlights from Consolidated Statements of Financial Position As of 31 December					
Property, Plant and Equipment	1,099,138	1,094,094	1,100,076	1,215,064	**1,637,477**
Current Assets	724,509	690,882	655,350	1,039,842	**1,128,686**
Non-Current Assets	21,414	18,617	17,061	16,640	**16,798**
Total Assets	**1,845,061**	**1,803,593**	**1,772,487**	**2,271,546**	**2,782,961**
Current Liabilities	320,360	294,371	254,353	328,288	**463,760**
Deferred Tax Liabilities	4,877	10,994	24,522	37,889	**57,290**
Other Non-Current Liabilities	57,081	60,101	138,357	132,573	**95,793**
Total Liabilities	**382,318**	**365,466**	**417,232**	**498,750**	**616,843**
Share Capital	595,367	595,367	595,367	876,118	**1,036,677**
Treasury Shares	-	(15,888)	(15,888)	(15,888)	**-**
Reserves	860,078	851,351	775,776	912,566	**1,129,441**
Non-controlling Interests	7,298	7,297	-	-	**-**
Shareholders' Equity	**1,462,743**	**1,438,127**	**1,355,255**	**1,772,796**	**2,166,118**
Key Financial Ratios					
EBITDA margin	24%	20%	22%	26%	**26%**
Net earnings per share - Basic (sen)	10.86^	6.57^	5.48^	9.75^	**12.35**
Net dividend per share (sen)	11.00	7.50	6.00	6.00	**6.00**
Debt / Equity ratio	0.03	0.05	0.13	0.12	**0.08**
Net assets per share (RM)	0.99^	0.98^	0.93^	1.14^	**1.34**

** Continuing Operations only*
^ Adjusted for bonus issue

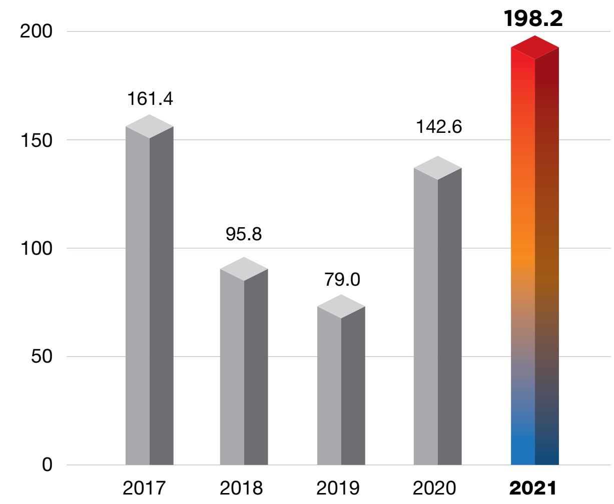
REVENUE

(RM'million)



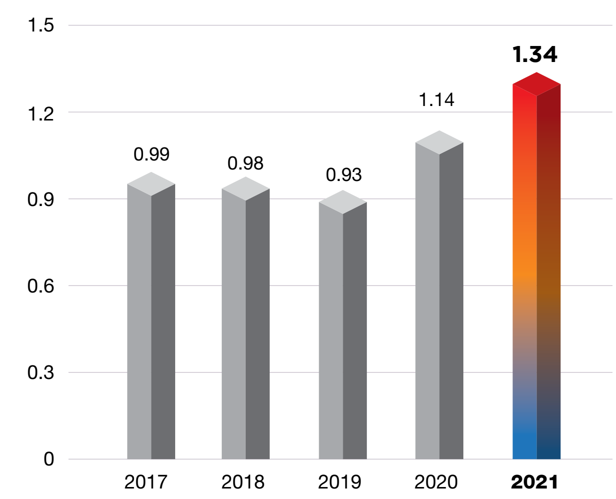
PROFIT AFTER TAXATION

(RM'million)



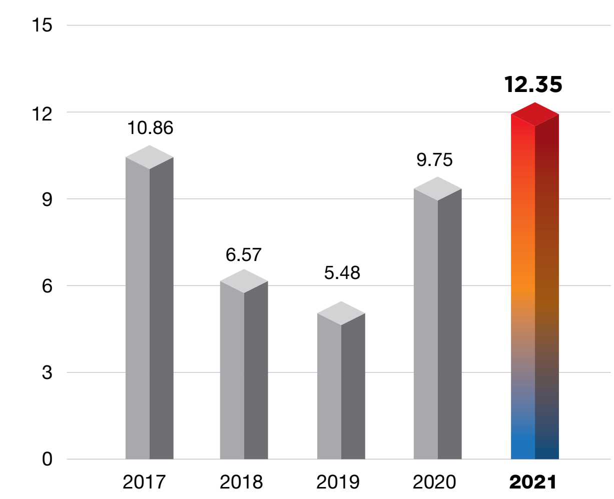
NET ASSETS PER SHARE

(RM)



NET EARNINGS PER SHARE

(Sen)



CHAIRMAN'S LETTER TO THE SHAREHOLDERS

JOHN CHIA SIN TET
Chairman

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the 33rd Annual Report and the Audited Consolidated Financial Statements of Unisem (M) Berhad and its subsidiaries for the financial year ended 31 December 2021.

FINANCIAL PERFORMANCE

During the year, the operations of the Group in Malaysia were affected by the outbreak and sharp increase of Covid-19 cases and the various movement control measures/ lockdown implemented by the authorities leading to plant closures in our Ipoh operations. The Group faced a shortage of workforce due to quarantine requirements on existing employees and limitations on renewal and new hires of foreign workers.

For the financial year ("FY") 2021, the Group achieved revenue from continuing operations of RM1.569 billion, an increase of 21.7% over RM1.289 billion revenue recorded in FY2020. Net profit for the financial year was RM198.243 million from continuing operations, an increase of 39% compared to a net profit of RM142.579 million in FY2020.

The Group attained EBITDA from continuing operations of RM407.7 million, an increase of 23% from RM332.5 million attained a year ago, whilst the EBITDA margin maintained at about 26%.

The financial position of the Group remained strong with cash and cash equivalents amounting to RM656.0 million as at 31 December 2021 compared to RM664.1 million in FY2020. Total bank borrowings of the Group decreased from RM207.4 million in FY2020 to RM174.9 million in FY2021. We invested approximately RM571.1 million in capital expenditure during the year mainly for construction of our Phase 3 building in Unisem Chengdu, to increase capacity for packaging, testing and wafer bumping and to enhance reliability and productivity at our various facilities.

CORONAVIRUS 2019 (COVID-19) PANDEMIC IMPACT & MEASURES

In July 2021, an Enhanced Movement Control Order was enforced by the authorities in Bandar Pulai Jaya which lead to our Ipoh plant (which is situated in the affected area) having to stop operation from 25 July to 5 August 2021. In September 2021, pursuant to a shutdown order imposed by the Malaysian authorities our Ipoh plant stopped operation for a period of 5 days from 8 to 15 September 2021.

From the outset of the Covid-19 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 requisite SOPs. We closed our plants to visitors, customers, suppliers and made exceptions only under the strictest health protocol. Physical distancing and hand sanitization was practised throughout the plant.

The Company was able to procure vaccinations for all employees, cleaners, security guards and our customers' resident engineers at our plants in Ipoh, Perak, initially through a private initiative in September 2021 and subsequently through the national vaccination programmes.

The safety and well-being of our employees and local community have always been our utmost priority. We have always and will continue to maintain and adhere to the highest and most stringent preventive SOPs to minimise the spread of Covid-19.

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 were conducted using audio/visual technology.

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

NEW ISSUE OF SHARES

In February 2021, the Company completed the second and final tranche of the private placement exercise ("Private Placement"), comprising 21,075,500 new ordinary 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 Placements amounting to about RM446.3 million, will be utilised for capital expenditure, working capital and expenses in relation to the Private Placement. The status of utilisation of proceeds is set out in Page 118 of the Annual Report.

On 7 October 2021, the Company carried out a bonus issue comprising 806,539,555 new ordinary shares ("Bonus Shares") on the basis of 1 Bonus Share for every 1 existing ordinary share held in the Company. Pursuant to the bonus issue, the total number of issued shares in the share capital of the Company increased to 1,613,079,110.

EXPANSION PROJECTS

In September 2021, the Group commenced construction of a new production facility in an adjacent property of our existing facility in Chengdu, China with an aggregate gross floor area of around 48,057 m^2 ("Phase 3 Building") with cleanroom facilities (of approximately 25,344 m^2). The Phase 3 Building which is expected to be completed by end 2022 will increase the total production floor space from 520,000 sq ft to about 996,000 sq ft.

The estimated total costs for the construction and installation of a cleanroom facility for the Phase 3 Building is about USD61 million. The Group expects to fund these costs from internally generated funds.

On 22 March 2022, the Company held a groundbreaking ceremony to commemorate the commencement of construction of its new semiconductor production facility on a piece of industrial land measuring approximately 28.5 acres in Gopeng, Perak, Malaysia ("Gopeng Plant"). Phase 1 of this new Gopeng Plant with an aggregate built up area of about 57,000 square meters and cleanroom facilities, is expected to be completed in April 2023 at an approximate cost of RM300 million. Once completed, fully facilitised and equipped with the latest state-of-the-art equipment, the Gopeng Plant will enable Unisem to better serve the needs of our customers with a broad portfolio of products and services. It will also enable us to double the production capacity of existing operations in Ipoh.

PROSPECTS AND OUTLOOK

The World Semiconductor Trade Statistics ("WSTS") projected a moderate growth of 8.8% in the semiconductor industry worldwide sales to reach USD601.5 billion in 2022, driven by a double-digit growth of the Sensors and Logic category. All other product categories are also expected to show positive growth rates. All regions are expected to grow in 2022. (Source: WSTS Semiconductor Market Forecast Fall 2021)

The Covid-19 pandemic drove companies and people into embracing a new normal and changed consumer needs and behaviour resulting in greater application and consumption of semiconductors. These trends brought about the increase in demand for semiconductors for data servers, cloud usage, contactless and automated solutions.

The electronics and semiconductor supply chain was unprepared for a surge in demand for chips in 2021 due to under-investment in capacity when the pandemic broke out in early 2020. Most players in the semiconductor industry minimized capex to conserve resources in anticipation of a dramatic slowdown. The slowdown was short-lived and the industry recovered strongly resulting in a shortage of chips especially in the automotive sector. The supply chain was impacted again when the semiconductor manufacturers were inhibited from operating at full capacity either because of governmental restrictions, shortage of workers, or shortage of raw materials. These issues highlighted the vulnerability of the supply chain and challenges the semiconductor industry to re-think its global supply chain model to improve resiliency.

Consumer electronics and communication will continue to be our focus for the growing end market segments in 5G, Internet of Things, sensors, virtualisation and power management and we will keep building on our strength in radio frequency (RF), analog and micro-electro-mechanical systems (MEMs). There is a chip in everything we use; in our homes, offices, factories, cars etc. The application of chips has become more and more pervasive and has become an indispensable part of our lives.

Despite the economic uncertainty post-Covid, geo-political issues, interest rate concerns and uneven economic recovery globally, the Board expects the outlook of the Group for 2022 to be satisfactory. In the mid to long term, the Board expects the Group's performance to improve further 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 Chengdu and Ipoh.

SUSTAINABILITY INITIATIVES

I am pleased to report that we have navigated safely and have further strengthened our sustainability commitments in 2021. Both our manufacturing facilities, 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 have institutionalised RBA Code of Conduct into our organization ecosystem in ensuring compliance and continuous improvements in our working conditions and safety of our supply chains, 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.

In recognition of our efforts in this area I am pleased to report that Unisem (M) Berhad was recognised with the award of the 'Highly Commended - For the strength of their overall sustainability programmes' by the Sustainable Business Award (SBA) Malaysia in 2021. This will serve as an impetus for Unisem to strive further and excel in our practices.

I am also pleased to note that the Company was included in the FTSE4Good Bursa Malaysia Index in June 2021.

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Unisem (M) Berhad has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

There are 80 constituents on the FTSE4Good Bursa Malaysia Index as at 20 December 2021.

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 RM1.57 billion from continuing operations for the financial year ended 31 December 2021 (FY2021), an improvement of 21.7% against RM1.29 billion recorded in the financial year ended 31 December 2020 (FY2020) 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 1% whilst wafer bumping average selling prices remain constant as per last year.

The Group recorded net profit of RM198.2 million from continuing operations in FY2021 compared to RM142.6 million in FY2020. The 39.0% increase in net profit was primarily attributable to higher sales volume and higher interest income.

Taxation

The tax expense for the Group was RM24.4 million compared to RM21.4 million for FY2020. The 14% increase in tax expense for FY2021 was principally due to higher profit before tax.

Liquidity and Capital Resources

As at 31 December, 2021, the Group has cash and cash equivalents amounting to RM656.0 million compared to RM664.1 million in FY2020. The Group has unutilised banking facilities amounting to RM117.8 million compared to RM38.2 million in FY2020.

The Group's bank borrowings have decreased from RM207.4 million in FY2020 to RM174.9 million in FY2021, mainly due to repayment of term loans.

The Group's capital expenditure for FY2021 amounted to RM571.1 million and was financed by internally generated funds as well as proceeds from a private placement exercise. Capital expenditure is largely driven by the demand for our services, primarily to increase the packaging, testing and wafer bumping capacity, to upgrade 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 operates 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 capitalize on any regulatory changes in the industries that our Group operates, there is no assurance that any changes to the political, economic and regulatory factors will not have a material and adverse effect on our business, profitability, prospects and the semiconductor industry in which we operate.

Dependence on management and experienced personnel

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

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

Dependence on major customers

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

Operational Risks relating to semiconductor industry

Cyclical nature of the semiconductor industry

Our portfolio of products and services in wafer bumping, assembly and test operations through our Group 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 27 under the Notes to the financial statements.

5. PROSPECTS AND OUTLOOK

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Despite the economic uncertainty post-covid, geo-political issues, interest rate concerns and uneven economic recovery globally, the Board expects the outlook of the Group for 2022 to be satisfactory. In the mid to long term, the Board expects the Group's performance to improve further 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 Chengdu and Ipoh.

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SUSTAINABILITY REPORT

ABOUT THE SUSTAINABILITY REPORT

Unisem (M) Berhad ("Unisem" or the "Company") continued to uphold its commitment in doing business responsibly amid challenging market and business environment during the financial year ended 31 December 2021 ("FY2021"). Business sustainability and long-term value creation remains to be at the core of Unisem's vision and mission.

The Board of Directors ("Board") of Unisem presents this Sustainability Report ("Report") which discloses the sustainability focus and performance of Unisem and its subsidiaries ("Unisem Group" or the "Group") during FY2021, unless stated otherwise.

HOW WE DO BUSINESS

MANAGING OUR BUSINESS

OUR FOCUS ON CUSTOMERS

OUR PEOPLE

THE ENVIRONMENT

Basis of Preparation

This Report covers the Group's sustainability efforts, progress, and performance for the financial year ended 31 December 2021 and forms part of Unisem's Annual Report FY2021. The scope of this Report remains to be same as the previous reporting year, covering the following:

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"*

The Group's key operating sites are Unisem Ipoh and Unisem Chengdu which contributes to most of the Group's revenue (more than 99%). The Group's entire workforce is also employed by these sites. These were no significant changes to the Group's operations and supply chain during the financial year, as compared to the previous reporting period. Unless specific reference is made in this Report, the abovementioned scope is applicable to all sustainability matter disclosures contained in this Report.

Reporting Framework and standards

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

Assurance

This Report has not been externally assured. Nonetheless, the Group's various sustainability management and reporting processes are subject to internal validation, assessments, and third-party audits disclosed in this Report. Our internal audit function also reviews the sustainability management and reporting processes relevant to its scope of work.

In the preparation of this Report, we conducted internal validation to verify the accuracy and integrity of data disclosed. This Report has been reviewed by the Sustainability Committee and approved by the Board. We will consider obtaining external assurance for our sustainability reports in the coming years.

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

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No. 10, Jalan P. Ramlee
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SUSTAINABILITY REPORT

SUSTAINABILITY PERFORMANCE HIGHLIGHTS

The Board identifies and monitors the following sustainability key performance indicators which reflect the material sustainability matters of the Group and its stakeholders. These key performance indicators are also crucial towards monitoring progress towards the Group's long-term value creation and achievement of corporate strategies.

During the year, the Group included "employee satisfaction score" as a key performance indicator in place of "average training hour of employee". This enables a better representation of how we engage and take care of our employees and their welfare while promoting personal and professional development.

The Board is pleased to present the Group's FY2021 key sustainability performance as follows:

Unisem's Sustainability Key Performance Indicators	FY2021 Targets	FY2021 Performance	
Revenue growth	To achieve revenue growth	20.0%	✓
Technology growth and development as per Technology Road Map	To achieve target project completion dates	Achieved	
Satisfied key customers rate	90%	90%	✓
Injury frequency rate for industrial accidents	< 2.00	1.44	✓
Employee satisfaction score	> 3.80	3.69	x
Total scheduled (hazardous) waste recycling rate	51%	41%	x
Compliance with regulatory standards	Compliance	Compliant	✓

CREATING SUSTAINABLE VALUE

Unisem's motivation is to create and deliver value to our stakeholders through our business and the way we do business. We care about our shareholders, our employees, the people we work with, and we also strive to protect our environment and society. We believe firmly in our core values which help drive our organisation and our people towards being the leading Malaysian provider of total semiconductor packaging and test services globally, as well as being recognised as a model corporation through our responsible business.

Unisem Group's Vision and 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

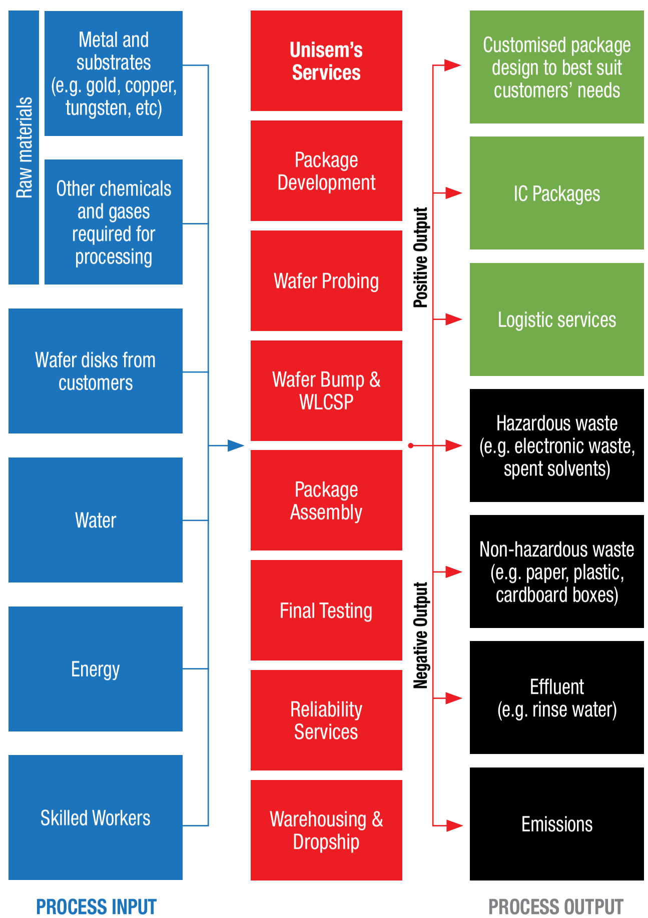
The following value creation diagram illustrates how our business creates, preserves, or erodes value. Through our products and services, we help to contribute to the world's development towards greater technological capability and the future of humanity.

We aim to optimise value creation and continuously seek opportunities to enhance our key capital resources in the short, medium, and long term. With these objectives in mind, we regularly examine and enhance the way we do business.

Capitals – Input		Key Focus Areas/ Desired Outcomes (& indicators)	Outcome (FYE2021)
Financial Capital Our financial capital mainly depends on our equity and funds generated from investments and operations	• RM1.773m total equity at the beginning of FY • Available banking support in the form of facilities amounting to RM207m at the beginning of FY • Net cash in hand and cash equivalent of RM664m at the beginning of FY	• Self-sustaining cash generation • Achieving revenue growth • Sustainable profit generation and shareholder return	• RM2,166m total equity as at end of year • RM338m cash generated by operations • RM1.57b in revenue, representing a growth of 20.0% • RM198m Group profit for the year • RM656m cash and cash equivalent as at end of year • Total tax-exempt dividend paid during FY2021 to shareholders – RM64m
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	• New packaging, testing, and wafer bumping facilities amounting to RM571m 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 • Approximately 57 new package modules
Human Capital Our talent base is highly skilled professionals and technical personnel. Our operations depend on the capabilities and competencies of all our employees	• Approximate 6,000 employees across the Group • Application of RBA Code of Conduct across the Group's relevant value chain segments, protecting human rights, preventing child or forced labour, and addressing 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 • Employee satisfaction > 3.80	• 1.44 injury frequency rate • 62.9% employees received minimum of 6 training hours • Employee satisfaction score of 3.69
Natural Capital Direct materials and water are our natural capital and are also our critical enabler across manufacturing platforms and key operations	• 3.1 million m^3 water withdrawn • 1.2 million m^3 water consumed • Application of RBA Code of Conduct across the Group's relevant value chain segments, governing energy management, water management, climate change and emissions, and waste management matters	• Compliance with regulatory requirements • Minimum negative environmental impact • 50% recycling rate for total scheduled waste	• 41% of total scheduled waste recycled • No non-compliance issues with environmental laws and regulations • 136,900 tCO_{2e} GHG – 12.8% decrease in GHG intensity (base year: 2011)
Social and Relationship Capital The relationships we foster with our stakeholders is integral to our business and operations	• 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	• Key customer satisfaction score of 90% • 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

Our Strategic Priorities

In the pursuit of its Vision and Mission, Unisem has a set of strategic priorities to guide its focus. The strategic priorities bring together the Group's short, medium, and long-term value creation capabilities and objectives.

A Pursuit of operational excellence and quality products and services

A key factor that determines 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. We also regularly review our process and cost management strategies to maintain competitive edge.

Our supply chain partners play an integral role in ensuring consistent delivery of quality material and services to meet and exceed our customers' expectations with regards to delivery and quality standards. Our supply chain management is guided by the principles of the RBA Code of Conduct and internally developed performance-based criteria.

Intellectual capital, be it in the form of skills and experience in our people or in the form of intellectual property, is key to developing innovative solutions to stay ahead of the game in our industry. Investing in our people and technology helps us enhance our competitiveness in the longer run. Human development programmes continue to be a focus and strong differentiator in enabling Unisem to be a world-class company. Employees with the right skills, talent, and competency will continue to be groomed to execute business operations and processes with precision.

On the other hand, energy management efforts directly impact operational efficiency as well as the financial bottom line as energy use may typically comprise up to 5% to 10% of production operating expenses. We have since 2011 introduced measures to monitor energy consumption in production.

Key Capitals
- Financial Capital
- Manufacturing Capital
- Intellectual Capital
- Human Capital
- Natural Capital
- Social and Relationship Capital

Key Material Sustainability Matters
- Occupational Health and Safety
- Customer Satisfaction
- Growing the Business
- Effluents and Waste Management
- Technology and Innovation
- Product Stewardship
- Customer Privacy and Data Protection
- Supply Chain Management
- Labour Rights
- Energy Management
- Water Consumption
- Greenhouse Gas Emissions

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

Technological demand and challenges of the semiconductor industry continue to evolve at unprecedented pace, requiring industry players to evolve and adapt. Collaborative relationships become increasingly crucial as future technology such as 5G, Internet of Things, and artificial intelligence demand for the complex integration of different fields and specialisations.

At Unisem, customer intimacy is built around the idea of putting the customer at the centre of everything which leads to a win-win outcome for both parties. 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, i.e. with our business associates. The key to success is not to take any of our stakeholders for granted.

Key Capitals
- Human Capital
- Social and Relationship Capital

Relevant Material Sustainability Matters
- Occupational Health and Safety
- Customer Satisfaction
- Growing the Business
- Technology and Innovation
- Employee Welfare
- Product Stewardship
- Customer Privacy and Data

Protection
- Supply Chain Management
- Labour Rights
- Anti-Corruption
- Local Communities

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

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. We continue to push the envelope and stretch our technological capabilities to sustain our relevance and stay at the forefront of the semiconductor assembly and test 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 these 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.

Key Capitals
- Manufacturing Capital
- Intellectual Capital

Relevant Material Sustainability Matters
- Customer Satisfaction
- Growing the Business
- Technology and Innovation

D Alignment with international standards in relation to sustainability management in the areas of environmental 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 RBA 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 ("CSR") Policy together with other specific policies including the Anti-Corruption and Bribery Policy ("ABAC 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.

Key Capitals
- Human Capital
- Natural Capital
- Social and Relationship Capital

Relevant Material Sustainability Matters
- Occupational Health and Safety
- Customer Satisfaction
- Growing the Business
- Effluents and Waste Management
- Employee Welfare
- Customer Privacy and Data Protection
- Supply Chain Management
- Labour Rights
- Anti-Corruption
- Energy Management
- Water Consumption
- Greenhouse Gas Emissions
- Local Communities

SUSTAINABILITY REPORT

Recognition of Unisem's Sustainability Efforts

Inclusion in FTSE4Good Bursa Malaysia Index

We are pleased to report that Unisem has been included as a constituent company in the FTSE4Good Bursa Malaysia Index in its recent review in June 2021. Unisem Group is committed to continue demonstrating and investing in strong environmental, social and governance practices to meet globally recognised standards.

Sustainable Business Awards Malaysia 2020/21

In addition, we are proud to be conferred the award of "Highly Commended - For the strength of the overall sustainability programmes" in the Sustainable Business Awards Malaysia 2020/21 by the Global Initiatives. The awards were held in partnership with PricewaterhouseCoopers (PwC), industry associations, and government agencies and its participants include multinational companies as well as FTSE Bursa Malaysia Top 100 Index companies.

OUR APPROACH TOWARDS SUSTAINABILITY

In Unisem, our business management approach entails systematic monitoring and management of the Group's business operations and stakeholders, as well as the internal and external business environment. The management of the affairs of Unisem is spearheaded by the Board, supported by a robust corporate governance framework.

Sustainability Governance

This section discloses the governance features relevant to the Group's sustainability, particularly on the management and monitoring of its environmental and social matters. For detailed features and descriptions of the Group's entire corporate governance structure, refer to the ***Corporate Governance Report*** and ***Corporate Governance Overview Statement.***

Unisem Group's Sustainability Governance

The Board and Sustainability Committee

The Board is ultimately responsible for the Group's sustainability and ensures that sustainability consideration, including economic, environmental, and social impacts, are incorporated in the Company's strategy. In this regard, the Board delegates this role to the Sustainability Committee, which is a Board-level committee, to review, advise, and recommend sustainability strategies and policies of the Group. The Sustainability Committee is currently chaired by Unisem's Senior Independent Director.

The Sustainability Committee is responsible for reviewing the material sustainability matters of the Group and their management, targets, and performance before reporting to the Board. The Board reviews the sustainability performance of the Group annually through the key performance indicators disclosed in ***Sustainability Performance Highlights***. In addition, the Sustainability Committee also reviews the Group's engagement with key stakeholders annually to ensure adequate engagement with our stakeholders to understand their views and feedback and to address their concerns.

Management-level Leadership and Accountability

At the management-level, the Executive Management Committee is chartered with identifying risks which impact on Unisem's sustainability.

Furthermore, Unisem has appointed the Vice President of Corporate Human Resources to drive Unisem's overall sustainability agenda with direct reporting lines to Sustainability Committee. The Vice President of Corporate Human Resources and the management representatives from the Corporate RBA Committee with a dotted line of reporting to the plant Chief Operating Officer.

Based on strategies set by the Board, each SWC reviews stakeholder analysis and materiality assessment on an annual basis to manage sustainability matters specific to the respective sites. The SWCs are primarily responsible for managing sustainability matters at their respective sites, including executing and achieving sustainability strategies and targets approved by the Board. The Board holds the SWCs accountable for the achievement of the Group's key sustainability targets. The annual performance evaluation of the respective SWC members also takes into consideration the relevant sustainability performance.

Each SWC is chaired by the site Chief Operating Officer and comprises members of the site's RBA Working Committee ("RBA WC") and Business Development Group ("BDG"). The RBA WC is made up of 5 committees established to manage the 5 pillars of the RBA Code of Conduct, namely the Labour Working Committee, Ethics Working Committee, Health and Safety Working Committee, Environmental Working Committee, and the Management System Working Committee. The RBA WC and relevant managers along the chain of command are responsible for communicating the respective sustainability strategies, priorities, and targets to employees to ensure group-wide understanding and consistent implementation across the board.

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 – 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 ("R&D") programmes

STAKEHOLDER INCLUSIVITY

In the management of our business, we consider our stakeholders holistically as they are the driving forces of our business purpose. In addition, these various stakeholders also shape the internal and external environment of our business.

We consider stakeholders systematically, through a process where stakeholders are analysed according to how they influence or are affected by the business, and they are engaged based on our stakeholder engagement strategies. We regularly engage stakeholders to hear their views, their needs and wants, and we also have channels through which they can initiate dialogues with us.

Stakeholder Management

The SWC assesses the relevant stakeholders of their respective sites and reviews the stakeholder engagement activities and the engagement outcome, considering if the engagements were effective as well as incorporating stakeholders' views in business decisions. No material changes to the Group's key stakeholders were noted arising from the stakeholder analysis conducted for the financial year under review.

Various types of communication channels may be deployed depending on the stakeholder group and the specific matters being addressed, where applicable. In our day-to-day business dealings with stakeholders, we also adopt a culture of open communication to encourage stakeholders to share their feedback, with a view to facilitate mutual improvement and building stronger stakeholder relationships. For instance, we always adopt an "open door" policy with employees to hear our ideas which may help to better the way we do business. There are also readily available communication channels for stakeholders to provide their views and comments or to submit their grievances or complaints, e.g., the Group's Ethics Hotline and whistle blowing channel.

Since 2020, due to the COVID-19 pandemic, we have undertaken extra efforts to incorporate COVID-19 preventive measures in our stakeholder engagement strategies, on top of complying with the standard operating procedures set by the government ("COVID-19 SOP"). With greater adoption of online channels and platforms, we were able to remain engaged with our stakeholders. As the pandemic may have altered the way people connect with each other, we will continue to observe and adjust our stakeholder engagement approaches as appropriate moving forward.

Our stakeholder engagement activities for FY2021 are summarised as follows. Our engagement with stakeholders were carried out in compliance with COVID-19 protocols, leveraging online and virtual platforms.

Stakeholder Group	Engagement Approach	Focus Areas
Shareholders	• Annual general meetings • Quarterly announcements • Ad-hoc meetings • Announcement on Bursa's website	• Continuous business growth, including new market penetration • Operational sustainability during COVID-19 pandemic
Directors	• Quarterly and ad-hoc Board and Board Committee meetings	• Continuous business and operational improvement • Financial risk • Compliance with laws, regulations, and industry standards • Financial results • Interests of stakeholders and shareholders • Operational sustainability during COVID-19 pandemic • Continuous investment in R&D • Minimising environmental impacts
Senior Management	• Management meetings • Ad-hoc meetings	• Ensuring safe, humane working environment and respecting human rights • Ensuring customer requirements are met, including protecting customer data • Supply chain management, including eliminating conflict minerals • Adherence to RoHS, REACH and environmental regulations • Talent retention by providing competitive compensation and benefits packages for employees • Proper management and disposal of hazardous waste • Energy efficiency • R&D
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 • Ethics hotline/ whistleblowing channel	• Ensuring safe, humane working environment and respecting human rights • Nurturing culture, including provision of learning and development opportunities • 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 • Ethics hotline/ whistleblowing channel	• 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 (e.g. RoHS and REACH) • Ensuring safe, humane working environment and respecting human rights • New product development projects

Stakeholder Group	Engagement Approach	Focus Areas
Suppliers/ Contractors	• Annual supplier audits • Supplier briefings • Conduct of Self-Assessment Questionnaires • Ad-hoc tender exercises and meetings • Ethics hotline/ whistleblowing channel	• Fair tender practices • Competitive pricing • Business continuity • Quality materials/parts/services • Freely chosen labour • Fair wages • Responsible Mineral Initiative
In-house Union	• Monthly formalised union meetings • Ad-hoc meetings	• Industrial harmony between Management and employees • Employees' 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	• Regular reporting (e.g. annual air quality and waste disposal reports, workplace incident reports) • Quarterly announcements • Ad-hoc report submissions as and when requested by regulators	• Compliance with relevant laws and regulations • Corporate governance
Ministry/ local council	• Annual council meetings	• Support towards local communities, including contributions to 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 health, safety, and environmental management • Contributions towards local communities, such as volunteering projects and donations

On top of the engagement approaches disclosed above, we also conducted specific engagements with selected stakeholder groups to obtain their direct input in our materiality assessment during FY2021.

MATERIALITY ASSESSMENT AND MATERIALITY MATRIX OF UNISEM

In FY2021, we engaged with selected internal and external stakeholders with a purpose of to obtain their specific input on the Group's sustainability issues. These engagements were conducted through survey forms and online meetings and discussions and have considered environmental and social concerns addressed by the RBA, GRI Standards, and ESG indicators of FTSE4Good Bursa Malaysia, as well as emerging sustainability risks affecting business such as the pandemic and labour practices and human rights issues.

Unisem's Materiality Assessment Process

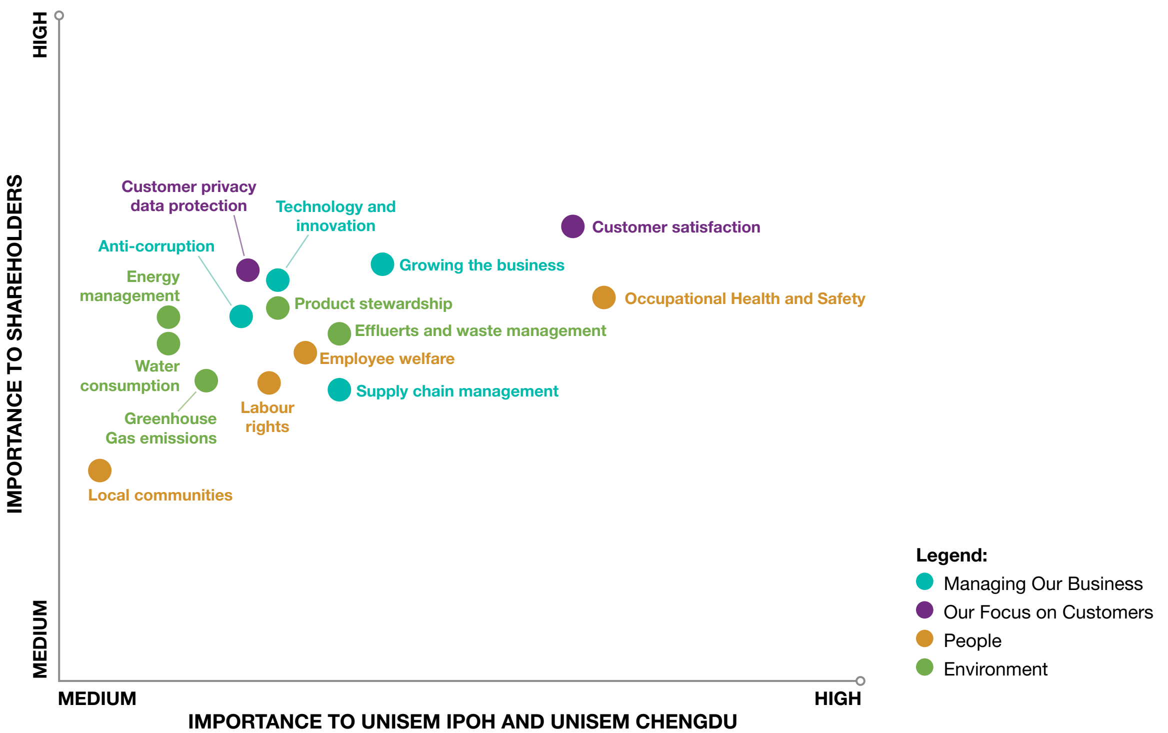
Unisem's materiality assessment process is aligned with the Main Market Listing Requirements and is guided by the Bursa Malaysia Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits. We adopt a definition of "materiality" that is consistent with the Main Market Listing Requirements as well as the GRI Standards –

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.**

Materiality assessment for each of the operating sites, i.e. Unisem Ipoh and Unisem Chengdu, is performed by the respective SWCs. Apart from previously identified sustainability matters, the SWC also considers any emerging sustainability risks and opportunities, or significant concerns raised by stakeholders. The outcome of the materiality assessments is reviewed by the Sustainability Committee and the Board, together with the relevant targets, management progress and performance and, where appropriate, timely intervention and action plans.

Every two years, we conduct comprehensive materiality assessment and obtain input from selected stakeholders through various engagement tools to assess the priority of sustainability matters in our business. We also ensure we seek the feedback from our employees as we appreciate their valuable input being one of the key drivers of business and operations.



UNISEM GROUP'S MATERIALITY MATRIX (FY2021)

Unisem Group's Materiality Matrix (FY2021)

Our materiality assessment conducted in FY2021 indicated that COVID-19 pandemic remained to be an operational sustainability issue with health and safety threat in the shorter term. Nonetheless, in the long term, Unisem's material sustainability matters remain unchanged. The FY2021 materiality matrix has been reviewed and approved by the Board. Our most material sustainability matters are as follows (in no particular order):

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

SUSTAINABILITY RISKS AND OPPORTUNITIES

Unisem's management of sustainability matters is augmented by its group-wide Enterprise Risk Management ("ERM") Framework which guides the systematic risk management processes of the Group. The Board is also ultimately responsible for ensuring Unisem has an adequate and effective risk management and internal control system. The Audit and Risk Management Committee supports the Board in regard to the Group's risk management matters. Features relating to the Group's ERM Framework is disclosed in the ***Statement of Risk Management and Internal Control.***

In its risk management process, Unisem considers risks from various perspectives including strategic, organisational structure, operational, processes, regulatory, people culture, technologies and reputation risks. When identifying and assessing risks, we take into consideration the material sustainability matters to pin-point the specific risks associated. Such a process enables the Group to embed sustainability in its holistic risk management framework and facilitate effective optimisation of long-term value creation and preservation.

The following table summarises Unisem's sustainability matters and how they relate to the Strategic Priorities and their associated risks.

Sustainability Matters	Key Capitals	Linkage to Unisem's Strategic Priorities	The importance of this sustainability to the Group and/or its stakeholders	Associated risks	Theme
Top 6 most Material Sustainability Matters					
Occupational Health and Safety	Human	A B D	Ensuring the safety and health of employees and people who visit our sites is our fundamental social responsibility. This includes providing employees and visitors a safe and humane working environment.	• Non-compliance • Employee safety and health risk • Pandemic and infectious disease (e.g. COVID-19)	How We Do Business Our People
Customer Satisfaction	Social and Relationship	A B C D	Keeping customers satisfied is our number one priority and is a fundamental building block to growing the business. It is key to developing long-term partnerships.	• Inadequate or ineffective engagement with customers • Unable to delivery or keep up with customers' demands or requirements • Lack of trust in relationship with customers	Our Focus on Customers

SUSTAINABILITY REPORT

Sustainability Matters	Key Capitals	Linkage to Unisem's Strategic Priorities	The importance of this sustainability to the Group and/or its stakeholders	Associated risks	Theme
Top 6 most Material Sustainability Matters (cont'd)					
Growing the Business	Financial	A B C D	In order to ensure long-term business viability and create value for shareholders, it is important for Unisem to continuously develop business, look into market expansion, diversification, and onboard new customers.	• Competition risk • Unable to expand market presence • Adverse economic conditions	Managing Our Business Our Focus on Customers Our People
Effluents and Waste Management	Natural	A D	Unisem is a responsible organisation and have always held the highest regards to ensure all hazardous by-products are disposed and discharged in accordance with the country's regulatory and global environmental standards. Failure to comply with these standards will tarnish our reputation and result in loss of business opportunities.	• Non-compliance • Environmental disaster and pollution	The Environment
Technology and Innovation	Manufacturing Intellectual	A B C	Technology and innovation are the enablers for product development. The market and our customers continuously demand for greater technological capability, and we are required to keep up with such demands through R&D of new technologies and products. Innovative solutions can also bring competitive edge without compromising other sustainability matters such as environmental or resource management.	• Product and technology unable to keep up with trend • Unable to delivery or keep up with customers' requirements • Inadequate investment in capability and R&D • Loss of key skills, experience, or knowledge	Managing Our Business Our People
Employee Welfare	Human Intellectual	B D	Employees are key human capital of our business and is a driving forces for business growth. Our tag line "We Care, We Can" is a fundamental guideline in employee welfare management. A good employee welfare program contributes to a stable workforce and improves job satisfaction and retention.	• Lack of professional and personal development for employees • Loss of key skills, experience, or knowledge • Employee compensation does not commensurate with statutory employee contribution	Our People

Sustainability Matters	Key Capitals	Linkage to Unisem's Strategic Priorities	The importance of this sustainability to the Group and/or its stakeholders	Associated risks	Theme
Other Material Sustainability Matters					
Product Stewardship	Social and Relationship	A B	Demonstrating product stewardship is our way of bringing responsible and safe products to consumers. Our responsibility in products extend beyond our facilities and considers the product life cycle and its impact on people and the environment. In this regard, we comply with international regulations and customer requirements especially on the use of safe materials.	• Non-compliance	How We Do Business
Customer Privacy and Data Protection	Social and Relationship	A B D	Information and intellectual property are crucial assets in our industry. We ensure robust and strict internal controls to safeguard our customers' information and products, as well as our own intellectual property.	• Non-compliance • Data breaches • Unauthorised access and use of information • Key information not up to date • Cyber security threats	Our Focus on Customers
Supply Chain Management	Financial Social and Relationship	A B D	Effective supply chain management is crucial in our business. Any major disruptions to our supply chain will result in serious repercussions such as missed deliveries, shipment commitments, lost reputation and integrity, and impact on customer relationships. We aim to build a supply chain that is reliable, trustworthy, and shares the same ethical beliefs with respect to environmental management and human rights.	• Non-compliance by supply chain partners • Subpar suppliers or supplies • Unable to deliver to customers on time • Disruptions in supply chain for direct materials • Impact on profit margin	How We Do Business
Labour Rights	Human	A B D	Labour rights are enshrined in our CSR Policy and Code of Ethics ("COE") and are subjected to labour regulatory requirements and RBA compliance. We expect our supply chain to commit to similar standards.	• Non-compliance • Labour disputes	How We Do Business Our People
Anti-Corruption	Social and Relationship	B D	Corruption is a threat to ethical business practices. Unisem has a zero-tolerance policy towards corruption. Anti-corruption efforts are also subject to compliance requirements.	• Non-compliance • Anti-corruption culture and policies not communicated effectively to employees and business associates • Corporate liability risk	How We Do Business

Sustainability Matters	Key Capitals	Linkage to Unisem's Strategic Priorities	The importance of this sustainability to the Group and/or its stakeholders	Associated risks	Theme
Other Material Sustainability Matters (cont'd)					
Energy Management	Natural	A D	Ensuring efficient energy use is one way of protecting the environment. Effective energy management and planning also helps to optimise profit margin.	• Power failure and disruption to operations • Impact on profit margin	The Environment
Water Consumption	Natural	A D	Water is crucial for our operations. Our operations utilise significant amount of water. Nonetheless, our operations are not located in water-scarce areas.	• Water shortage • Contamination of water used in production	The Environment
Greenhouse Gas Emissions	Natural	A D	Globally, countries are working towards reducing emissions to keep global temperature under control. As a responsible business, we have a role in these joint efforts.	• Possibility of introduction of emission trading or tax scheme affecting profit margin	The Environment
Local Communities	Social and Relationship	B D	Residentials were developed in the vicinity of Unisem Ipoh's operations. Our operations may impact the livelihood of the local community. This does not apply to Unisem Chengdu as it is located in an industrial zone.	• Noise affecting the local community (Unisem Ipoh)	Our People

Legend:-

A Pursuit of operational excellence and quality products and services.
B Development of long-term collaborate 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 on the areas of environmental and social relationships.

In the subsequent sections of this Report, the material sustainability matters are discussed across various themes, as follows:

- How We Do Business;
- Managing Our Business;
- Our Focus on Customers;
- Our People; and
- The Environment.

Unisem also endeavours to support the United Nations General Assembly ("UN") Sustainable Development Goals ("SDGs"), which are a set of 17 goals focusing on achieving the global 2030 Agenda for Sustainable Development. We support the SDGs through our business principles, business strategies, and our sustainability management. These include our contribution towards driving Industry 4.0, global technological advancement, fair and equal employment, and international employment standards.

HOW WE DO BUSINESS

Doing business responsibly and ethically is fundamental to Unisem's Vision and Mission. We also expect responsible and ethical business culture to be demonstrated along the Group's value chain, including our products, services, and supply chain.

Relevant Material Sustainability Matters

- Occupational Health and Safety
- Product Stewardship
- Labour Rights
- Anti-Corruption
- Supply Chain Management

Sustainability Performance Highlights

- 100% of Senior Management and employees received communication and training on anti-corruption
- No fines, penalties, or settlements relating to corruption
- Target to audit 10 suppliers achieved – FY2021: 12 suppliers audited
- No significant environmental or social impacts identified in association with key direct material suppliers

Relevant SDGs:

OUR CORPORATE RESPONSIBILITY

Cognisant of our responsibility as a good corporate citizen, all aspects of Unisem's operations and activities are guided by our commitment to ensure we deliver on our corporate social responsibility, comply with applicable laws and regulations, and meet the requirements outlined in the RBA Code of Conduct.

Our commitments towards protecting the environment and the people involved in our business are enshrined in Unisem's CSR Policy, which is available on our corporate website.

Code of Ethics ("COE")

Unisem's COE is established to govern the way we do business and operate. It is applicable to all employees including the Group's Directors, all of whom are required to acknowledge and commit to compliance with the COE before joining the Group. The COE is communicated to all employees annually and is also publicly available on Unisem's corporate website. Business associates or representatives are also expected to be guided by the COE in their work or services for Unisem.

The COE was developed on the fundamental values of integrity and honesty, openness and respect, accountability, passion, and commitment to excellence. The COE was also aligned with the RBA Code of Conduct, setting the standards for the following (non-exhaustive):

- 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 zero tolerance towards bribery, corruption, fraud, extortion, or embezzlement.

Anti-Corruption and Bribery

Unisem has a Group-wide ABAC Policy which sets out the Group's stance towards bribery and corruption and to provide information and guidance to those working for Unisem in recognising and addressing bribery and corruption issues. Our ABAC Policy and procedures are developed and guided by the Guidelines on Adequate Procedures Pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009. The ABAC Policy is publicly available on the corporate website. The site COOs and General Managers are responsible for the overall compliance with the ABAC Policy.

The ABAC Policy covers various types of corruption including misuse of power, facilitation payments, kickbacks, as well as gifts, entertainment, or anything of value given in an attempt to affect actions or decisions to gain or retain business advantage. The Group does not make any charitable donations or contributions to political parties and will not make any reimbursement with regard to employee's political contributions made in personal capacity.

On top of Directors and Employees, persons associated with Unisem Group including business associates such as agents, suppliers, contractors, and business partners are also required to comply with the ABAC Policy. As part of our anti-corruption policy, new suppliers are required to be assessed for corruption and bribery risks during the due diligence process. The ABAC Policy is also communicated to business associates when business relationships are formed, and as and when appropriate thereafter.

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.

Managing Corruption Risks

We adopt a risk-based approach towards managing corruption and bribery risks. Corruption risk assessment was performed by the Ethics Working Committee on the Group's business and operations, namely both the Group's operating sites in Malaysia and China. Greater efforts such as more intensive anti-corruption training programmes and monitoring efforts are put in place to address high risk areas. Corruption risk management is also incorporated in our annual enterprise risk management process.

Communication and setting the correct tone and culture is key to preventing corruption. To this end, we have established a communication plan to regularly remind internal and external stakeholders of our anti-corruption stance. Directors and employees are provided with annual refresher training on anti-corruption while high-risk business associates are periodically communicated on our anti-corruption stance and business ethics expectations. Our communication to stakeholder is made through various channels, such as email and our corporate website, and are commonly available in 3 languages – English, Bahasa Malaysia, and Chinese.

The following table summarises the number and percentage of Directors and employees who have received communication and training on anti-corruption via our eLMS, i.e. E-Learning program, during FY2021.

	Unisem Ipoh		Unisem Chengdu	
	Number	Percentage	Number	Percentage
Board of Directors	10	100%	Not applicable	Not applicable
Senior Management and Management	88	100%	41	100%
Executive, Non-Executives, and Operators	3,283	100%	2,547	100%
Total	3,381	100%	2,588	100%

Conflict of Interest

To safeguard the Company's interest and to prevent unethical practices or behaviour arising from conflicting interests, we have policies and procedures governing the disclosure and management of conflict-of-interest situations. Conflict of interest may occur when directors or employees have conflicting interests with the Group's businesses, employees having a close personal relationship with our suppliers or customers, and many other different circumstances. Principles governing conflict-of-interest situations are also provided in Unisem's COE.

In Unisem, all employees including directors as well as new hires are required to declare if they have any conflict of interest upon commencement of employment with Unisem. Furthermore, we require managers and above and identified function personnel to declare any conflict of interest on an annual basis, so these key decision-making roles are able to function objectively at all times. The Human Resources department oversees this process and reports to the site COO.

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 in FY2021.

Whistleblowing

Through its Whistle Blowing, Ethics & Compliance Policy ("WBEC Policy"), Unisem provides a confidential channel for all internal and external stakeholders to report or whistle-blow unethical or unlawful behaviour in confidence. The WBEC governs how a whistleblowing report can be made and how these reports shall be handled and resolved. The WBEC Policy is publicly available on our corporate website.

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 whistleblowing reports made in good faith.

The concerns which can be raised through the WBEC Policy include actual or suspected misconduct or unethical business practices within Unisem or those conducted by associated persons in Unisem's business. Violation of the COE standards relating to labour standards and human rights, safety and health, non-discrimination and equal opportunity, environmental management, and business ethics and anti-corruption, can also be reported via this channel.

To ensure the independence and objectivity of the processes formalised via the WBEC Policy, the ARMC Chairman receives monthly reports on whistleblowing cases reported. Cases allegedly involving Management can also be reported to the ARMC Chairman.

During the financial year under review, there were no reported incidents of corruption or non-compliance with the Group's anti-corruption policies. Hence, there were no fines, penalties, or settlements relating to corruption. A summary of the incidents and cases reported via the Ethics Hotline and the WBEC Policy in the past 3 financial years is as follows:

	No. of cases		
Types of cases	**FY2019**	**FY2020**	**FY2021**
Workplace grievances from employees	8	3	1
Whistleblowing from employees	4	2	2
Whistleblowing from external parties	0	0	0

All incidents were verified upon investigation and found no breach or violations of unethical misconduct or business ethics. All cases reported were addressed and closed.

OUR RBA OBLIGATIONS

RBA is the world's largest industry coalition dedicated to corporate social responsibility in global supply chains. Our policies and practices are closely aligned with the RBA Code of Conduct which is also adopted by the world's leading brands in the electronics, retail, and automobile sectors. The RBA Code of Conduct references international norms and standards including the Universal Declaration of Human Rights, ILO International Labor Standards, OECD Guidelines for Multinational Enterprises, ISO and SA Standards, and others.

The RBA standards are categorised according to the 5 pillars, namely Labor, Ethics, Safety and Health, Environment, and Management Systems. They guide how we select and manage our supply chain partners. Matters pertaining to each pillar are dealt with by the respective RBA WCs which meet regularly to monitor and review the relevant initiatives and KPIs.

Version 7.0 of the RBA Code of Conduct came into effect on 1 January 2021. In 2021, we have conducted various initiatives to keep up with the latest code. Relevant personnel also attended training sessions on the relevant updates, including updates to the Responsible Minerals Initiative ("RMI") and Responsible Labour Initiative ("RLI").

RBA performance

The Self-Assessment Questionnaire ("SAQ") is an RBA self-assessment tool which allows operating facilities to annually perform and share the outcome of their self-assessment to their customers, while the biennial Validated Assessment Program ("VAP") is an RBA third party auditing process. Compliance with the RBA Code of Conduct is a critical requirement to entering into a business relationship with our customers.

We also provide access for current and potential customers to view the VAP audit findings and results. Our SAQ and VAP results for the last 3 years are as follows:

	SAQ	SAQ Score*	VAP	VAP Score*	Level of Risk
Unisem Ipoh	Completed in January 2021	93.4	Completed in Sept 2018	151.6	Low
	-	-	Completed in Dec 2021	183.7 (Silver Status)	Low
Unisem Chengdu	Completed in January 2021	93.7	Completed in Nov 2019	177.1 (Silver status)	Low
	-	-	In progress (pending progress audit)	141.0 (possible adjustment arising from closure audit)	Low

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

Internal Audit

To ensure our operations adhere to the RBA standards, as well as other applicable laws, regulations, and standards, the Group's independent internal audit function regularly audits the Group's operations. The scope covered by internal audit function's review ranges from ethical business practices including anti-corruption, labour practices and human rights standards, environmental compliance, to adherence to company's policies and procedures. The internal audit's work is also used as a reasonable assurance on the integrity and adequacy of the Group's risk management and internal control systems with regard to business, operational, financial, and sustainability issues, amongst others. further discussion on the internal audit function is available in our ***Audit and Risk Management Committee Report*** and ***Statement on Risk Management and Internal Control.***

PRODUCT STEWARDSHIP

Semiconductor components may contain hazardous substances such as heavy metals, some of which may not be substituted with safer materials. However, depending on the method of manufacturing or processing, the use and content level of toxic materials may be minimised, thus minimising the risk to consumers and damage to the environment. To understand our product impact, we perform assessment on the various life cycle stages of our products from time to time to examine the safety and ethical considerations.

We comply with the European Union's Restriction of Hazardous Substance ("RoHS") directive which restricts the use of ten substances, including lead. All our products are free from these restricted substances. Our suppliers are also required to comply with RoHS to ensure the integrity of our compliance process.

On top of having in place management systems aligned with international standards to manage our environmental and social impacts, we also work together with customers to fulfil their standards for products stewardship and safety.

Regulations and customer requirements & descriptions	Measures taken by Unisem
RoHS Directive – Restriction on the use of ten substances including lead	• We ensure compliance through annually conducted review and analysis, supported by documentations such as declaration letter, Certificate of Compliance and Safety Data Sheets. • We engage with suppliers to facilitate their compliance. Once in every two years, suppliers are required to perform self-assessment and submit the relevant compliance documentation. • Each batch of supplies received is accompanied by the relevant test reports and certificates.
Business partner certification schemes – Restriction on the use of hazardous substances including lead and lead compound	• Each Unisem site has obtained third party certification on the Sony Green Partner and Samsung Eco Partner certification schemes.

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. Unisem's corporate responsibility, particularly with regard to managing environmental and social impacts, also extends to the Group's supply chain.

Key direct material suppliers and service providers are required to adhere to the RBA Code of Conduct and this requirement is also formalised in our CSR Policy and COE. We require a Letter of Conformance on their commitment towards complying with the provisions of the RBA Code of Conduct. In addition, we also circulate a Business Ethics Letter, which sets out the business ethics expected of them, annually. With other suppliers, we practise continuous engagement as guided by our COE and the RBA Code of Conduct to encourage the adoption of relevant best practice.

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, Bahasa Malaysia, and Chinese, to facilitate effective communication with suppliers and service providers. We ensure we communicate regularly and update all our stakeholders including suppliers on any significant changes to our policies including our COE and business ethics related policies.

We 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; and
- business ethics challenges or violations, such as anti-corruption.

Conflict-free Minerals

Unisem Group acknowledges its responsibility in ensuring the responsible sourcing of materials used in its products. Unisem has a Group Policy on Conflict Minerals which prohibit the sourcing and use of conflict minerals including tantalum, tin, tungsten, and gold within the Group's supply chain, in line with international efforts to curb armed conflicts related to resource extraction from countries including the Democratic Republic of Congo or any adjoining countries. The Policy on Conflict Minerals is communicated to all relevant suppliers and is available on our corporate website.

Due diligence processes are put in place to provide reasonable assurance that the tantalum, tin, tungsten, and gold used in products are sourced in a way consistent with the Organisation for Economic Co-operation and Development ("OECD") Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We adopted the RMI Conflict Mineral Reporting Template ("CMRT") as a data tool to report and review the smelters involved in the Group's supply chain. We also require relevant suppliers to provide written confirmation, as well as to complete the RMI CMRT.

Fair Procurement Practices

All procurement and tendering processes are carried out in accordance with our Group Procurement Policy. Our procurement and tendering processes are designed to ensure suppliers are objectively assessed without discrimination, screened for potential conflict of interest situations and free of collusion and price fixing.

Ongoing Engagement in the Supply Chain

We create a collaborative working relationship with our suppliers, including in the aspects of addressing non-compliance risks and managing environmental or social issues. Regular briefings and communication are conducted to ensure the business ethics practised within among supply chain partners is consistent.

From time to time, we also update our key direct material suppliers and service providers on latest developments in the industry, including any significant development to the RBA standards or to the laws and regulations governing our business and operating environment. Where necessary, we also conduct discussions with them to assess and address any gaps towards meeting new regulations or requirements.

Unisem Group also has programmes to assess or audit our key direct material suppliers on an ongoing basis. Through these programmes, we are able to understand the challenges of our suppliers and to work together to manage issues identified. We see such engagements as great collaboration tools to facilitate the adoption of best practices and standards and a platform for mutual learning and development, in enhancing the integrity of our supply chain.

Managing and Monitoring our Supply Chain

Our suppliers are regularly assessed to ensure we maintain relationships with quality suppliers who can support our business and strategic priorities. The supplier assessment considers, amongst others, pricing, timeliness of delivery, and quality of products and services.

All key direct material suppliers and service providers are further required to be assessed for their sustainability performance, particularly in relation to the RBA standards. They are mainly assessed 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 suppliers • aim to identify high-risk areas and potential gaps against RBA Code of Conduct	• physical audit based on RBA VAP Operations Manual • 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

We perform these assessments together and in conjunction with our suppliers' assessments and audits per our ISO14001-certified Environmental Management System.

Where findings are identified from the audit activities, suppliers will be provided with the Corrective Action and Preventive Action ("CAPA") template to indicate their responses and corrective actions addressing the audit findings. The agreed-upon corrective actions, upon implementation by suppliers, will be verified by the Unisem audit team before the audit findings can be closed.

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. As part of our supplier audit strategy, we aim to cover 80% of the 25 suppliers in every two years.

Audit performed on the 25 key direct material suppliers				
	Target		Performance	
Year	Number of audits to be conducted	Percentage to be covered in 2 years (out of 25)	Number of audits completed	Percentage covered in 2 years (out of 25)
FY2019	9	80%	10	76%
FY2020	10	80%	12*	88%
FY2021	10	80%	12*	96%
FY2022	10	80%		

*Note: *Due to the COVID-19 pandemic and movement control measures imposed by the Malaysian government during FY2020 and FY2021, some audits were not conducted "on-site" but rather in "virtual" form, where sighting and verifications were conducted via video calls.*

In FY2021, physical on-site audits remained to be a challenge due to movement control measures. We continued to perform audits based on "virtual" audits for some suppliers and had completed 12 supplier audits in total. In the past two years, we covered 24 suppliers out of the 25, i.e. 96%. We target to perform 10 key direct material suppliers in FY2022.

A summary of the key direct material suppliers' key correction actions arising from audits performed in FY2021 is as follows.

RBA Category	Summary of key corrective actions
Labour	• Removal of unnecessary personal information in the application form • To maintain documentation as 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 • To conduct first-aid training once every two years • To update and review SDS requirements periodically • To update and include COVID-19 Pandemic ERT team in the ERT organisation chart
Environmental	• To provide designated scheduled waste and non-scheduled waste area according to standard • To improve internal procedures for hazardous waste handling
Management Systems	• To establish RBA Working Committee to ensure compliance • To update documentation for latest RBA 7.0 code of conduct requirements

As at 31 December 2021, 100% of agreed-upon corrective actions arising from FY2020 audits have been implemented and verified. 100% of corrective actions arising from audit findings identified during the financial year have been implemented and verified. Our ongoing follow-up process will continue to monitor the implementation of the outstanding corrective actions.

Summary of Supply Chain Environmental and Social Assessment

As at 31 December 2021, all of our key direct material suppliers have been assessed for environmental and social impact at least once during the past 3 years. There were no significant actual or potential environmental or social impacts identified in association with these suppliers.

	FY2020	FY2021
Total number of shared key direct material suppliers	**25**	**25**
Environmental impact		
Number of suppliers assessed for environmental impacts* Note: *assessed at least once in the past 3 years	25	25
Number of suppliers identified as having significant actual and potential negative environmental impacts	0	0
Description of the significant and actual environmental impact identified	Not applicable	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 audit team	0% (0 / 25)	0% (0 / 25)
Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment	0%	0%

	FY2020	FY2021
Total number of shared key direct material suppliers	**25**	**25**
Social impact		
Number of suppliers assessed for social impacts	25	25
Number of suppliers identified as having significant actual and potential negative social impacts	0	0
Description of the significant and actual environmental impact identified	Not applicable	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 % (0 / 25)	0% (0 / 25)
Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment	0%	0%

New Supplier Screenings

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

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, as appropriate.

MANAGING OUR BUSINESS

Pursuing business prosperity, viability, and sustainability is fundamental towards creating and delivering long-term stakeholder and shareholder value. We have to ensure we are able to remain competitive in the market and fortify our market presence. In Unisem, our focus in this regard includes continuously seeking for growth opportunities and developing our capability, capacity, products, and solutions.

Relevant Material Sustainability Matters

- Growing the Business
- Technology and Innovation

Sustainability Performance Highlights

- Achieved 20.0% revenue growth
- Distributed economic value of RM388m in wages and salaries; RM24m in corporate tax; and RM64m in dividends
- Achieved FY2021 target for Technology Road Map
- Completed 6 and included 5 R&D projects in Technology Road Map

Relevant SDGs: 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

In order to remain relevant and credible in the industry and market, we relentlessly pursue operational excellence, optimising the conversion of capital inputs to outputs. Our business operations in Unisem Group are built upon robust and systematic management systems and structures, allowing Management to plan, execute, and monitor resources and productivity effectively and efficiently. All 3 key facilities across Unisem Ipoh and Unisem Chengdu are fully certified with ISO 9001:2015.

Amongst others, our management systems help to ensure our operations and activities are compliant with applicable laws and regulations, including those relating to environmental and social matters. During the financial year under review, there were no significant fines or non-monetary sanctions arising from non-compliance with laws and regulations.

The semiconductor and electronics industry is one of the most dynamic and rapid-changing industries. Innovative technology and products incorporating advanced features such 5G, artificial intelligence, and big data processing drives global demand for more powerful and smaller chips. Packaging and assembly solution providers like us are continuously pushing the boundaries of current technology to come up with solutions that can support innovators' design needs.

BUSINESS PERFORMANCE

KPI	To achieve revenue growth		
Target	On-going growth of revenue		
Performance	FY2019* -7.4%	FY2020* 4.5%	FY2021 20.0%

Note: * includes operation in Batam, Indonesia which has been discontinued in 2020.

In FY2021, global market demand for chips remained robust. Overcoming challenges amidst the COVID-19 pandemic such as logistics and supply chain interruptions and manpower limitations, Unisem recorded a revenue of RM1.6 billion, marking an annual revenue growth of 20%.

The higher revenue is mainly attributable to higher sales volume and average selling price. Revenue contribution by market segment is illustrated as follows:

Unisem Group	Revenue generated by customers' region (RM '000)		
	FY2019*	FY2020*	FY2021
United States of America	606,887	695,144	835,694
Europe	190,241	145,127	158,034
Asia	454,077	467,310	575,195
Total Group Revenue	1,251,205	1,307,581	1,568,923

*Note: * includes operation in Batam, Indonesia which has been discontinued in 2020.*

Unisem recorded a profit before tax of RM222.6m for FY2021, where RM7.1m was paid as tax, RM64.4m was rewarded to shareholders as dividends and RM852.6m was reinvested as retained earnings. A summary of the economic value generated and distributed by Unisem in FY2021 is as follows:

	FY2020*	FY2021
Revenue	RM1.31b	RM1.57b
Local Procurement (Local: i.e., Malaysia for Unisem Ipoh and China for Unisem Chengdu)	RM113.3m	RM163.3m
Wages and salary to employees	RM315.3m	RM387.7m
Corporate tax paid	RM11.5m	RM7.1m
Community Investments, Donations, and Non-Commercial Sponsorships	RM42k	RM255k
Dividends paid	RM58.2m	RM64.4m
R&D	RM6.7m	RM6.7m
Retained Earnings	RM700.3m	RM852.6m

*Note: * includes operation in Batam, Indonesia which has been discontinued in 2020.*

Details of the Group's financial performance and strategies on business growth is discussed in the ***Chairman's Letter to Shareholders, Management Discussion & Analysis*** and the ***Audited Financial Statements*** of Unisem's Annual Report FY2021.

Local procurement supporting local economy

Where practical and economically viable, we make the effort to promote and contribute to the local economy through our procurement activities. 26.9% of the Group's direct material spending in FY2021 is attributable to purchases from local suppliers ("local" is defined as the country in which the respective operating site is located).

	Proportion of direct material spending on local suppliers (%)	
Types of cases	**FY2020**	**FY2021**
Unisem Ipoh	28.6%	23.6%
Unisem Chengdu	28.3%	29.9%
Unisem Group	28.5%	26.9%

Whether we are able to procure direct materials locally depends largely on the availability and suitability of natural resources in the countries we operate in. Nonetheless, Unisem maintains a balanced participation in and continuously contribute to the local economy in various ways, such as local procurement of general goods and services, local employment, and contribution to the local community.

QUALITY AND LEAN OPERATIONS

Quality is a fundamental element of our products and services. In our pursuit of operational excellence, we have invested extensively in achieving high productivity with consistent and high-quality products and services. Our operations and processes are translated into standard operating procedures to conform to International Quality Management Systems requirement such as ISO 9001:2015 and TS16949:2016. All shopfloor employees are required to undergo comprehensive training and certification per ISO and automotive standard requirements. All our operation sites are subject to regular reviews and audits to identify potential improvement areas to safeguard the quality of our products and services.

Kaizen initiatives were introduced into all our operation sites since 2004. Employees are also regularly trained to enhance their problem-solving capabilities and contribute to continuous improvement in operations. These training initiatives include Plan-Do-Check-Act (PDCA) techniques, Design of Experiment, Technical Excellence, Poka Yoke, and Root Cause Analysis (RCA). These improvement initiatives are not only applied to the production floor but also other functions including support functions. We also give out incentives annually to our employees for participating in Kaizen, Technical Excellence projects and Lean Big Win initiatives.

These initiatives are a form of employee engagement where employees are provided a platform to provide feedback and demonstrate their innovative talent and problem-solving capabilities. These initiatives also provide an opportunity for us to identify talents and skills, on top of contributing to the development of a positive workplace culture and enhancing employees' competencies to meet the highly competitive demands of a fast-paced business environment. In line with our strategy towards operational excellence, we will continue to develop similar employee engagement programmes which will help enhance operational effectiveness and efficiency, as well as developing our people.

OUR TECHNOLOGICAL CAPABILITY

Technology and innovation are the backbone of our products and services. To remain relevant in the market, Unisem continuously invest in the development of new products and services. On the other hand, we also look into how we can leverage technology to achieve operational excellence through better cost performance, increased productivity, enhanced product quality.

To ensure we can continue to support and service our customers, we collaborate closely with them to understand their innovation needs and align our technology development strategies. Our Management regularly discusses and reviews the Group's technology development strategies to ensure they can support the Group's business model and long-term business sustainability. Unisem's R&D plans are scheduled and monitored via the Group's Technology Road Map, which sets out the milestones the Group strives to achieve across different time horizons.

KPI	**Progress of projects scheduled in Unisem Group's Technology Road Map**
Target	Meeting the project completion timeline as scheduled
Performance	Completed all 6 projects targeted for completion in FY2021

In FY2021, we have completed 6 projects targeted for completion, deferred 2 projects, and included 3 new projects, the details as follows.

Projects	Descriptions	Challenges	Target for Production Readiness	Progress
Completed projects				
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	Completed.
Power SLP	Developed Power Leadless Package with 20mils thick lead frame for 5G application.	• New material introduction • Limited supplier source of LF	Quarter 1 of 2021	Completed.
Thick Air Cavity Package	Thick Air Cavity Package in 200µm Thick MIS frame for high frequency RF application for GaN.	• Relatively high in material cost • Overall package mechanical strength & integrity	Quarter 3 of 2021	Completed.
Customized Leaded Package	Co-developed a new package with customer on new customised package for Power Management devices. The key performance is for high power efficiency with the lowest energy lost in server network application.	• Dedicated & customized tool • Complicated LF design for assembly process	Quarter 2 of 2021	Completed.
Automation	Successfully implemented Solder Paste Inspection (SPI) and Automated Optical Inspection (AOI) for SMT Inspection. With this implementation we were able to eliminate human errors and man resources completely.	• Capex investment • Equipment capability limitation depends on the products complexity	Quarter 2 of 2021	Completed.
FC-BGA Package	Successfully fan out the Ball Mount process from Unisem Chengdu to Unisem Ipoh. This capability enables us to offer BGA products to our customers and double up as an alternative qualified source besides Unisem Chengdu.	• Capex investment • Floor space limitation	Quarter 4 of 2021	Completed.

Projects	Descriptions	Challenges	Target for Production Readiness	Progress
Existing projects				
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 2 of 2022	Deferred from Quarter 4 of 2021 to Quarter 1 of 2022. Completed initial assessment and established preliminary design rule. Pending design rules validation.
Power 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 2022	Deferred from Quarter 4 of 2021 to Quarter 3 of 2022. Due to customer priority changes for this program.
New projects				
MIS with Compartment EMI Shielding	To innovate a new idea to have compartment EMI shielding with simpler and more cost-effective approach.	• Frame cost slightly higher • New equipment is required	Quarter 4 of 2022	Concept phase.
3mils Thin Lead Frame	Continue to evolve thinner package for RF market and continue growth the LF design rules	• Frame cost slightly higher • Limited supplier can provide the capability	Quarter 2 of 2023	Concept phase.
Embedded Thick Cu Heat Slug LGA	To enable high power device into laminate substrate based by utilising thick heat slug as the key dissipation of heat	• Frame cost slightly higher • Limited supplier can provide the capability	Quarter 3 of 2023	Concept phase.

On top of our R&D activities scheduled in our Technology Road Map, we are also pleased to have achieved the following achievements as we continue to come up with innovative solutions to meet our customers' needs.

A total of two new processes and materials were qualified in 2021 to meet customer needs. To date, Unisem has obtained 31 patents up to date.

R&D Expenditure

In FY2021, Unisem Group has invested RM6.7m in R&D programmes, representing close to 1% of the Group's revenue.

Unisem Group	Unisem Group R&D expenditure		
	FY2019*	FY2020*	FY2021
Unisem Group R&D expenditure (RM '000)	8,115	6,751	6,663
R&D expenditure as a percentage of Unisem Group revenue (%)	1%	1%	1%

*Note: * includes operation in Batam, Indonesia which has been discontinued in 2020.*

SAFEGUARDING OUR INFORMATION TECHNOLOGY SYSTEM

We have established internal controls, tools (anti-virus Software, firewall, email filtering, etc.) policies and procedures in the protection of our Information Technology (IT) systems and Infrastructure.

We have a dedicated IT Support function responsible for establishing & upgrading Standard Operating Procedures to ensure readiness to manage daily IT needs and stand ready to address cyber threats.

As businesses are increasingly integrated into the digital world, maintaining a robust cyber security becomes more and more important. Cyber security is assessed, managed and monitored via Unisem's ERM process.

During the financial year under review, there were no significant breaches or violation of our IT system. We are strengthening further by engaging third party expert to objectively assess or provide assurance on the integrity to our IT systems.

OUR FOCUS ON CUSTOMERS

In Unisem, we adopt a customer-centric approach in our products and services. We set ourselves apart by placing customers intimacy as our core differentiation strategy. We believe in growing together with our customers, developing ourselves to address customers' current and future needs. This mutual relationship needs to be built on the foundation of trust and commitment to safeguard customer interest including data privacy and confidentiality.

Relevant Material Sustainability Matters

- Growing the Business
- Customer Satisfaction
- Customer Privacy and Data Protection

Sustainability Performance Highlights

- Achieved 90% score for customer satisfaction target
- No fines or complaints received from outside parties or regulatory bodies

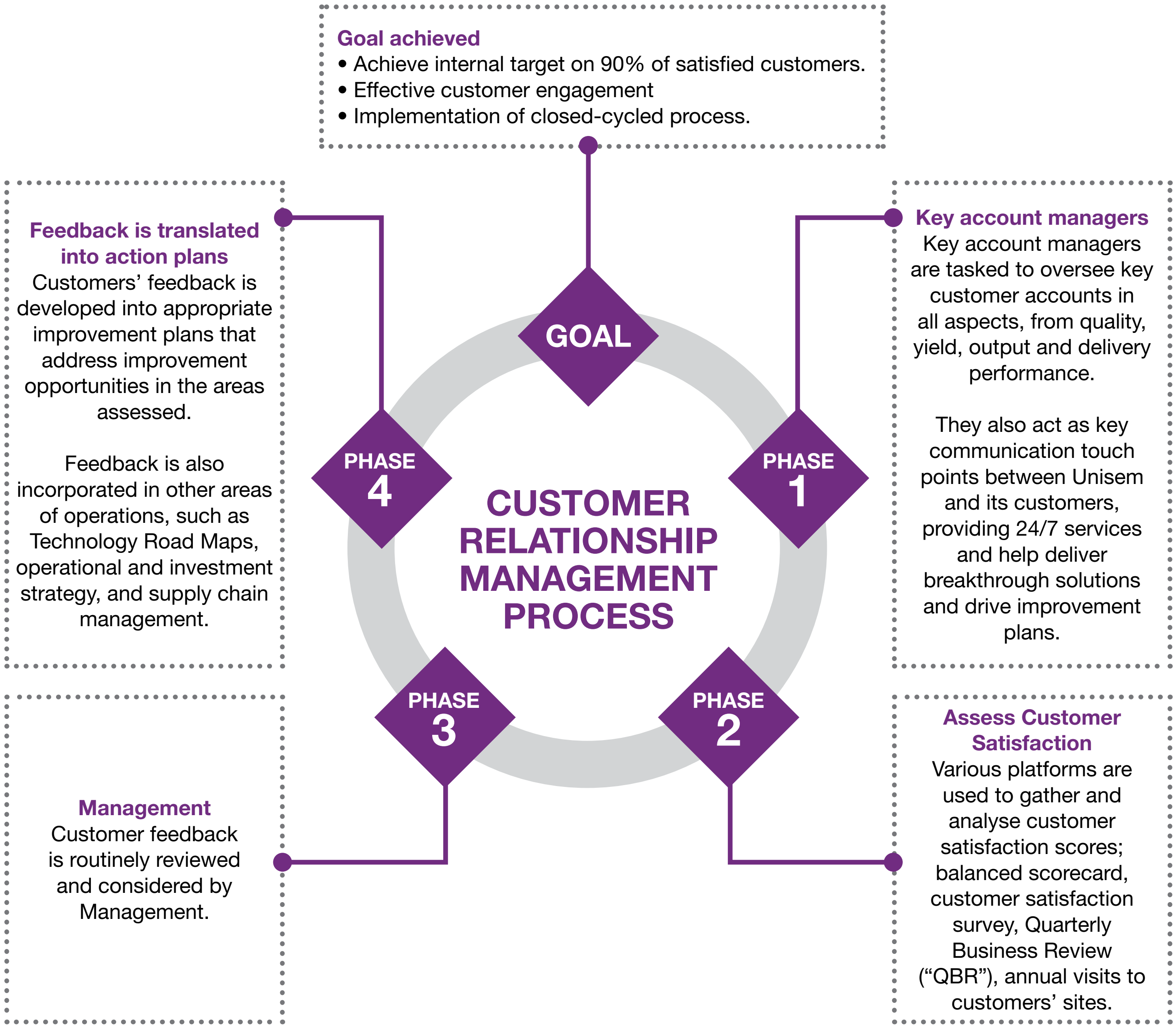
Relevant SDGs: 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SERVING OUR CUSTOMERS

Customer Relationship Management

To ensure we place sufficient attention and resources on our customers, we have dedicated customer account managers and teams at the factory level to serve our key accounts. They are adequately trained, professionally and technically, to provide one-stop solutions as well as offering ease of doing business. Key account managers are the main contact points through which Unisem understands its customers to develop action plans to enhance its products and services. Our customer management teams also provide 24/7 services to customers.

To ensure consistent and high standards of customer service, we turned to our reliable Customer Relationship Management Process. Please refer to the diagram below:



Engagement and Collaboration with Customers

Through our Customer Relationship Management Model, we are able to effectively gauge customer satisfaction level, our performance score cards versus our KPI baseline and discover new opportunities brought about by changes in the external business environment. The following table describes other key engagement activities we have with our customers.

Customer Engagement Platforms	Frequency	Details
Balanced scorecard	Quarterly	Around 80% of key customers evaluate Unisem's performance via their own balanced scorecard. Evaluation results are usually shared with Unisem to identify areas where we can further improve or grow together. Unisem does not set a general performance target for the purpose of this Report due to the different assessment and criteria used by each key customer.
Customer satisfaction survey	Yearly	Unisem has an internally developed survey form to assess the satisfaction of the other 20% of its key customers who do not use a balanced scorecard approach. Unisem targeted to achieve a Customer Satisfaction score of 90% for FY2021.
Quarterly Business Review ("QBR")	Quarterly	QBR is conducted by key customers to convey their report card on their suppliers' performance, business opportunities, and roadmaps.
Meeting with customers	Annually	Top management and the technology and marketing teams meet with key customers located in the United States of America, Europe, and Asia to strengthen customer relationships and align Technology Road Map.

For the financial year under review, Unisem Group achieved our target of 90% of key customers satisfaction. Any shortcomings and potential improvement areas were discussed with our customers to come up with action plans. Taskforces were set up to address any issues where necessary. The SWCs of each operating sites regularly review the progress of action plans and reports to the Sustainability Committee.

KPI	Satisfaction of key customers		
Target	To achieve key customer satisfaction score of 90%		
Performance	FY2019* 89%	FY2020 85%	FY2021 90%

*Note: * FY2019 target was set at 85% and was revised to 90% in FY2020*

Delivering Customer Value

We are proud to be recognised and awarded with outstanding services and best supplier appreciations from our valued customers in 2021. Below are some of the recognitions from our valued customers.

- Solu-M Best OSAT of the year 2021;
- Power Integrations 2020 Best Supplier Award;
- MACOM 2020 Supplier of the Year;
- Menlo Micro 2020 Supplier of the Year;
- Convenient Power System 2021 Best Supplier Award;
- Solu-M Outstanding Services Award of the year 2021;
- Halo Microelectronics 2021 Best Supplier Award;
- Infineon OSAT Manufacturing Excellence Award SIMIC Assembly & Test;
- SG Micro 2021 Best Support & Service; and
- Vesper Technologies Inc. 2021 Supplier of the year Best Assembly Provider.

PROTECTING OUR CUSTOMERS' PRIVACY AND DATA

As trusted business partners, it is our responsibility to protect our customers' proprietary information and protect their data. On top of having internal processes and controls to safeguard our IT system, Unisem also has an "IT Acceptable Use Policy" which defines the standard operating procedures for accessing, transferring, and managing information and data in a responsible manner. Employees are regularly reminded on the importance of protecting our customer's data and breaches or violation, if any, will be dealt with seriously.

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.

With regard to customer privacy and data protection, there were no fines or complaints received from outside parties or regulatory bodies for the financial year under review. We were also not aware of any cases of leaks, theft, or loss of customer data.

OUR PEOPLE

Our employees' safety is our most fundamental corporate responsibility. This philosophy is reflected in our tagline "We Care, We Can". All persons, including employees and visitors, shall be protected from harm and injury arising from our business operations. Human capital is an important contributing factor in the growth of Unisem from its early days. Owing to our geographic location, our ability to nurture and develop in-house talents has proven to be successful.

We adhere to labour laws and regulations and international labour standards, where applicable. We expect our key material suppliers to adhere to the same standards as well. In addition, we aim to continue to maximize our positive impact and engage our local community wherever and whenever possible.

Relevant Material Sustainability Matters

- Growing the Business
- Technology and Innovation
- Occupational Health and Safety
- Employee Welfare
- Labour Rights
- Local Communities

Sustainability Performance Highlights

- All employees trained on labour standards and human rights issues
- 3.69 employee satisfaction score in FY2021 against a target of 3.80
- No incidents of significant human rights or labour standards violations
- 62.9% employees having minimum 6 hours training against a target of 75%
- Kept injury frequency rate in target range at below 2.0 – FY2021: 1.44
- 26.4% and 74.7% annual turnover rate for Unisem Ipoh and Unisem Chengdu in FY2021 against targets of 25.0% and 45.0%, respectively
- 587 long service employees in FY2021
- 100% employees completed 2-dose vaccination and 89.8% of employees completed booster dose as at 4th February 2022 for Unisem Ipoh.

Relevant SDGs:

LABOUR RIGHTS

Upholding and respecting human rights is fundamental to how we treat all people, and this is stated clearly in our CSR Policy and COE. In all our sites, we ensure labour rights are safeguarded.

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. Overtime hours are in accordance with applicable guidelines and labour laws.

The Labour Working Committees are responsible for overseeing the labour practices and human rights protection at their respective operating sites, including in their supply chain and in all significant investment agreements and contracts (such as significant arrangements for the sourcing of key materials or manpower). Risk assessments and reviews are conducted at least annually by the Labour Working Committees.

Managers and functions responsible for managing manpower need to be aware of and trained on what are acceptable labour standards. Furthermore, we educate Management and our employees on employee's rights via our new employees' orientation program. Every year, we provide training and refresher courses on humane treatment and labour standards.

	FY 2019	FY 2020	FY 2021
Total hours trained on labour standards and human rights issues	3,055	2,599	2,323
Percentage of employees trained on labour standards and human rights issues	100%	100%	99.8%

Apart from having in place policies and procedures, Unisem's operations are also subject to review by the Group's independent internal audit to ensure adherence to labour practices and human rights protection guided by the RBA Code of Conduct. New and existing suppliers are also subject to due diligence and regular reviews to screen for labour standards or human rights issues.

Internal and external stakeholders are encouraged to report any violations or breach of labour standards or human rights issues via the Group's Ethics Hotline or via the WBEC Policy.

Based on the results of our most recent audits, our operations 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. There were no incidences of human rights violations or significant violations of labour standards noted within the Group for the financial year under review.

EQUAL TREATMENT AND OPPORTUNITIES

It is our fundamental and non-negotiable belief that every person's basic rights should be respected. We do not discriminate against any person on the basis of 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. Our non-discrimination and equal employment opportunity stance is formalised in Unisem's COE and shall be practised consistently in our hiring and employment practices. Ensuring fair and equal opportunities in employees' career development, remunerations, benefits, and welfare is also an integrated focus in our Vision, Mission, and Core Values.

We embrace diversity in our employee base, which is detailed in the table below, followed by a breakdown of employment by gender and employment types, i.e. permanent contracts and fixed-term contracts. Unisem Group's workforce is mainly made up of employees hired directly by us and we do not employ part-time employees.

Number (percentage)*	< 30 years old		30 - 50 years old		> 50 years old		Total	
	M	F	M	F	M	F	M	F
Board members	0	0	3	1	5	1	8 (80%)	2 (20%)
	0 (0%)		4 (40%)		6 (60%)		10	
Senior Management	0	0	14	4	32	0	46 (92%)	4 (8%)
	0 (0%)		18 (36%)		32 (64%)		50	
Management	0	0	38	10	26	5	64 (81%)	15 (19%)
	0 (0%)		48 (61%)		31 (39%)		79	
Executives	113	9	323	264	25	15	461 (62%)	288 (38%)
	122 (16%)		587 (78%)		40 (6%)		749	
Non-Executives	568	181	728	270	42	4	1,338 (75%)	455 (25%)
	749 (42%)		998 (56%)		46 (2%)		1,793	
Operators	353	1,708	180	956	2	89	535 (16%)	2,753 (84%)
	2,061 (63%)		1,136 (35%)		91 (2%)		3,288	
Total**	1,034	1,898	1,283	1,504	127	113	2,444 (41%)	3,515 (59%)
	2,932		2,787		240		5,959	

Note:
** The percentage of employees in certain age group/ gender in relation to the total number of employees in the employee category*
*** excluding figures at "Board members" category*

		Permanent	Fixed-term contract
Unisem Ipoh	Male	1,122	13
	Female	1,361	875
	Total	3,371	
Unisem Chengdu	Male	418	962
	Female	485	723
	Total	2,588	

Proportion of female employees is higher at the Operators category while proportion of male employees 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.

Nonetheless, we ensure all employees are remunerated fairly with compensations and benefits that are commensurate with their competency, capabilities, and roles and responsibilities without discrimination or gender bias. The larger gap between the male and female employees at Management level and above was skewed by the higher number of male Management personnel due to the reasons discussed above.

Ratio of basic salary	Female	Male
Unisem Ipoh		
Senior Management and Management	0.53	1
Executives and Non-Executives	1.01	1
Operators	1.25	1
Unisem Chengdu		
Senior Management and Management	0.62	1
Executives and Non-Executives	1.03	1
Operators	1.11	1

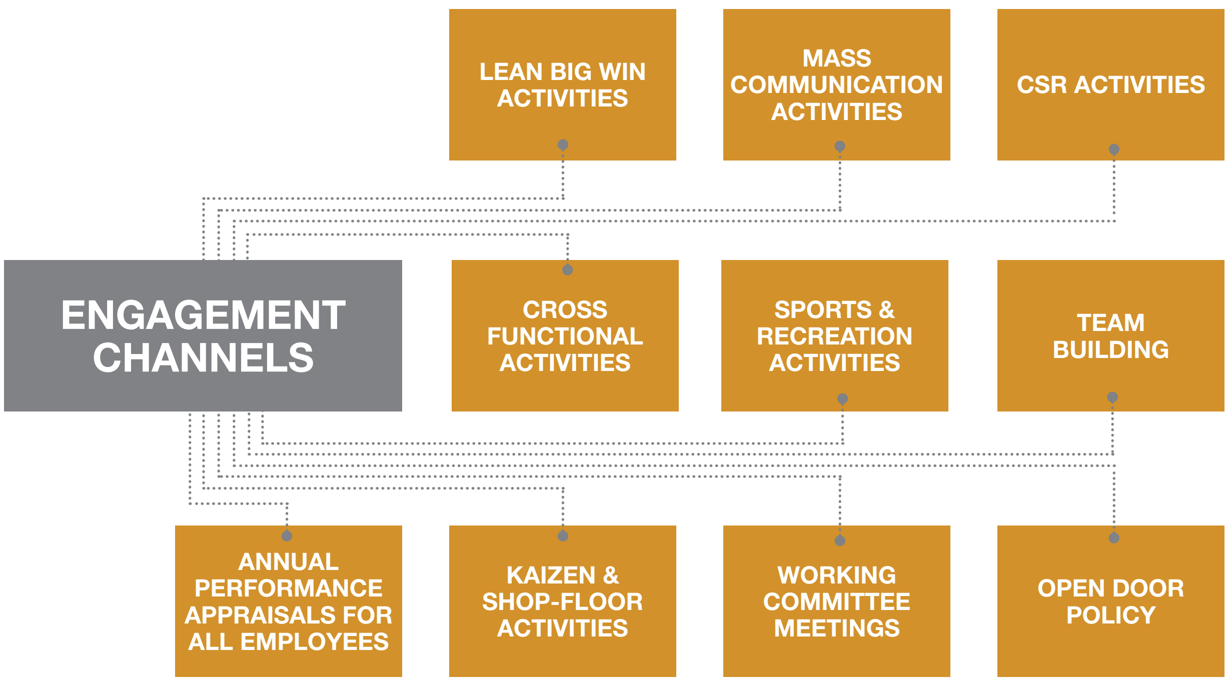
Communications and Engagements with Employees

Employees are a key stakeholder of Unisem with whom we have mutual interest and dependence. Taking care of and supporting our employees is also in line with our spirit in our Vision, Mission, and Core Values, and hence our tagline “We Care, We Can”.

We utilise safe employee engagement channels for various objectives including involving employees’ participation in our quest towards operational excellence, identifying operational issue where we may enhance, hearing out employees and the difficulties they face during work, bringing the team together to boost spirit, and facilitating understanding between functions. Prior to the implementation of any significant operational changes that could substantially affect our employees, we also ensure that all employees are informed within an appropriate time frame.

Different engagement channels are managed and overseen by the relevant functions. The process and outcome of engagement are generally reviewed by relevant Senior Management personnel to ensure the effectiveness of these engagements as well as to ensure employees’ feedback is considered.

Some of Unisem’s key employee engagement activities are as follows:



To ensure employees have a channel to voice out grievances, we have an internal grievance reporting mechanism to facilitate objective grievance resolution. The channel is maintained and overseen by the Human Resources Department. In the event of violation of laws, regulations, or non-compliance with codes, an employee can also make reports through the Ethics Hotline or the WBEC Policy. They will be protected with regards to confidentiality and against retaliation.

Employee Climate Survey ("Survey")

We conduct the Survey annually in Unisem Ipoh and Unisem Chengdu started to adopt annual Survey from FY2021 onwards. The Survey serves as a safe and confidential engagement tool deployed to obtain employees' feedback on their satisfaction relating to the topics of:

- Leadership by Management;
- Job Satisfaction;
- Career Development; and
- Top-down Communication.

The Survey is managed via a process which ensures confidentiality to encourage employees to provide honest and objective feedback. Employees are also encouraged to provide their comments on how they think Unisem Group can improve. Survey results are consolidated to analyse employees' sentiment and feedback and are subsequently reported to the site COOs. Where appropriate, Management's response to employees' feedback, including any improvement action plans, will be communicated to employees.

For FY2021, the overall employee satisfaction score arising from the Surveys conducted was recorded at 3.69.

KPI	Employee Climate Survey	
Target	To achieve employee satisfaction score of > 3.80 out of 5.0	
Performance	FY2020 3.44	FY2021 3.69

EMPLOYEE WELFARE

The welfare and wellbeing of employees are a key human capital and source of intellectual capital, nurturing talents, skills, and experience for Unisem's future. We strive to take good care of our employees, build a conducive working environment that promotes career satisfaction, fair remuneration, work-life balance, and personal and professional development.

In this regard, we provide competitive compensation and employee benefits, and we also review them annually considering, amongst others, industry benchmark and market conditions. All Non-executive and Operators at Unisem Ipoh are represented by an in-house union and collective bargaining agreements are reviewed by the union every three years. Employees are provided with insurance and other benefits on top of medical insurance and social security insurance as required by law.

At all our operating sites, we have services, facilities and amenities which help to create a conducive and comfortable working environment, enabling a high-morale workplace. Amongst others, we have amenities catering for the basic needs of employees including car parks with universal access, mother's room, and adequate resting areas, including areas dedicated for female employees. In addition, sports and recreation programs and facilities are also provided to ensure employees achieve a quality work life balance environment. Due to COVID-19 preventive measures, we have restricted certain activities and programmes to safeguard the health and safety of our employees. We continued to carry out activities which help to support employee wellbeing while adhering to disease preventive measures such as cooking competition, parent-child campaign, and certain sports game.

Some of the Group's key compensation and employee benefits 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	**Unisem Chengdu**
• 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	• 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

SPORTS & RECREATION List of Activities / Events Organised in 2021	
Unisem Ipoh	**Unisem Chengdu**
• Hostel Room Cleanliness Competition • Cooking Competition • vaccination program	• Football league • 8th annual factory Sports Game • Yoga & Floriculture activities • Badminton Competition • Parent-child campaign

EMPLOYEE DEVELOPMENT

Continuous investment and upgrading the qualities and competence of our employees help us to support the Group's Vision, Mission, and Core Values, as they help drive our innovative momentum and sharpen our competitive edge. On top of general training programmes, we also identify talents to build the medium- and long-term succession pipeline for talents and leaders for Unisem's future.

The Training Department of Unisem Ipoh and Unisem Chengdu, respectively, is responsible for facilitating the identification of training needs of employees. This is done together with the relevant heads of departments and considering the employees' performance appraisals. The training schedule for employees is reviewed annually.

Our target is to provide at least 75% of employees with minimum 6 hours of training every year. In FY2021, 62.9% of Unisem's employees achieved a minimum of 6 hours of training.

	FY2019**	FY2020	FY2021
Percentage of employees achieving minimum 6 training hours*	73.2%	52.4%	62.9%***

Note:

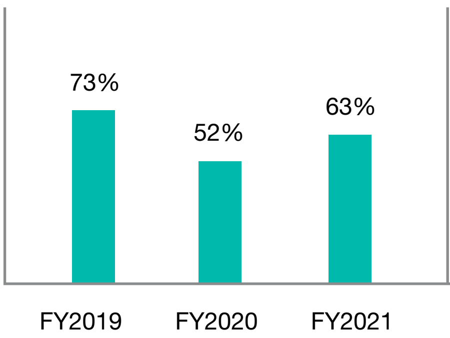
* *Operators are not included in the target for training hours because operators are employed on a short-term basis (contract duration of 2 years on average)*

** *FY2019 target was set at 60% and was revised to 75% for FY2020.*

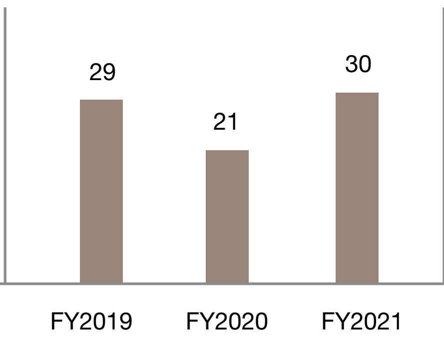
*** *In FY2021 we made minor adjustment to our calculation approach to enable a more accurate representation*

Due to the COVID-19 pandemic and related movement control orders, we continued to carry out trainings mainly via online platform during FY2021.

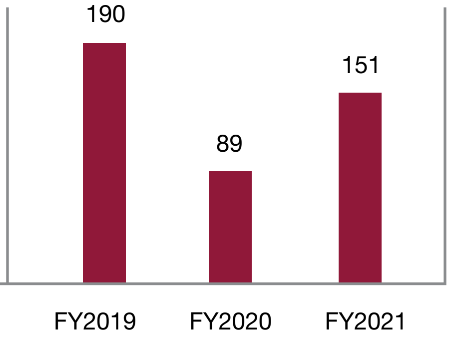
PROPORTION OF EMPLOYEES WITH MINIMUM 6 HOURS OF TRAINING EACH YEAR (%)



AVERAGE TRAINING HOURS PER EMPLOYEE (HRS)



AVERAGE TRAINING COST (RM) PER EMPLOYEE



Overall, we managed to clock a total of 174,981 training hours, breakdown as follows.

	Unisem Ipoh and Unisem Chengdu	
	FY2020	**FY2021**
Average training hour per employee – by employee category		
Senior Management and Management	3.77	3.31
Executives	15.81	18.65
Non-Executives	16.82	22.60
Operators	24.56	37.63
Average training hour per employee – by gender		
Male	23.62	35.22
Female	18.79	26.95
Total training hours	117,624	174,981
Total man-hours worked	13,949,589	14,595,798

Training programmes and topics

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. Our training programmes focus on a range of development, including technical and non-technical skills, interpersonal skills, team skills, and leadership skills aligned with the functional competencies, professional needs, operational job requirements, and industry demands relevant to our business and operations. The delivery of these training programmes may be in the form of on-the-job training or development programme series. Our Management and Supervisory level personnel are further trained on their management, leadership, and supervisory competencies to enhance their capability in managing people and teams, addressing complex and diverse people issues at the workplace.

The various types of training provided to employees during the financial year under review are summarised as follows. Many of these programmes were carried out via online platform.

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.
Corporate Responsibility	Ensuring all employees including workers are made aware of Unisem's Social Responsibility policies and programmes.
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. Includes understanding science-based target approach to manage climate change risks.
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.
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. Includes updates pertaining to Version 7.0 of the RBA Code of Conduct.

OCCUPATIONAL HEALTH AND SAFETY

Not only does creating a safe and healthy working environment help protect our employees, but it also helps to give employees a peace of mind and create a conducive and productive workplace. In Unisem, our CSR Policy sets out our commitment towards providing a safe and healthy working environment and providing necessary training to identify and resolve any relevant issues. Furthermore, our operations are governed by the principles and guidelines contained within our Safety and Health Policy. In addition to ensuring a robust management system is established and continually enhanced to manage occupational health and safety matters, we also emphasise on involving employees in our health and safety hazards management process to obtain the views of those directly affected by such risks and to raise awareness of our joint responsibility to prevent injury, ill health, and other occupational safety risks.

The Health and Safety Working Committee for each operating site is headed by the senior management of the respective Facility Departments. The committee is responsible for overseeing and monitoring on a daily basis the site's health and safety management. It is also responsible for the risk assessment and management, compliance matters, audits and investigations, receiving complaints, addressing grievances, and ensuring the implementation of action plans and initiatives concerning the site's health and safety matters. The workings of the Health and Safety Working Committees are in compliance with accredited international standards. All 3 facilities of Unisem Group are certified with ISO 45001:2018.

Occupational Safety and Health Risk Management

Unisem's occupational health and safety management follows a risk-based approach. The Health and Safety Working Committee, which is made up of Management personnel and worker representatives, performs Hazard Identification, Risk Assessment and Risk Control ("HIRARC") reviews to identify hazards and risks involved in operational processes. HIRARC reviews are conducted at least once annually and as and when required, and includes consideration of any past incidents, the competency of persons carrying out the processes and of persons monitoring the processes, existing controls, and if further process improvements may be necessary or possible, such as further automation to reduce human contact. HIRARC review outcomes, accompanying action plans for improvement, are reported to the site COO. The Health and Safety Working Committee is also responsible for ensuring action plans are documented, implemented, monitored, and updated to the site COO. Health and Safety Working Committees general meet on a monthly basis.

Incident Response and Reporting of Unsafe or Unhealthy Work Conditions

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**

We have policies and procedures to tell employees what to do in the event of incidents to ensure employees are able to identify, safeguard against, and report incidents (including accidents) and unsafe or unhealthy work conditions and processes.

In such events, employees are required to prioritise their own safety, removing themselves and others from situations which may cause possible injury or ill health. They are then required to immediately report to the designated safety officer or persons-in-charge for further emergency responses to be undertaken. All incidents will be property reported, documented, and investigated for corrective actions to be undertaken. The Health and Safety Working Committee and site COO will monitor the case and relevant action plans until their closure.

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 themselves from work position to protect their own safety or health. 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 confidentiality to the reporter and against retaliation within the Group.

Employee Safety and Health Monitoring and Support

It is important for everyone to be aware of their own health and safety. Unisem supports the promotion of occupational and non-occupational health and safety awareness and management by its employee. We provide healthcare benefits and ensure all employees have access to healthcare services. Our regular health services include health screenings, health and safety talks, and access to medical treatment from panel clinics. In Unisem Chengdu, our facility 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. Where necessary, Unisem also seeks advice from these healthcare professionals to identify and manage occupational safety and health risk arising from operations.

In FY2021, we have further enhanced our process for the protection of pregnant women and nursing mothers, which currently include worker-specific risk assessment for both the mother and the foetus or infant. We ensure all reasonable efforts are undertaken to protect the safety and health of both.

Around the second and third quarter of FY2021, as the COVID-19 pandemic was at its most serious period in Malaysia, we provided antigen saliva self-test to employees so they could test themselves on a weekly basis. These weekly testing have been an effective means of screening COVID-19 employees from entering our premises thereby isolating them from further infecting other employees.

Safety and Health Trainings

Training is a key aspect to raising awareness and preventing workplace accidents. In Unisem, our health and safety training programmes include:

- 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 Department reviews and develops annual training programme for employees of the respective facilities. In this regard, the Facility Department considers the outcome of the Health and Safety Working Committee's risk assessment, HIRARC, and incident reports, and ensures the programmes reflect the operational, industry, regulatory changes, and health and safety performance of the Group. Training topics covered during the financial year under review are summarised as follows:

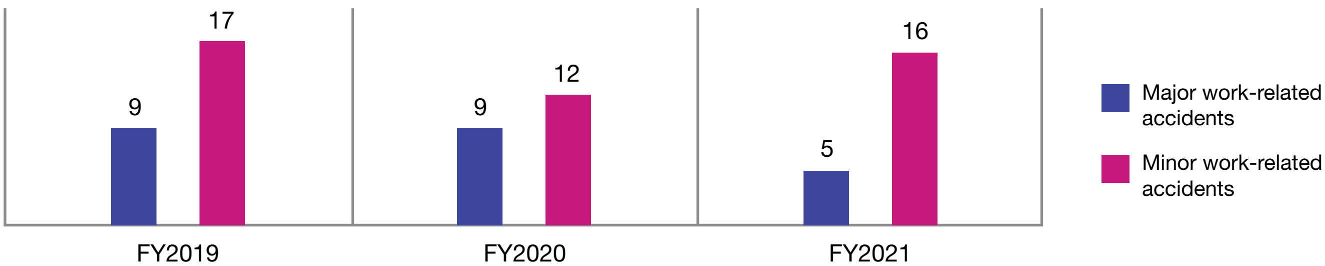
- Fire and Gas ERT;
- Fire Warden;
- Forklift;
- First Aid;
- Briefing on upgraded emergency fire exit door;
- Table-top fire drill exercise (as an alternative to physical fire drill, due to COVID-19);
- Chemical Spillage;
- Safety Hazard; and
- COVID-19 identification and prevention.

In FY2021, most of the trainings were carried out in consideration of COVID-19 preventive measures such as small group training, via online platform, or by means of emails and notices.

Performance on Workplace Safety

Each operating site's safety performance is monitored by their respective Health and Safety Working Committees and reviewed by the SWCs at least quarterly. In FY2021, the Group's major and minor work-related accidents are reported as follows:

NUMBER OF MAJOR AND MINOR WORK-RELATED ACCIDENTS



Note:
- *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.*

This year, the recorded major accidents mainly arise from working with machines and the incident causes were due to human mistakes. Increased communication efforts including training and signages have been undertaken to remind and train employees on the proper use and maintenance of machines. On the other hand, minor accidents were mainly resulted from trip and fall cases, causing employees to be away from work for a short duration. Management continues to emphasise safety awareness via safety training, briefings and placing safety signs.

During the financial year under review, we recorded 4 mild or moderate temporary hearing impairment cases with our employees. In respond to these cases, we re-emphasised proper use of hearing PPE as well as conducting regular hearing check and test on employees working in the relevant facilities.

We are pleased to report no recorded 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)*

Other initiatives 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

The Board and Sustainability Committee of Unisem reviews the Group's injury frequency rate as a key performance indicator for safety performance. Unisem Group has an injury frequency rate target of below 2.00. For FY2021, our injury frequency rate was recorded at 1.44. Fatality rate due to occupational health and safety was maintained at 0.

KPI	Injury frequency rate for industrial accidents		
Target	Injury frequency rate for industrial accidents below 2.00 accidents per million hours worked*		
Performance	FY2019 1.80	FY2020 1.51	FY2021 1.44

*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")*

	FY 2019	FY 2020	FY 2021
Fatality rate	0	0	0
Major Occupational Accidents	9	9	5
Minor Occupational Accidents	18	12	16
Total Recordable Work-Related Injuries	**27**	**21**	**21**

COVID-19 response

2021 marked a particularly challenging year as the COVID-19 pandemic became serious especially in Malaysia. Since 2020, our Health and Safety Committees regularly review the COVID-19 risk assessments and emergency response plans of the respective operating sites. On top of ensuring our preventive measures and COVID-19 SOPs are in compliance with the guidelines issued by the Federal and State authorities, we have also introduced controls and practices such as physical distancing, face mask, temperature monitoring, health declarations, registration before entering site compound and offices, COVID-19 testing, sanitisation, frequent hand washing, minimised gatherings, Work-from-Home arrangements and contact tracing.

These efforts were further intensified in 2021 as the pandemic situation in Malaysia deteriorated and there were COVID-19 positive cases reported in Unisem Ipoh. We further required double-masking and upgraded the masks that we provide to employees to KN95 masks. Stronger disinfectants were used, and disinfection activities were intensified, including the installation of disinfection humidifiers at high density areas. We adjusted some standard operating procedures to incorporate employee movement and flow considerations, implemented staggering shifts, and rearranged and renovated spaces to improve ventilation. We ensure all employees are regularly briefed on our COVID-19 preventive measures and the importance of complying with such measures.

In 3rd quarter of 2021, our facilities in Unisem Ipoh were closed for almost 2 weeks due to implementation of the Enhanced Movement Control Order ("EMCO") in Bandar Pulai Jaya and another 1 week by the order of the Ministry of Health. In order to ensure employees are vaccinated as soon as possible, Unisem arranged for the vaccination of all its employees at the company's cost through private initiatives. As at 26 November 2021, all Unisem Ipoh and Chengdu employees had completed their vaccination (2 doses). Furthermore, we have also arranged for booster vaccine for all our employees. As of 4th February 2022, 89.8% of the Unisem Ipoh's employees have receive their booster shots.

Ensuring operational sustainability during the pandemic

Communications and engagements with employees were extremely challenging during the COVID-19 pandemic outbreak in both Unisem Ipoh and Unisem Chengdu sites. Our main objectives were to keep all employees and their families safe and informed on the latest changes and informing customers on a timely basis with regards to their orders.

Ensuring our objectives are achieved and in full compliance with the latest updates on the changes on the COVID-19 SOPs requires lots of dexterity, constant adjustments and cooperation of everyone. This is by no means an easy feat with lots of underlying variability for having to maintain compliance for a reasonably large population size, geographical locations and a constantly changing COVID-19 SOPs within a certain timeframe.

The Company had to constantly juggle working schedules, contact tracing, testing, social distancing, work from home ("WFH") arrangements, virtual meetings with employees & customers, meeting customer commitments, complying to quality systems & standards, governmental SOPs all at once.

Unisem had representatives of COVID-19 committees at almost all levels of the organization – from the top to shopfloor level to coordinate activities to ensure update all employees are cascaded effectively and efficiently. Though we emerged scarred but we take heed that we have learned much and became more cautious. We learned that we cannot take things for granted in the new normal. In view of this, our engagement strategies have to change to ensure COVID-19 safety but our mission, objectives and values remained.

NEW HIRE AND RETENTION

For FY2021, the new hire rates and turnover rates of Unisem Ipoh and Unisem Chengdu, respectively, are as follows.

	< 30 years old	30 - 50 years old	> 50 years old	Male	Female	Total
New Hire Headcount (New Hire Rate)*						
Unisem Ipoh	627 (40.1%)	127 (7.9%)	0 (0.0%)	143 (12.6%)	611 (27.3%)	754 (22.4%)
Unisem Chengdu	1,670 (122.2%)	461 (38.8%)	2 (5.9%)	1,384 (100.3%)	749 (62.0%)	2,133 (82.4%)
Turnover Headcount (Turnover Rate)*						
Unisem Ipoh	646 (41.3%)	207 (12.9%)	36 (17.5%)	122 (10.7%)	767 (34.3%)	889 (26.4%)
Unisem Chengdu	1,494 (109.3%)	358 (30.2%)	3 (8.8%)	1,215 (88.0%)	640 (53.0%)	1,855 (71.7%)

*Note: * New Hire Rate and Turnover Rate are calculated using total number of employees, with respect to the corresponding category (i.e. age or gender), at the respective sites as at the end of the financial year as denominators.*

Phenomenon of high turnover remained prevalent in FY2021. The same phenomenon was also observed across various industries and countries particularly during the pandemic and economic recovery periods. The turnover situation is especially serious in Unisem Chengdu where we experienced a turnover rate of 71.7% in a market where competition for labour has always been aggressive. In Unisem Ipoh, we also marginally missed our target to keep annual turnover rate below 25%. We expect such labour market conditions to persist during post-pandemic economic recovery periods while the market takes time to adjust to new market norms and new fundamentals.

We expect such labour market conditions to persist during economic recovery period while the market takes time to adjust to new market norms and new fundamentals after the pandemic.

KPI		Annual turnover rates		
Target	Unisem Ipoh	Annual turnover rate below 25%		
	Unisem Chengdu	Annual turnover rate below 45%		
Performance		FY2019	FY2020	FY2021
	Unisem Ipoh	20.6%	23.6%	26.4%
	Unisem Chengdu	57.9%	51.2%	71.7%

*Note: * Annual turnover rate is different for Unisem Ipoh and Unisem Chengdu due to cultural and country differences.*

Despite such challenges which are common in the industry and current economic conditions, we stand firm in our commitment to providing long-term employment and becoming a preferred employer. We acknowledge and appreciate the service and hard work of our employees. In Unisem, we give out long service awards as a token of appreciation to employees upon their 5th, 10th, 15th, 20th, 25th and 30th years of service. 587 of our employees received long service awards in FY2021. In addition, we have not executed a single retrenchment since inception. We will continue to emphasise on creating strong support for employees and long-term employment for our people.

LOCAL COMMUNITIES

Both our operations in Unisem Ipoh and Unisem Chengdu are located in the local industrial parks. In Ipoh, residential housings were developed close to the industrial park and in the vicinity of our facilities. We engage regularly and openly with the local community through designated personnel as contact point, volunteering programmes, as well as establishing grievance channels accessible by the local community. Furthermore, we also consider the wider local economy and communities within the area, state, and country as our “local community” in broad terms.

Our local community engagement framework is guided by the following 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.

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.*

We have processes to monitor and mitigate boundary noise to ensure we keep noise impact within the regulated levels. Our performance against the regulated limits is as follows.

Boundary Noise (dBA) Level	Day				Night			
	Regulated limit	FY2019 Average	FY2020 Average	FY2021 Average	Regulated limit	FY2019 Average	FY2020 Average	FY2021 Average
Unisem Ipoh	**70 (75*)**	60	60	66	**60 (75*)**	58	56	65
Unisem Chengdu	**65**	51	60	55	**55**	49	52	45

*Note: *regulated limit revised by the Guidelines for Environmental Noise Limits and Control (Third Edition) issued in December 2019. The revised limit will be the benchmark moving forward.*

Supporting Local and National Economic Development

Our presence in Ipoh and Chengdu provides career and employment opportunities to the local economy. 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	69.4%	61.5%
Unisem Chengdu	57.1%	99.8%

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

Youth development

In our people development efforts, we are always looking for young talents and we encourage youths to participate and contribute to our industry. The presence of young minds and perspectives help us to become a vibrant and dynamic business. In addition to permanent hires, Unisem Ipoh offers regular trainee programmes to interns from local universities and polytechnic institutions we have partnerships with. These trainee programmes range from 3 to 12 months where trainees are able to get experience in various functions, such as Assembly, Final Test, Quality Assurance, Engineering, Maintenance, Finance, Management Information Systems and Human Resources. Through these programmes, we hope to expose trainees with real life hands-on experiences and provide a steppingstone to their potential career prospects. We welcome individuals who share our vision and values to contribute to shaping Unisem's future.

In FY2021, Unisem Ipoh provided internship opportunities to 37 trainees where 6 were offered employment with Unisem.

Contribution to Society

We review our community and social contribution programmes annually to identify the changing needs of the community and society and explore where we are able to contribute. 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, 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. Generally, we encourage our employees to participate in the Group's CSR activities, volunteering and contributing in the form of service.

Since 2020, CSR activities have been challenging due to the pandemic. However, the pandemic outbreak also resulted in greater need for help and contribution in the community and society. In 2021, most of Unisem's CSR contributions to society and community were mainly in the form of donations such as funds, food and water, and furniture to children's home and frontliners including police and firemen.

THE ENVIRONMENT

Any negative impact to the environment is hard to reverse and we take a precautionary approach towards any negative environmental impact caused by our operations. We aim to minimise our impact on the environment and this commitment is included in Unisem's CSR Policy and guides our business decisions and processes.

Relevant Material Sustainability Matters

- Energy Management
- Greenhouse Gas Emissions
- Water Consumption
- Effluents and Waste Management

Sustainability Performance Highlights

- Achieved target of 10% reduction in GHG emission intensity – FY2021: 12.8% reduction
- 41% recycling rate of total hazardous waste against a target of 51%
- Compliant with air emission laws and regulations
- Compliant with effluents and wastewater discharge regulations

Relevant SDGs:

Unisem has an Environmental Policy which stipulates the Group's stance towards conservation of natural resources including energy, reducing environmental pollutions in all forms, reducing and properly handling and disposing of hazardous substances, re-cycling and re-use initiatives.

Our Environmental Management responsibilities is also expanded to include our key supply chain areas.

OUR ENVIRONMENTAL MANAGEMENT APPROACH

We adopt a risk-based approach towards environmental management, taking into account both actual and potential risks. All our operating sites are fully certified with ISO 14001:2015 and are in line with the RBA Code of Conduct. This also means that our sites are subject to regular assessments and independent audits.

The Environmental Working Committees oversees and reviews the environmental management performance of each operating site including compliance with environmental laws, regulations, codes and standards, and the delivery of Unisem's commitments. Environmental performance is reviewed by the SWCs and reported to the Board through the Sustainability Committee on an annual basis.

We take environmental compliance seriously, all Unisem employees, operations, activities, and supply chain partners are required to comply with the RBA Code of Conduct and Unisem's Environmental Policy as applicable. Any violations or breaches can be reported via the Ethics Hotline or the WBEC Policy. For FY2021, there were no significant cases of non-compliance with environmental laws or regulations or fines.

Unisem Group's Environmental Roadmap

We have a 5-year roadmap which outlines five key broad-brush environmental initiatives for our operating sites. As we continue to fulfil our commitments and achieve these targets, further initiatives will be expanded. We have engaged an environmental consultant to further enhance our knowledge and competency to assist in identifying other meaningful opportunities and scope.

The main objectives of the road map 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.

Unisem Environmental Roadmap (5-year Plan)						
Initiatives	**Programs**	**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	Dryer transformation project	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

Unisem Environmental Roadmap (5-year Plan)						
Initiatives	**Programs**	**2018**	**2019**	**2020**	**2021**	**2022**
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
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 auditors training	N/A	Internal auditors training	N/A	Internal 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

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

ENERGY MANAGEMENT AND GHG EMISSION

It is of paramount importance for the Group to monitor and manage its energy use, particularly electricity which is a main source of energy for Unisem. Annual electricity cost can contribute to 10 – 15% of the Group's overall operating costs and it also contributes to the bulk of the Group's greenhouse gas ("GHG") emissions. Furthermore, the world is currently facing an urgent need to slow down the rate of increase in global temperature and GHG emission management is a critical success factor. As a responsible corporation, Unisem needs to deliver its responsibility towards environmental protection. Unisem is committed to promoting energy savings, improving energy efficiency and minimising GHG emissions.

Pursuing energy efficiency is a core strategy of Unisem in managing its energy and GHG emission. In our Environmental Roadmap, we included initiatives to convert our operating sites' lighting systems to LED systems which have much higher energy efficiency. We are on track with our schedule and have achieved 100% conversion (based on area coverage) as of 31 December 2021. In addition, we also invested in the upgrading of equipment or systems used in our operations such as heat recovery systems, optimised energy control system, and others.

For the purpose of reporting, our energy and GHG emission currently covers energy consumed and produced in our organisation and processes, i.e. those contributing to Direct (Scope 1) and Indirect (Scope 2) GHG emissions. Meanwhile, we will continue to work on obtaining reliable information on energy consumption and emission outside the organisation, i.e. those relevant to Other Indirect (Scope 3) GHG emission.

Energy Consumption and Energy Intensity

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 97% of the Group's energy consumption and GHG emissions. Electricity supply in Malaysia and Chengdu are mainly fuelled by fossil fuels such as natural gas and coal.

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

The Group's energy consumption is summarised in the following table.

Energy source \ Annual energy consumption*	FY 2019 (GJ)	FY 2020 (GJ)	FY 2021 (GJ)
Diesel	160	78	184
Petrol	2,424	1,623	1,525
Natural Gas	27,382	23,684	21,538
Purchased Electricity	626,636	645,149	700,145
Total Energy Consumed	656,602	670,534	723,392
Breakdown by operating site:			
Unisem Ipoh	395,944	393,539	413,459
Unisem Chengdu	260,658	276,995	309,933

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

To measure energy efficiency, we monitor energy intensity which is calculated considering the energy use for each unit of product produced, i.e. MJ/unit produced*, as follows.

Energy Intensity (MJ/unit produced*)		
FY 2019	**FY 2020**	**FY 2021**
92	87	76

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

In FY2021, overall energy consumption increased 7.9% compared to FY2020, this is due to higher utilisation and production at both of our operating sites. Nevertheless, we recorded improved energy intensity which translated to 12.6% reduction in energy use per unit. This is attributable to the higher amount of sales order allowing us to achieve better economies of scale as well as a result of our investment in energy efficiency initiatives in these years.

GHG Emissions and GHG Emission Intensity

Since 10 years ago, we have already started to record, monitor, manage, and report our GHG emissions. Across these years, we have also enhanced our review process and have adopted a more structured emission data collection and management system. Our measurement of emissions is based on the GHG Protocol and relevant tools such as the Global Warming Potential ("GWP") values from the 2014 IPCC Fifth Assessment Report.

Our Direct (Scope 1) and Indirect (Scope 2) GHG emissions are derived from the Group's energy consumption, as reported in the previous section, and includes CO_2 and N_2O amongst others. The Group's GHG emissions are reported as follows.

('000 tCO_2e)	FY 2019	FY 2020	FY 2021
Direct (Scope 1) GHG emissions			
Unisem Ipoh	0.1	0.1	0.1
Unisem Chengdu	1.6	2.0	1.2
Total Direct (Scope 1) GHG emissions	**1.7**	**2.1**	**1.3**
Indirect (Scope 2) GHG emissions			
Unisem Ipoh	73.5	73.2	76.9
Unisem Chengdu	47.4	51.5	58.7
Total Indirect (Scope 2) GHG emissions	**120.9**	**124.7**	**135.6**
Direct and Indirect (Scope 1 and Scope 2) GHG emissions			
Unisem Ipoh	73.6	73.3	77.0
Unisem Chengdu	49.0	53.5	59.9
Total Direct and Indirect (Scope 1 and Scope 2) GHG emissions	**122.6**	**126.8**	**136.9**

We also monitor GHG emission intensity which is defined as the GHG emission for each unit of product produced, i.e. tCO_2e/ unit produced*, as follows. we have a target to achieve 10% reduction in GHG emission intensity compared to the base year of FY2011.

GHG Emission Intensity (tCO_2e/ unit produced*)			
FY2011 (Baseline)**	**FY 2019**	**FY 2020**	**FY 2021**
0.016	0.017	0.016	0.014

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

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

KPI	Reduction of GHG emission intensity		
Target	To achieve 10% reduction in GHG emissions intensity (Baseline: FY 2011)		
Performance	FY2019 Increased 4.1%	FY2020 Reduced 0.7%	FY2021 Reduced 12.8%

In FY2021, overall GHG emission increased 8.0% compared to FY2020 due to higher utilisation and production at both of our operating sites. Due to higher sales order allowing better economies of scale, GHG emission intensity was recorded at 0.014 which is a 12.2% reduction from FY2020. Against the base year of FY2011, achieved 12.8% reduction in GHG emission intensity.

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 upstream and downstream, such as in relation to the travelling and commuting of employees and outsourced logistics.

We are currently focusing our resources on managing energy consumption and Direct and Indirect (Scope 1 and Scope 2) GHG Emissions. 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.

Nonetheless, we endeavour to be conscious and to raise ongoing awareness of our energy and carbon footprint. We try to reduce our energy and carbon footprint where practicable, such as avoiding all non-essential air or ground travel, undertaking energy saving practices in our daily activities, and others. We also raise awareness on sustainable business management within our supply chain, consistent with the RBA Code of Conduct.

Other Air Emissions

Other air emissions, especially those which cause pollution or harm and those governed by laws, regulations, and the RBA Code of Conduct, are also managed and monitored. These emissions include volatile organic chemicals, aerosols, corrosives, particulates, ozone-depleting chemicals, and combustion by-products generated from operations. Scrubbers and carbon absorption treatment systems are installed to treat emissions and monitor air quality. These systems are regularly maintained and checked to ensure they remain effective. Air quality monitoring is conducted daily, and any non-compliance is reported immediately.

The Environmental Working Committees of the operating sites are responsible for overseeing compliance with air quality regulations and requirements, as well as the effective performance of treatment facilities and systems. The Environmental Working Committee reviews the report on air quality level on a monthly basis and as and when necessary to ensure corrective actions to non-compliance situations are implemented effectively.

In addition, air quality is also subject to annual independent review and verification by a third-party contractor.

KPI & Target	Compliance with air emission laws and regulations		
	FY 2019	FY 2020	FY 2021
Unisem Ipoh	Compliant	Compliant	Compliant
Unisem Chengdu	Compliant	Compliant	Compliant

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 2019	FY 2020	FY 2021
Unisem Ipoh (based on Malaysian laws, regulations, and guidelines)					
Nitric acid	mg/m³	30	1.25	1.49	1.29
Sulphuric acid	mg/m³	5	1.19	0	0
Lead	mg/m³	1	Insignificant	Insignificant	Insignificant
Hydrochloric acid	mg/m³	5	0.60	0	1.30
Hydrofluoric acid	mg/m³	5	1.01	0	0.45
Hydrogen sulphide	mg/m³	1	Insignificant	Insignificant	Insignificant
Chlorine	mg/m³	5	Insignificant	Insignificant	Insignificant
Oxides of nitrogen	mg/m³	30	-	0	0
Sulphur dioxide	mg/m³	30	Insignificant	Insignificant	Insignificant
Solid particles	mg/m³	5	0.05	2.75	0.5
Particulate Matter	mg/m³	150	-	16.2	19.0
Unisem Chengdu (based on Chinese laws, regulations, and guidelines)					
Volatile Organic Compounds (VOCs)	mg/m³	60	4.5	2.6	0.5
Sulphur oxides (Sox)	mg/m³	45	1.7	3.7	1.4
Sulphur dioxide (SO2)	mg/m³	50	11.2	11.2	0
Nitrous oxides (Nox)	mg/m³	150	59.8	45.3	26.8
Hydrogen fluoride (HF)	mg/m³	9	0.2	0.4	0.5

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

MANAGING WASTE AND EFFLUENTS

Minimising our impact towards the environment is the fundamental principle of our waste management approach. In addition, proper waste management, especially hazardous waste, is important to protect our workplace safety and health. Unisem's operational processes are designed incorporating policies and procedures for proper and safe handling, management, and disposal of hazardous waste which are guided by applicable laws, regulations, and industry codes and standards. This includes requiring licenced waste contractors to be stringently assessed and reviewed. When selecting waste contractors, we also consider their ability to perform high rates of recovery or recycling. We also adopt active waste sorting and separation where appropriate to enable better recoverability and recyclability.

Waste generated from our operations include hazardous and non-hazardous waste, 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. Some of these wastes are recoverable or recyclable.

The Facility Departments are responsible for overseeing waste management activities at their respective operating sites, ensuring they comply with our policies and procedures, as well as applicable laws and regulations. Internal audit activities in this area are also regularly conducted to provide objective and independence to the Board. Audits by regulators as well as RBA assessments are also regularly performed. In addition, we also audit our waste contractors to ensure similar standards are complied with.

Monitoring and Managing Waste

In Unisem, waste management is not merely a compliance matter. Towards operational excellence, we measure and monitor the types and amount generated and find ways to minimise impact and optimise value creation. The Facility Departments is tasked to oversee the daily waste monitoring process, as well as keeping records of how waste is managed, how much is recycled, sold for reuse, or disposed. Our waste management monitoring and data collection process is standardised across Unisem Ipoh and Unisem Chengdu, and it also forms a part of Unisem's cost management initiatives.

Hazardous Waste and Recycling

In our operations, we ensure all relevant employees are properly trained to handle and manage hazardous waste. This includes using appropriate PPE where applicable and having dedicated storage areas before disposal. All hazardous waste is handled and disposed of by licenced waste contractors.

A significant portion of our hazardous waste is e-waste. E-waste comprises approximately 46% and 23% of the hazardous waste generated at Unisem Ipoh and Unisem Chengdu respectively. E-waste is hazardous, partially due to its heavy metal content. However, it also poses an opportunity for recovering other valuable materials such as aluminium, gold, silver, and copper.

Our e-waste management approach focuses on both, helping us achieve ethical and sustainable disposal in line with SDG 12 for Responsible Consumption and Production. E-waste is sold to and collected by licenced contractors who process and recycle them offsite. The licenced contractors provide reports to Unisem on the actual recovery rates for each batch of e-waste collected and processed. In FY2021, our average recovery rates for both Unisem Ipoh and Unisem Chengdu are 100%.

	Percentage of e-waste recovered		
	FY 2019	FY 2020	FY 2021
Unisem Ipoh	81.3	78.7	100.0
Unisem Chengdu	98.9	92.5	100.0

Our target is to recycle 50% of the Group's hazardous waste, while e-waste makes up most of the recyclable hazardous waste. In FY2021, we recycled 41% of hazardous waste due to lower proportion of e-waste.

KPI	Recycling rate of hazardous waste generated*		
Target	To achieve 51% recycling rate of total hazardous waste generated		
Performance	FY2019 49%	FY2020 40%	FY2021 41%

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

Non-Hazardous Waste and Recovery

The main types of non-hazardous waste which can be recovered are paper, cardboard, and plastics. They can be recycled or reused as new form of raw materials. The recovery of non-hazardous waste is mainly performed offsite by waste contractors. They also provide reports on the actual recovery rate for each batch of waste handled and processed.

In FY2021, we recovered 62% of non-hazardous waste generated compared with 60% in FY2020.

Breakdown of waste

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. The subsequent table summarises the breakdown of recovery and disposal methods for Unisem Ipoh and Unisem Chengdu.

	Waste Generated (MT*)			Waste Diverted from Disposal	Waste Directed to Disposal
	FY 2019	FY 2020	FY 2021	FY 2021	FY 2021
Unisem Ipoh					
Hazardous waste					
E-waste	139	119	125	125	0
Other hazardous waste	94	116	149	2	147
Total hazardous waste	233	235	274	127	147
Non-hazardous waste					
Total non-hazardous waste	695	632	679	319	360
Total waste generated	928	867	953	446	507
Unisem Chengdu					
Hazardous waste					
E-waste	40	45	55	55	0
Other hazardous waste	75	113	181	25	156
Total hazardous waste	115	158	236	80	156
Non-hazardous waste					
Total non-hazardous waste	364	575	488	406	82
Total waste generated	479	733	724	486	238
Unisem Ipoh and Unisem Chengdu					
Total hazardous waste	**348**	393	510	207	303
Total non-hazardous waste	**1,059**	1,207	1,167	725	442
Total waste generated	**1,407**	1,600	1,677	932	745

*Note: * 1 MT = 1,000 kg*

FY2021 Unisem Ipoh and Unisem Chengdu	Diverted from Disposal (MT)*		Directed to Disposal (MT)**	
Hazardous waste	Preparation for reuse	25	Incineration	149
	Recycling	182	Landfilling	153
	Other recovery options	0	Other disposal operations (chemical treatment)	1
	Total	**207**	**Total**	**303**
Non-hazardous waste	Preparation for reuse	129	Incineration	0
	Recycling	596	Landfilling	442
	Other recovery options	0	Other disposal operations	0
	Total	**725**	**Total**	**442**
Total		**932**		**745**

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

In our day-to-day operations, we have waste optimisation or reduction initiatives where applicable. We have been benefitting from our streamlined packaging and storage practices which aim to reduce the use of shipping tubes, canister cans, and wafer carriers or containers. Our vendor collaboration to switch to reusable plastic reels from paper reels since 2020 has also contributed to a savings of 29,340 reels or 29.34 MT paper reels in FY2021, which were translated to 29.34 MT increase in reusable plastic. 100% of these plastic materials are sent back to vendors for their reuse.

In our day-to-day business, we regularly promote employees' awareness on waste we generate. We encourage initiatives to reduce and recycle waste and we have recycling bins for general paper, recyclable plastics, and tin cans.

WATER USE AND EFFLUENT DISCHARGED

Semiconductor assembly and test is a water-intensive process. Consistent water supply is required for cleaning and cooling which are crucial for ensuring continuous operations and operational efficiency. We withdraw water to produce Ultra-Pure Water ("UPW") which is used in all our wet-processing processes. Water is also required for general use, such as general cleaning and domestic use.

We do not operate in water stress areas and municipal water is the main source of water in both operating sites. Generally, water withdrawal at our facilities does not put municipal water supply at stress. We also maintain close engagement with relevant municipal government agencies to ensure we are withdrawing water within permissible limits and to be informed if there are any concerns regarding water-related impacts in our areas of operations. The Group has also assessed its water impact and has not noted any significant water-related impacts in the areas surrounding the operating sites.

Some of our processes required different types of water, such as process chilled water ("PCW") and deionised water ("DI Water"), which are used for cleaning and rinsing semiconductor products and components, amongst others. As a result, the wastewater generated commonly contains heavy metals and toxic solvent and is required to be treated before discharging.

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

		FY 2019	FY 2020	FY 2021
Unisem Ipoh	**Water Withdrawal by source (thousand m^3)**			
	*^Third-party water: Municipal water	1,840	1,819	1,625
	Water Discharge by destination (thousand m^3)			
	^Third-party water: Municipal drainage	699	726	730
	Water Consumption (thousand m^3)	1,141	1,093	895
Unisem Chengdu	**Water Withdrawal by source (thousand m^3)**			
	^^Third-party water: Municipal water	1,176	1,243	1,469
	Water Discharge by destination (thousand m^3)			
	^^Third-party water: Industrial treatment plant	990	821	1,169
	Water Consumption (thousand m^3)	187	422	300
Unisem Ipoh and Unisem Chengdu	**Water Withdrawal by source (thousand m^3)**			
	Third-party	3,016	3,062	3,094
	Water Discharge by destination (thousand m^3)			
	Third-party	1,689	1,547	1,899
	Water Consumption (thousand m^3)	1,328	1,515	1,195

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

Effluent quality

Wastewater	Water is used for various purposes including cleaning and cooling during in operating processes, e.g., cutting, sawing, and plating. Wastewater is produced arising from these processes. We only discharge effluent which has been treated in compliance with strict standards.

Wastewater generated from the Group's operations contains chemicals, metals, and organic and inorganic compounds. Significant harmful contents may include heavy metals and toxic solvents such as lead and copper, hydrogen peroxide, hydrofluoric acid, ammonia concentrations, and other water pollutants. If discharged without treatment, they can be harmful to the environment and potentially disrupt the ecosystem of the water bodies into which it is discharged. In this regard, both our operating sites are governed by local environmental laws and regulations on wastewater management, i.e., Standard B under Environmental Quality Act (Industrial Effluents) Regulations 2009 of Malaysia and the Integrated Wastewater Discharge Standard (GB8978-1996) of China.

Our on-site wastewater treatment facilities at both sites are managed and regularly maintained by qualified employees. These employees underwent proper training and are certified by local authorities, and they also receive regular refresher training. The facilities are also subject to regular maintenance and checks by service providers.

At all operating sites, the Facility Departments monitor effluent quality daily, with effluent quality checks independently monitored and assessed by external accredited laboratories or government-appointed third parties periodically. We monitor more than 20 indicators to assess effluent quality, including but 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. These indicators are also in line with relevant laws and regulations.

It is our duty to ensure compliance with effluent discharge laws and regulations.

KPI & Target	Compliance with effluents and wastewater discharge regulations: • Standard B under EQA (Industrial Effluents) Regulation 2009 • Integrated Wastewater Discharge Standard (GB8978-1996)		
Performance	**FY 2019**	**FY 2020**	**FY 2021**
Unisem Ipoh	Compliant	Compliant	Compliant
Unisem Chengdu	Compliant	Compliant	Compliant

Water Reuse and Recycling Initiatives

While we do not operate in water-stress areas, we remain aware of our responsibility to use water efficiently through initiatives to recycle and reuse water. These initiatives are weighed against our water impact, resource constraints, as well as our operational efficiency.

In both our facilities, we have developed complex rinse water collection systems and dedicated drainage system to reuse lightly contaminated UPW, which does not contain any hazardous substance and is completely safe, for other industrial purposes and irrigation. Our facility in Unisem Chengdu is fitted with a reverse osmosis system which processes water for reuse within the production's water system.

On average, we recycled and reuse 3% of water withdrawn in Unisem Ipoh and 9% in Unisem Chengdu. That is approximately 132,742 mega litres of water.

	Proportion of water recycled over water withdrawn (%)		
	FY 2019	**FY 2020**	**FY 2021**
Unisem Ipoh	3%	3%	3%
Unisem Chengdu	9%	9%	9%

RESOURCE CONSERVATION OUTCOMES

Our Environmental Roadmap has helped the Group achieve various benefits including resource conservation, cost management, and better operational efficiency. The following table summarises the performance of our initiatives and investments, especially resource conserved through our Environmental Roadmap.

Initiative	Description	2021 Target	Progress as of 31 December 2021	Reduction Achieved in FY2021
LED Lighting Conversion	Conventional lighting is progressively converted to a more energy-efficient alternative i.e., LED lighting.	Cumulative 90% conversion (area)	Completed 100% conversion	Electricity: 1,354,576 kwh GHG Emission: 994.645CO_2
Compressed air optimization	Reduce compressed deliver and distribution network energy loss at Phase-1 & Phase-2 and Phase-3 building	Completion in 2021	Completed	Electricity: 217,161 kwh GHG Emission: 159.458CO_2
Retro-commission of HVAC (Heating, Ventilation and Air Conditioning) system	The heat recovery system allows for heating demand to be reduced.	Not applicable (completed in 2020)	Not applicable	Electricity: 460,080 kwh Natural Gas: 96,960 m^3 GHG Emission: 337.83CO_2 Water: 9,331 m^3
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	Completed	Electricity: 379kwh Water : 7,200 m^3 GHG Emission: 0.278CO_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: 2,022,168kwh GHG Emission: 1,484.848CO_2
Conversion to Electrical Forklifts*	Conversion of all diesel-powered forklifts to electricity powered.	Not applicable (completed in 2019)	Not applicable	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	Completed	Electricity: 34,992kwh Natura Gas : 94,184 m^3 GHG Emission: 25.694CO_2
			Total	Electricity: 4,089,356 kwh Natural Gas: 191,144 m^3 GHG Emission: 3,005.17CO_2 Water: 16,531 m^3 Diesel: 900 Litre

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

CONCLUSION AND APPENDICES

The years ahead may continue to pose different challenges and opportunities to the world and global markets, as well as the semiconductor industry. In the midst of changing business context and market fundamentals, the Board of Unisem believes that a holistic, integrated view towards business planning and management is required to mitigate emerging risks and capture market opportunities. Engagement and communication have also become more and more important as we work together and support each other in creating long term stakeholders' value. Unisem will continue to maintain and improve its sustainability management processes in ensuring the optimisation of stakeholders' value while pushing forward to becoming a leading total semiconductor packaging and test services provider.

OTHER DATA FOR SUSTAINABILITY REPORT

Parental Leave	FY 2019	FY 2020	FY 2021
Unisem – Ipoh and Chengdu			
Total number of employees that were entitled to parental leave - by gender			
Male	2,002	2,245	2,065
Female	2,264	2,303	1,942
Total number of employees that took parental leave - by gender			
Male	153	114	87
Female	191	129	123
Total number of employees that returned to work in the reporting period after parental leave ended - by gender			
Male	153	112	87
Female	150	107	99
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	129	133	108
Female	120	107	91
Return to work rates of employees that took parental leave - by gender			
Male	100%	98%	100%
Female	79%	83%	80%
Retention rates of employees that took parental leave and were still employed 12 months after their return to work - by gender			
Male	88%	87%	96%
Female	81%	71%	85%

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PROFILE OF BOARD OF DIRECTORS

JOHN CHIA SIN TET

Chairman/Group Managing Director
Malaysian, Male

Mr John Chia Sin Tet, aged 72, 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.

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.

FRANCIS CHIA MONG TET

Executive Director
Malaysian, Male

Mr Francis Chia Mong Tet, aged 70, 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.

PROFILE OF BOARD OF DIRECTORS

ALEXANDER CHIA JHET-WERN

Executive Director
Malaysian, Male

Mr Alexander Chia Jhet-Wern, aged 41, was appointed to the Board of the Company as Executive Director on 26 February 2014. He is a member of the Executive Management Committee and Sustainability 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.

DATO' GREGORY WONG GUANG SENG

Independent Director
Malaysian, Male

Y.Bhg. Dato' Gregory Wong Guang Seng, aged 70, 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 and a member of Remuneration Committee. Y.Bhg. Dato' Gregory Wong is the Senior Independent Director of the Company.

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 72, was appointed to the Board of the Company on 28 November 2002 and re-designated as Independent Director on 26 January 2016. He graduated from Salford University, England in 1972 with a Bachelor of Science in Electronics (Honours). He is the Chairman of Remuneration Committee and a member of the Audit & Risk Management Committee, Nomination 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 69, 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

XIAO ZHIYI

Non-Executive Director
Chinese, Male

Mr Xiao Zhiyi, aged 45, 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.

In 2019, Mr Xiao was appointed as a Non-Independent Director to the board of Tianshui Huatian Technology Co., Ltd, a company listed on the Shenzhen Stock Exchange. Mr Xiao also sits on the board of a private limited company. Other than his directorship in Tianshui Huatian Technology Co., Ltd, he does not have other directorships in public listed companies.

CUI WEIBING

Non-Executive Director
Chinese, Male

Mr Cui Weibing, aged 54, 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 Technology Co., Ltd., a position which he has held since March 2021. 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. From 2015 to 2021, he was the General Manager of Tianshui Huatian Electronics Group 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-Independent Director to the board of Tianshui Huatian Technology Co., Ltd, a company listed on the Shenzhen Stock Exchange. Other than his directorship in Tianshui Huatian Technology Co., Ltd, Mr Cui does not have other directorships in public listed companies.

JU FENG

Non-Executive Director
Chinese, Male

Mr Ju Feng, aged 38, 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.

WEI XIAOLI

Non-Executive Director
Chinese, Female

Mdm Wei Xiaoli, aged 36, was appointed to the Board of the Company on 30 July 2021. She graduated from Lanzhou University of Technology in 2010 with an Applied Physics (Microelectronics Direction) degree.

Mdm Wei is the Minister of the Quality Department of Huayi Microelectronics Co., Ltd., a position which she has held since August 2020. She began her career at Tianshui Huatian Electronics Group Co., Ltd in 2011 as a QA Engineer. In 2015 she was promoted to Vice Deputy Minister and in 2020 to Minister of the Quality Department at Tianshui Huatian Electronics Group Co., Ltd.

Mdm Wei does not have other directorships.

PROFILE OF BOARD OF DIRECTORS

NELLEITA BINTI OMAR

Independent Director
Malaysian, Female

Puan Nelleita Binti Omar, aged 46, was appointed to the Board of the Company on 25 February 2022 as an Independent Director. She graduated from the London School of Economics with a Bachelor of Science in Economics and a Master of Science in Development Studies (as a Chevening Scholar) degrees.

Puan Nelleita is a key member of the pioneer team that set up the Kuala Lumpur-based centrist think tank The Centre in mid-2019. As the current Research Director of The Centre, Puan Nelleita oversees the overall development and direction of the thin tank's research projects as well as directly manages the 'Safety Nets' research pillar.

Within The Centre's short history, it has produced research on gig workers' hours, social protection coverage, attitudes & access towards reskilling, amongst others. The Centre's findings on gig workers hours and social protection coverage in particular as been quoted widely, including in Malaysia s 2020 Economic Report.

Prior to her current role at The Centre, Puan Nelleita was a management consultant for over ten years, first with the Boston Consulting Group and then independently in association with selected boutique consultancies. Her management consulting work spanned both the public and private sectors and covered a large range of topics, from corporate strategy to public policy setting.

From 2004 to 2009, Puan Nelleita was a speechwriter and policy researcher for then Prime Minister YAB Tun Abdullah Ahmad Badawi.

Puan Nelleita currently sits on the board of several private limited companies. She does not have other directorships in public listed companies.

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 56, 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 51, 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 67, 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 46 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 72, 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 48 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 58, 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 34 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 54, 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 29 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 60, 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 36 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.

The Board endeavours to provide stakeholders with an informational and comprehensive disclosure of how corporate governance better practices are infused into the fabric of the Group's overall decision-making process.

This Corporate Governance Overview Statement is supplemented with a Corporate Governance Report, based on the updated prescribed format so as to provide a detailed account 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 2021. 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 Securities 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 the MMLR and the Corporate Governance Guide (4th Edition) issued by Bursa Malaysia Securities Berhad.

This Corporate Governance Overview Statement should also be read in tandem with the other statements in this 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 elucidated in the respective statements or reports.

Corporate Governance Approach

For the financial year ended 31 December 2021, Unisem reports as a Large Company[1]. The Board is cognisant that purpose-driven design and coherent implementation of the Group's corporate governance framework is paramount in ensuring effective implementation of strategies and business plans, focused monitoring of performance and prudent management of risks.

The Group's approach to corporate governance is premised on:

- creating a strong sense of purpose to drive the Group's culture with a honed focus on integrity;
- feeding into the prosperity of stakeholders, not off them by understanding the needs of stakeholders and crafting solutions to address these needs;
- adopting a "substance over form" modality to corporate governance through meaningful adoption of corporate governance practices that capture the underlying principles behind practices;
- recognising that there is no "silver bullet" to achieving excellence in corporate governance and thus, incorporating sweeping critical review prior to establishing corporate governance systems, policies and procedures; and
- identifying opportunities to drive the synergistic implementation of corporate governance systems, policies and procedures for improved strategic and tactical decision making.

Given that improving corporate governance is an organic and a continuous process, the Board ensures that regular reviews of the Group's corporate governance framework are to keep it current, relevant and tailored to the specific nuances of the Group.

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

Summary of Corporate Governance Practices

Unisem has applied all the Practices encapsulated in the MCCG for the financial year ended 31 December 2021, save for the following:

- Practice 1.3 (Demarcation of the Board Chairman and Managing Director roles);
- Practice 5.2 (Board to comprise a majority of Independent Directors);
- Practice 5.6 (Utilisation of objective and varied sources to procure directorship candidatures);
- Practice 5.9 (Board to comprise 30% women Directors);
- Practice 8.2 (Disclosure of top five Senior Management personnel's remuneration on a named basis and in bands of RM50,000);
- Practice 12.2 (Adoption of Integrated Reporting); and
- Practice 13.6 (Circulation of general meeting minutes to shareholders within 30 business days).

Unisem has provided meaningful explanation on its departures from the said practices based on the latitude accorded in the application mechanism of the MCCG. The Company will continue to make efforts to implement the above Practices within a reasonable timeframe.

The explanations provided on the said departures are supplemented with a description on the alternative practices that are in place to achieve the Intended Outcome, measures that Unisem has taken or intends to take and the timeframe to adopt the above Practices. Additional details on Unisem's application of each individual Practice of the MCCG are available on the Corporate Governance Report which is published on Unisem's corporate website as well as via an announcement on the website of Bursa Malaysia Securities Berhad.

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

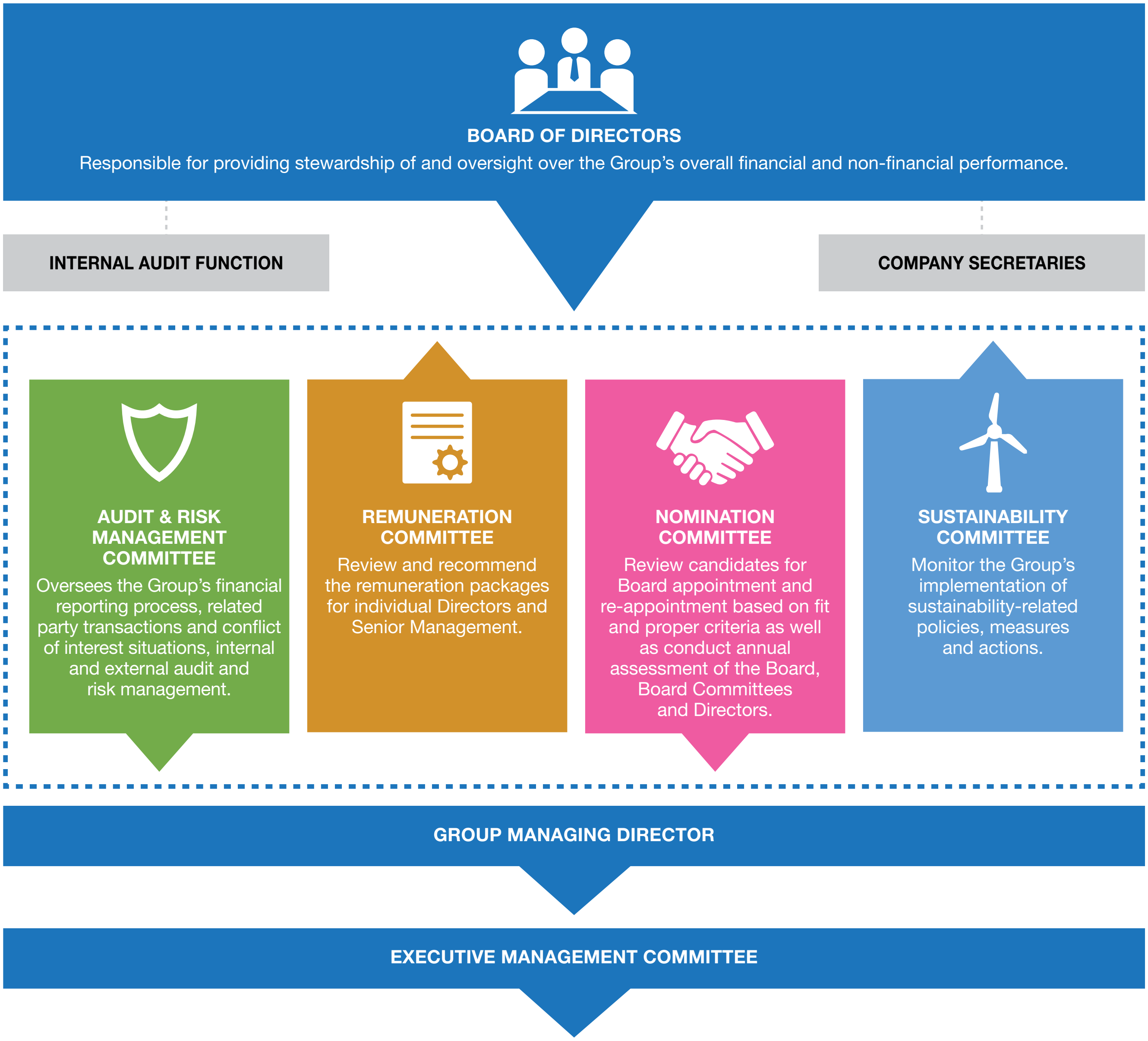
CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles and responsibilities of the Board

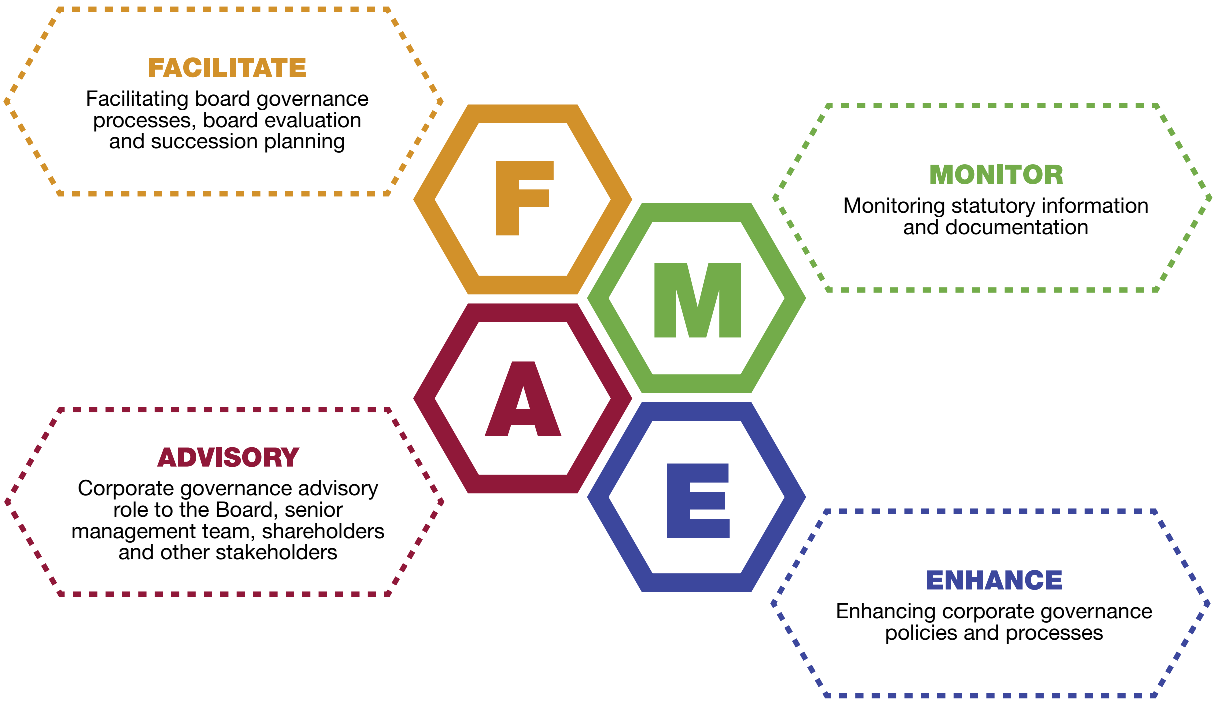
The Board recognises its roles and responsibilities including in steering the strategic direction, establishing short, medium and long-term goals and monitoring the achievement of these goals.

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, Remuneration Committee, Nomination Committee and Sustainability Committee. The Board retains collective oversight over the Board Committees and is regularly apprised on the proceedings of these Committees through downloads from the Board Committee Chairmen. Any recommendations would be subsequently reported to the Board for approval. The governance architecture in place is illustrated below:



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 overarching 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 included the strategy setting, review of budget, proposals on corporate exercises and tracking of financial performance as well as other key performance indicators.

In performing their duties, the Board and Board Committees are supported by two competent and qualified Company Secretaries. As counsels to the Board, the Company Secretaries possess the knowledge and experience to carry out their duties in a multifarious nature as illustrated by the "FAME" acrostic below:



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 made available on the Company's website and is reviewed periodically to ensure it reflects the ever-changing environment in which the Group operates so as to remain contemporaneous. During the financial year, the Board reviewed and approved the Board Charter on 25 February 2021. The latest Board Charter was reviewed and approved by the Board on 25 February 2022 and is available on the website of the Company.

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. Led by the Chairman, Directors are always called upon to speak up and play a part in making the Board meetings a participatory forum. During the year, the Board has met on a frequency of five times to hold discussions on key matters pertaining to the Group.

The attendance of individual Directors for the meetings of the Board and Board Committees are illustrated below:

Director	Board	Audit & Risk Management Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Executive Directors					
Mr John Chia Sin Tet (Chairman)	5/5			1/1	
Mr Francis Chia Mong Tet	5/5				
Mr Alexander Chia Jhet-Wern*	5/5				1/3
Independent Directors					
Dato' Gregory Wong Guang Seng (Senior Independent Director)	5/5	7/7	3/3		3/3
Mr Ang Chye Hock**	5/5	7/7	2/3	1/1	3/3
Mdm Lim Siew Eng	5/5	7/7	3/3	1/1	
Mdm Mahani binti Amat***	2/5		1/3		1/3
Non-Executive Directors					
Mr Cui Weibing	5/5				
Mr Xiao Zhiyi	5/5				
Mr Ju Feng	5/5				
Mdm Wei Xiaoli****	3/5				

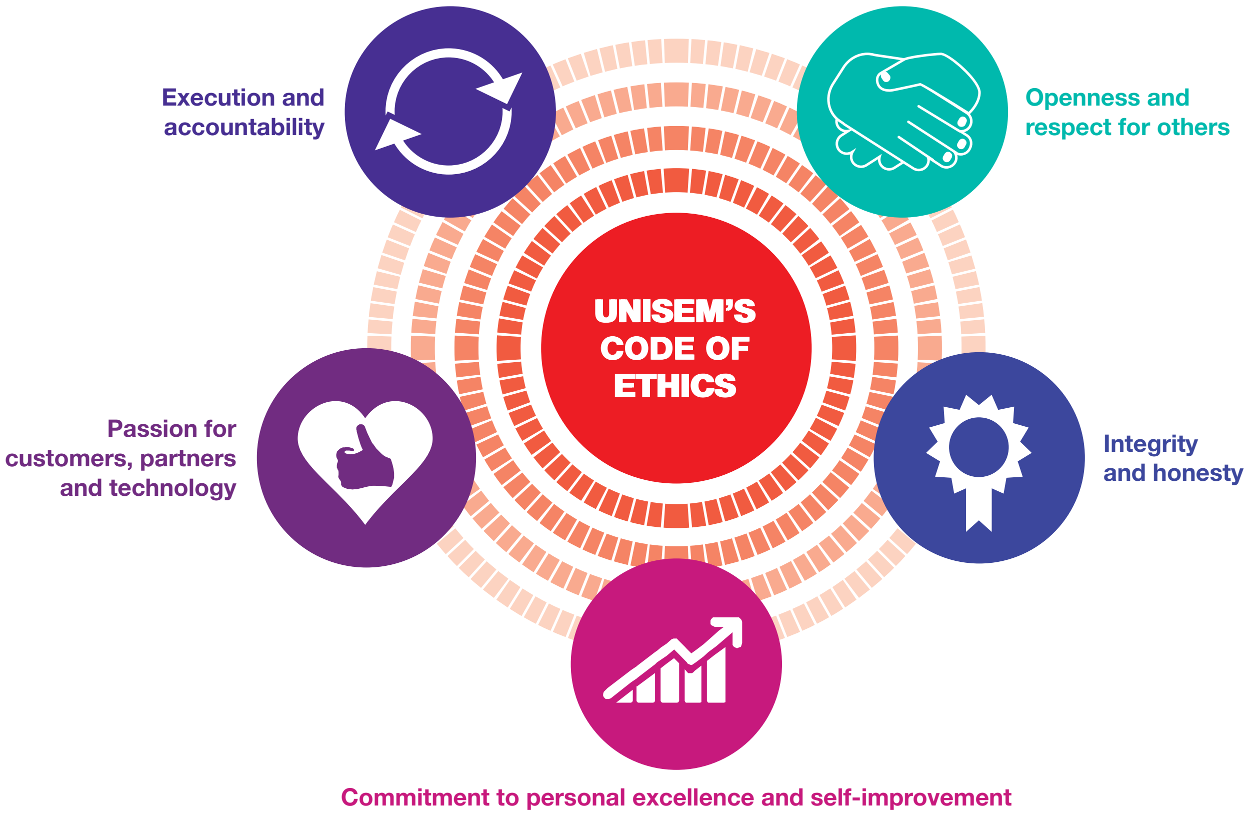
Legend: Board/Board Committee Chairman; Member

* Mr Alexander Chia Jhet-Wern was appointed to Sustainability Committee on 28 April 2021.
** Mr Ang Chye Hock was appointed to Nomination Committee on 28 April 2021.
*** Mdm Mahani binti Amat retired on 28 April 2021.
**** Mdm Wei Xiaoli was appointed to the Board on 30 July 2021.

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 in light of this, the Board has accordingly put in place effective mechanisms of checks and balance to prevent undue concentration of power by a single individual. To illustrate this point further, it is worth noting that Unisem has instituted a policy stipulation that all decisions of the Board should be unanimous and aligned with the best interests of the Group. In the event of a single dissenting voice, the resolution in question will be deferred or aborted. The presence of a Senior Independent Director and 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 acknowledges its role in “leading from the front” and laying the groundwork in embedding an ethical culture across the Group’s operations. Premised on this, the Board has formalised and implemented a Code of Ethics, which is regularly reviewed and monitored to foster an ethical culture within 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 allows the Company to have functioning procedures vis a vis the corporate liability provision [effected vide Malaysian Anti-Corruption Commission (Amendment) Act 2018] which was operationalised on 1 June 2020. Further reflecting the Group’s commitment to adhere to the prescribed promulgations within the Act, the Group conducts annual refresher training programmes for Unisem staff as well as ensuring written acknowledgement is obtained from the Group’s value chain namely, from vendors and suppliers that they comply with the Group’s policies on anti-corruption and bribery.

The salient principles of Unisem's Code of Ethics are illustrated below:



In terms of structural oversight over sustainability at Unisem including strategies, priorities and targets, it is reposed at the Board level with Management being responsible for operational execution. The Board appreciates the fact that Unisem's internal and external stakeholders should be well informed on the Company's sustainability strategies, priorities, targets as well as overall performance and accordingly, the Sustainability Report provides a detailed articulation on this front. The Board also keeps itself apprised with contemporaneous sustainability developments through capacity building efforts and the proactivity as well as responsibility of the Board on this front are evaluated through the Board Effectiveness Evaluation exercise. The annual performance appraisal of Senior Management also takes into account of sustainability considerations.

Board composition

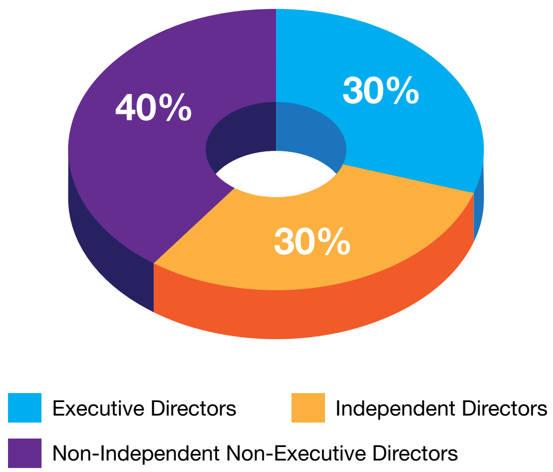
The Board endeavours to ensure that its configuration appropriately reflects the requisite boardroom ingredients with respect to skill sets, experience and diversity.

During the year, Puan Mahani binti Amat, an Independent Non-Executive Director, retired as Director of the Company at the 32nd AGM, whilst Mdm Wei Xiaoli was appointed as an Non-Executive Director in July 2021.

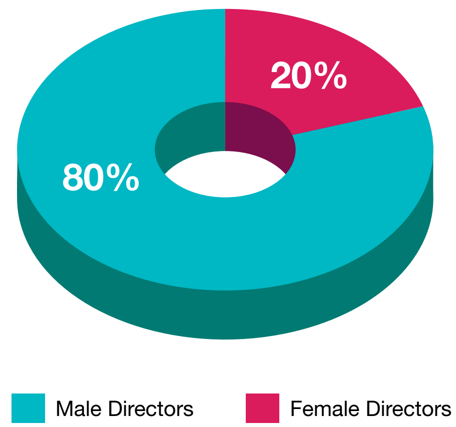
After the appointment of Mdm Wei Xiaoli, the Board comprises 3 Executive Directors including the Group Managing Director, 3 Independent Directors including the Senior Independent Director and 4 Non-Executive Directors, who represent the interest of Tianshui Huatian Technology Co., Ltd ("TSHT") pursuant to the Collaboration Agreement dated 12 September 2018 ("Collaboration Agreement") between TSHT and John Chia Sin Tet, Alexander Chia Jhet-Wern, Jayvest Holdings Sdn Bhd and SCQ Industries Sdn Bhd. Whilst the Board composition falls short of the expectations in Practice 5.2 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.

A breakdown of the Board through the lens of designation and gender is illustrated below:

BOARD COMPOSITION



BOARD DIVERSITY



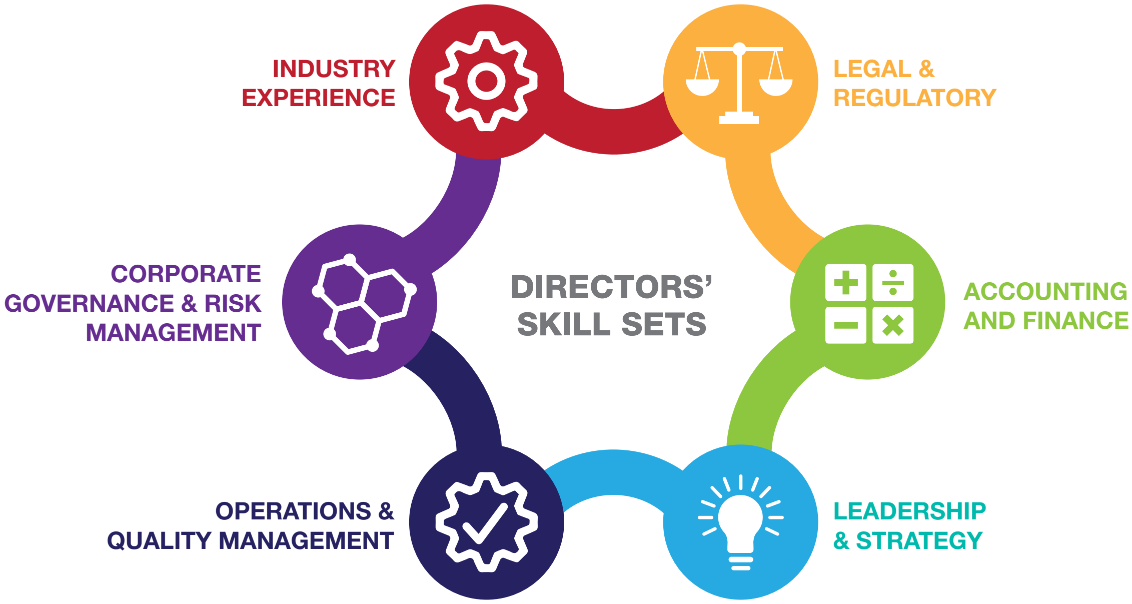
Appointments to the Board are made via a formal, rigorous and transparent process and taking into account the objective criteria set by the Board which are evaluated by the Nomination Committee ("NC") such as leadership experience, skill sets, knowledge, diversity of background, fit & proper, professionalism and time commitment. In the context of Independent Directors, the NC assesses the individual's ability to bring the element of detached impartiality and objective judgment to boardroom deliberations. The NC also conducts an annual review of the Board size and composition to identify any gaps in its configuration.

More recently and in line with paragraph 15.01A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board, as aided by the NC has formulated the fit and proper policy for appointment and re-election of Directors ("Fit and Proper Policy"). The Fit and Proper Policy is available on the website of the Company.

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 bases for recommending the re-election of Directors as assessed by the NC are clearly provided in the notes accompanying the notice of general meeting.

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 multi-disciplinary expertise from the domains of legal & regulatory requirements, corporate governance & risk management, semiconductor industry experience, operations & quality management, accounting & finance, leadership & strategy and information technology which in turn allows for informed deliberation and decision-making at the Board level.

A non-exhaustive illustration of some of the Directors' skill sets is outlined below:



The Board also acknowledges that a cognitively diverse Board is better placed to avert 'group think', 'blind spots' and insularity, particularly in the context of the dynamic technological environment in which the Group operates in. The Board is cognisant of the clear and compelling need for members who appreciate disruptions to business, understand the challenges and oversee what changes are needed to ensure sustainability. Recognising that the notion of diversity is wide ranging, the Board places prominence on the various diversity facets. With the four Non-Executive Directors who are Chinese nationals on board, the Board benefits from broadened perspectives with the said Directors working in collaboration with the Malaysian Directors.

Within the domain of gender, the Company started the year with two female Directors, namely, Mdm Lim Siew Eng and Puan Mahani binti Amat, out of a total of 10 board members. In April 2021, Puan Mahani retired as Director of the Company at the 32nd AGM and in July 2021, Mdm Wei Xiaoli joined the Board as Non-Executive Director. After the appointment of Mdm Wei Xiaoli, the Board has 20% female representation on the Board. The Board is aware that this is marginally lower than the 30% yardstick propounded in the MCCG. The Board is committed to not only bridging this shortfall but will endeavour to join the 37% of the top 100 companies which have met the 30% target as stipulated in the MCCG. To this end, the Board through the NC shall remain steadfast in continuously identifying and assessing suitably qualified female candidates for nomination.

On an annual basis, the Board, Board Committees and individual Directors including Independent Directors are subjected to a formal and comprehensive annual assessment of their performance and effectiveness. During the financial year under review, the Company engaged the services of an external consultancy entity, Boardroom Corporate Services Sdn Bhd to carry out the Board Effectiveness Evaluation ("BEE") exercise, including assessment of Independent Directors, Board mix and composition, Directors' skill sets, with oversight of the exercise by the NC. The BEE exercise was administered using questionnaires and interviews with each Director covering both qualitative and quantitative criteria, based on a self and peer rating assessment model.

Based on the findings of the BEE exercise and upon the recommendation of the NC, the Board was satisfied with its overall performance for the year including that of the Board Committees as well as individual Directors. Areas in which the Board fared particularly strongly included having an appropriate Board composition, effective leadership by the Chairman, strategic planning and direction, information flow and Board administration. Anchored on the findings of the BEE exercise, the NC has expressed satisfaction on the objectivity of Independent Directors and also recommended the appointment as well as re-election of the concerned Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The recommendations to better augment the overall effectiveness of the Board included (i) Establishing a formal induction programme for newly appointed Directors; (ii) Collectively overseeing strategic communication to all stakeholder groups, especially shareholders; (iii) Conducting dedicated training programmes covering the areas of human resource management, customer management and quality control; (iv) Crafting a robust succession planning framework for Board appointees; and (v) Appointing a dedicated member of senior management personnel to oversee sustainability matters.

During the financial year under review, the NC has also assessed the training needs of the Directors via the annual assessment or the BEE exercise. The list of training programmes in the course of continuing professional education that were attended by the Directors of Unisem are outlined below:

Date	Particulars of training programmes attended	Attended by
15 March 2021	Webinar Series: Audit Committee Conference 2021 organised by Malaysian Institute of Accountants	Dato' Gregory Wong Guang Seng Mr Ang Chye Hock Mdm Lim Siew Eng
16 March 2021	Webinar Series: Audit Committee Conference 2021 organised by Malaysian Institute of Accountants	Dato' Gregory Wong Guang Seng Mr Ang Chye Hock Mdm Lim Siew Eng Mr Francis Chia Mong Tet
31 March 2021	ESG: Future of Mobility organised by Bank of Singapore	Mr Alexander Chia Jhet-Wern
21-22 April 2021	Risk Management Conference 2021: Navigating Challenges in Unprecedented Times organised by Malaysian Institute of Accountants	Mdm Lim Siew Eng
22-23 June 2021	MIA Virtual Conference Series: Corporate Board Leadership Symposium 2021 organised by Malaysian Institute of Accountants	Mdm Lim Siew Eng
28 June 2021	UBS Mid-Year Outlook 2021 organised by UBS	Mr Alexander Chia Jhet-Wern
18 Aug 2021	Webinar on Outlook For The Electrical & Electronics Industry & Its Contribution To The Malaysian Economy organised by J.P. Morgan	Mr John Chia Sin Tet
18 Aug 2021	ESG Risk Management for Enterprise Workshop organised by Malaysian Institute of Accountants	Dato' Gregory Wong Guang Seng
15 Sept 2021	Webinar: Seizing The Next Wave of E&E Investment Into Malaysia organised by Malaysian Investment Development Authority (MIDA)	Mr John Chia Sin Tet
7 Oct 2021	Webinar on The Updated Malaysian Code On Corporate Governance April 2021 – Implications To Listed Corporations, Directors & Management organised by Malaysian Institute of Corporate Governance	Dato' Gregory Wong Guang Seng Mr Ang Chye Hock Mdm Lim Siew Eng

Date	Particulars of training programmes attended	Attended by
12 Oct 2021	Malaysia National E&E Forum 2021 organized by Malaysia Semiconductor Industry Association	Mr John Chia Sin Tet Mr Alexander Chia Jhet-Wern
28 Oct 2021	Deloitte Webinar - Insights into Integrated Reporting for Corporate Directors organized by Deloitte Malaysia	Dato' Gregory Wong Guang Seng Mdm Lim Siew Eng
1-3 Nov 2021	Mandatory Accreditation Program (MAP) organised by Asia School of Business Iclif Executive Education Center	Mdm Wei Xiaoli
17 Nov 2021	Malaysia Tax Budget Conference 2022: A Roadmap for Recovery organised by Crowe Malaysia	Dato' Gregory Wong Guang Seng
18 Nov 2021	In-house Directors Training on Updates on Malaysian Code of Corporate Governance 2021 and SC Guidelines, conducted by Galton Advisory	Mr Xiao Zhiyi Mr Cui Weibing Mr Ju Feng Mdm Wei Xiaoli
18 Nov 2021	2022 Budget Seminar organised by Chartered Tax Institute Of Malaysia (CTIM)	Dato' Gregory Wong Guang Seng
29 Nov 2021	SC's Audit Oversight Board Conversation with Audit Committees organised by Securities Commission Malaysia	Dato' Gregory Wong Guang Seng Mdm Lim Siew Eng
1-2 Dec 2021	Bank Negara Compliance Conference organized by Bank Negara Malaysia	Dato' Gregory Wong Guang Seng
2 Dec 2021	In-house Directors Training on Updates on Malaysian Code of Corporate Governance 2021 and SC Guidelines, conducted by Galton Advisory	Mr John Chia Sin Tet Mr Francis Chia Mong Tet Mr Alexander Chia Jhet-Wern Dato' Gregory Wong Guang Seng Mr Ang Chye Hock Mdm Lim Siew Eng

Remuneration

A fair remuneration package is instrumental in attracting, retaining and motivating Directors and Senior Management personnel as well as ensuring goal alignment. Within this context, the Group has adopted a remuneration framework that takes into consideration the structure of the Group and the complexities of the competitive semiconductor industry. The Remuneration Committee ("RC") assesses and determines the suitability of the remuneration packages for Directors and Senior Management, prior to apprising the Board.

As for Executive Directors and Senior Management, the components of remuneration packages have been structured to link rewards to individual and corporate performance including sustainability considerations 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 Directors are compensated competitively but not excessively to the extent that they become "dependent" Directors. No agreed-upon severance payments and ex-gratia payments are awarded to Directors or Senior Management personnel.

The detailed disclosure of the remuneration of individual Directors are disclosed in the Company's Corporate Governance Report under Practice 8.1.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit & Risk Management Committee

The Board has established the Audit & Risk Management Committee ("ARMC") which comprises exclusively of Independent Directors and is helmed 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 ownership of the 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. In the discharge of 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. During the financial year, the external auditor has provided assurance that its personnel are and have been independent throughout the conduct of the audit in accordance with the terms of relevant professional and regulatory promulgations. The ARMC's Terms of Reference is published on the website of the Company.

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 the Group's risk management and internal control architecture form the cornerstones of achieving its value-creation targets. In order to address risks stemming from a competitive global environment characterised by the trickle down economic ramifications flowing from the debilitating COVID-19 pandemic, the Group has instituted a robust risk management framework to identify, analyse, monitor and manage material risks. Oversight of risk management is multifaceted, covering contemporary risks such as sustainability-related risks. To this end, 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.

As with preceding years, the Company engaged Baker Tilly Monteiro Heng to undertake the internal audit function. The internal audit function keeps the ARMC abreast 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 premises its work based on a risk-based audit approach when executing each audit assignment as carried out in accordance with the annual audit plan. The work of the internal audit function is anchored on the International Professional Practices Framework (IPPF), promulgated by the Institute of Internal Auditors (IIA).

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

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

Engagement with stakeholders

Unisem is committed in keeping all its stakeholders abreast in a timely manner of all material business matters that impact the Group. To this end, the Board ensures that mandatory disclosures are made through announcements to Bursa Malaysia Securities Berhad as well as on Unisem's corporate website. The website is intuitively set up to ensure that pertinent information such as recent announcements, quarterly financial results as well as copies of recent notices and minutes of general meetings are easily accessible to all stakeholders.

This Annual Report is made publicly available on the corporate website and contains extensive details about the Group's business activities and performance on both financial and non-financial fronts during the financial year. Whilst Unisem endeavours to be as transparent as possible to its stakeholders, the Company is simultaneously mindful of the need to balance out legal and regulatory requirements governing the release of potentially material and price-sensitive information to the market. In order to further expand the domains available for stakeholders wishing to engage with the Group, the Board has tasked the Senior Independent Director, Dato' Gregory Wong Guang Seng, to be the "point of contact" to address queries on any Unisem-related matters.

Dato' Gregory Wong Guang Seng can be contacted via the following avenues :

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 Board recognises that general meetings serve as a platform for shareholders to engage with both the Board and Management in a productive dialogue, as well as a mode of communication to provide constructive feedback on the overall performance of the Group.

To this end, the Company utilises the AGM to engage with shareholders and present its annual financial results, operational performance and overall business outlook. Shareholders are encouraged to field questions, seek points of clarification and provide critical feedback to the Board and Management of Unisem.

During the financial year 31 December 2021, Company held its 32nd AGM on 28 April 2021 ("32nd AGM") and an Extraordinary General Meeting ("EGM") was held on 22 September 2021.

The Company conducted its 32nd AGM through live streaming and online remote voting 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 and Group Managing Director, Executive Director (Group Finance) and the Company Secretaries were present at the broadcast venue while all the other Directors attended the 32nd AGM via video conferencing.

The notice of the 32nd AGM was provided 33 days in advance to enable shareholders to make adequate preparation. The notice of the 32nd AGM was also accompanied with an administrative guide that seeks to provide information and facilitate induction of shareholders or their proxies in relation to the virtual AGM. Shareholders or their proxies were advised/informed to attend, pose questions to the Board via real time submission of typed texts and vote remotely by the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online. Questions raised were displayed "live" on screen. The remote poll voting results were validated by an independent scrutineer namely, Asia Securities Sdn Bhd. Similarly, the EGM was also held via live streaming and online remote voting using RPV facilities.

Focus areas during the year (2021)

In 2021, the corporate governance focus areas of the Group constituted the following:

Business continuity & resilience

The Board is cognisant that operational resilience vis a vis the Group's ability to absorb internal and external shocks is key to its sustenance. In this regard, there was a strong focus by Unisem in ensuring continuity of critical operations and protecting its infrastructure and people.

Against the backdrop of a volatile environment in the aftermath of the COVID-19 pandemic, the Board continued to keep itself apprised of the ever-changing conditions whilst maintaining full and effective control over strategic, financial, operational, compliance and governance matters.

Throughout the COVID-19 crisis, Unisem was aware of the need to deliver on the fronts of employee welfare and overall organisational safety. To this end, the Group has devoted significant resources in ensuring that the attendant risks posed by COVID-19 were appropriately addressed. This included ensuring adherence to strict standard operating procedures, organising private vaccination administration centres for the Group's employees and performing swab tests for all factory staff, subcontractors and other visitors to the Group's various operational locations.

Stakeholder engagement

In light of the multifaceted and ever-changing curveballs brought upon by the pandemic, the Board recognised the need to pivot its stakeholder engagement strategy accordingly. Throughout the year, the Board made conscious efforts to extend its reach to various key stakeholder groups and to actively ensure they were kept attuned with and fully aware of the Group's strategic direction and operational impacts caused by the pandemic.

Specifically, the Group deployed virtual stakeholder engagement modalities which included virtual briefings with analysts, conference calls with fund managers, engagements with local and international media, stakeholder engagement surveys and timely announcements to Bursa Malaysia Securities Berhad which were reflected on the Group's website.

Board evaluation

The Board undertook a formal and comprehensive annual assessment of its own performance, its Committees and individual Directors. During FY 2021, the Board evaluation was conducted using an external consultancy entity, namely, Boardroom Corporate Services Sdn Bhd with oversight of the exercise by the Nomination Committee.

The outcome of the assessment was tabled to the Board in February 2022 identifying areas in which the Board fared strongly as well as areas for improvement with recommendations and concrete action plans to better augment the overall effectiveness of the Board.

Corporate governance priorities (2022 and beyond)

In subsequent years, the corporate governance priorities of the Group shall constitute the following:

Boardroom composition

The Board acknowledges that having a majority of Independent Directors on the Board would support objective and independent deliberation, review and decision-making. It would also, in theory, be able to foster more effective oversight of management.

However, with the Collaboration Agreement in place, the goal of achieving a majority of Independent Directors on the Board would mean unnecessarily increasing the Board size from its current 11 members to at least 15 members. Such a move will render the Board to be more cumbersome and less nimble in decision making whilst incurring unnecessary higher costs.

In order to create a more conducive environment for insightful deliberations and informed decision-making, the Board will focus on enlisting Independent Directors who possess strong business acumen that is complemented with a sound understanding of Unisem's business. This will reinforce the independence of the Board and contribute to the effective governance of Unisem.

The Board is supportive of gender diversity in the Board composition as recommended by the MCCG, and currently has 3 women Directors. In February 2022, the Board appointed Puan Nelleita binti Omar as Independent Director of the Company. This increased the representation of women Directors and Independent Directors on the Board.

In its effort to source for suitable and independent candidates for nomination to the Board, the Nomination Committee will endeavour to cast a wider net via independent external sources for future appointments.

Boardroom policy & procedures

The Board is cognisant of the need to keep boardroom policies and procedures current in line with the relevant updated authoritative promulgations.

One such promulgation are the latest updates to the MCCG which came into effect in April 2021. Another integral cog in the corporate governance wheel comes in the form of the updated Main Market Listing Requirements of Bursa Malaysia Securities Berhad, particularly with regards to the fit and proper criteria for Directors. The Board together with the NC has accordingly formalised a fit and proper policy on 26 January 2022 and updated its Board Charter on 25 February 2022.

Moving forward, the Board shall endeavour to continue reflecting all necessary updates accordingly in the policy documents of Unisem on a contemporaneous basis.

Environmental, social & governance considerations

The Board is fully committed to embedding Environmental, Social and Governance ("ESG") considerations into the fabric of the Group's diverse operational landscape pursuant to global trends.

In line with this aspiration, the Board will endeavour to revisit its vision and mission statements so as to embed ESG considerations within its raison d'être.

This is to further foster cohesion in purpose across the Group towards achieving tangible progress on its ESG targets.

The Group will also seek to craft the oversight architecture over sustainability-related matters at the Management-level. Specifically, the Group will seek to identify a designated individual to manage sustainability strategically at the management-level whilst having direct reporting lines to the Board-level Sustainability Committee.

Furthermore, the Board is acquainted with the importance of adopting integrated reporting to allow for more informed assessments by stakeholders on the Group's value creation journey. To this end, the Sustainability Committee will endeavour to take necessary incremental steps to adopt integrated reporting.

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 total gross proceeds of RM446.264 million from the Private Placement.

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

Details of utilisation of proceeds	Estimate timeframe for utilisation from the listing date of the Placement Shares	Total Proceeds Amount RM'000	Amount utilized as at 31 Dec 2021 RM'000	Deviation RM'000	Balance of Proceeds as at 31 Dec 2021 RM'000
Capital expenditure – Unisem Ipoh	Within 12 months	124,193	111,146	-	13,047
Capital expenditure – Unisem Chengdu	Within 24 months	204,010	23,308	-	180,702
Working capital for the Group	Within 24 months	113,661	113,661	-	-
Expenses in relation to the Private Placement	Within 1 month	4,400	4,952	552	-
Total		**446,264**	**253,067**	**552**	**193,749**

(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 provisions of the Companies Act, 2016.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMMITTEE MEMBERS AND ATTENDANCE

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

The Audit and Risk Management Committee ("the ARMC" or "the Committee") met seven times in 2021 and the Chairman and members of the Committee attended all the meetings.

Name & Qualification	Designation	Directorship	No. of Meetings Attended in 2021
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	7/7
Mr Ang Chye Hock (Bachelor of Science in Electronics (Honours). More than 28 years of experience in the semiconductor industry.)	Member	Independent Director	7/7
Mdm Lim Siew Eng (Bachelor of Economics (Honours) degree. More than 28 years of working experience in the financial services industry.)	Member	Independent Director	7/7

TERMS OF REFERENCE

The terms of reference which include composition, authority, responsibilities, meetings and specific duties of the ARMC 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 seven times during the financial year ended 31 December 2021. 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 25 February 2021 and 26 October 2021 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 planning report.

External Auditors

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

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

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

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

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

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

In line with current professional standards the Company requires the partner in charge and independent review partner of the external auditor to rotate after 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 three years.

The Board has a policy that requires a former key audit partner/engagement partner to observe a cooling-off period of at least three 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 2021, 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 in August 2020. 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:-

- Maintenance of Machinery & Equipment;
- Procurement & Vendor Management;
- Order Processing, Billing and Credit Control; and
- Recurrent Related Party Transactions.

During the financial year, four 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 2021.

The cost incurred for the Internal Audit function of the Group in respect of the financial year ended 31 December 2021 amounted to RM179,242.

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 2021.

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

Board responsibility

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

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

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

The ARMC is supported by the 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.

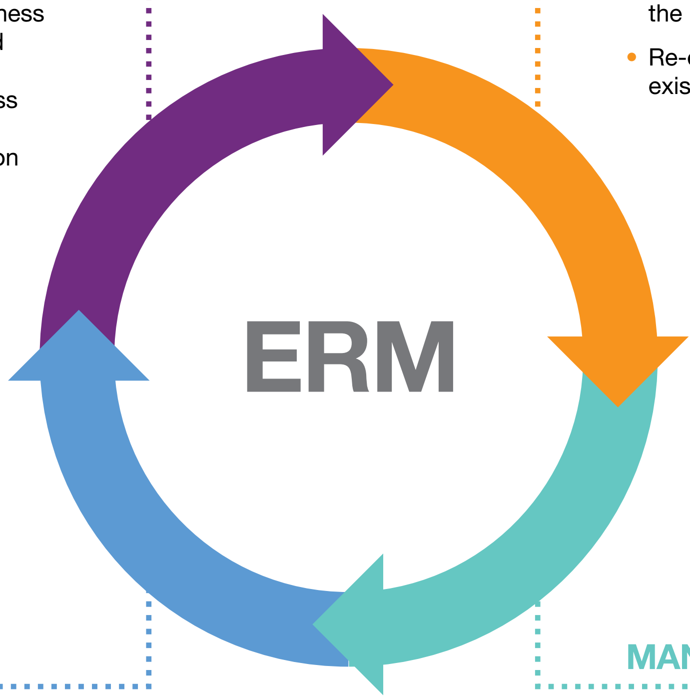
The ERM framework adopted by Unisem is illustrated in **Diagram 1** and **Diagram 2** below:

IDENTIFY

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

ASSESS

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



MONITOR AND REPORT

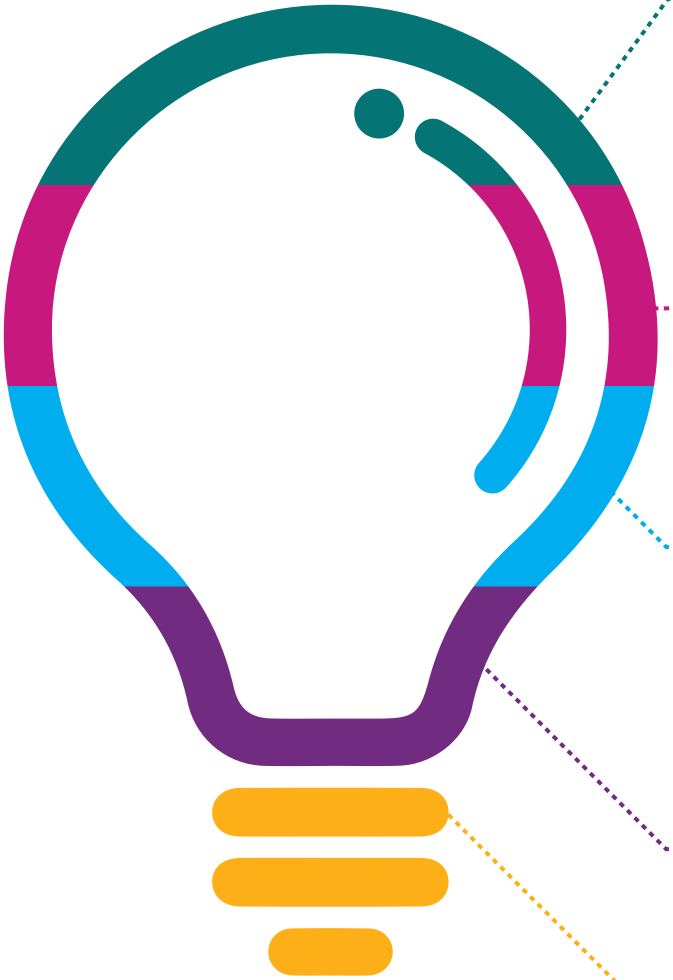
- Monitoring and reporting of risks on a regular basis to ensure accountability and ownership for the identification of risks, the development of appropriate controls to mitigate them and compliance with controls
- Reporting of risk will be done using key categories

MANAGE

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

Diagram 1: Enterprise Risk Management Framework

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



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

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

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

INFORMATION AND COMMUNICATION
- Quality of information
- Effectiveness and communication

MONITORING
- Ongoing monitoring
- Separate evaluations
- Reporting deficiencies

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

Internal control framework

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group'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 2021, the internal audit function assessed the adequacy and operating effectiveness of internal controls deployed by Management for the Group's key processes namely, maintenance management of machinery and equipment; procurement and vendor management; and order processing billing and credit control. In addition, the internal audit function also assists the ARMC to carry out a review to ensure recurrent related party transactions are carried out at arm's length basis.

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 RM179,242.

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 2021.

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

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

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

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

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

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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, 2021.

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	198,243	78,158
Loss for the year from discontinued operations	(468)	-
Profit for the year attributable to owners of the Company	197,775	78,158

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

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid/payable or proposed by the Company is in respect of the following:

A third interim dividend of 2.0 sen per share, tax-exempt, amounting to RM15,995,887 proposed in the previous financial year and dealt with in the previous year's directors' report, was paid on March 26, 2021.

A first interim dividend of 2.0 sen per share, tax-exempt, amounting to RM16,130,791 in respect of the current financial year was paid on September 3, 2021.

A second interim dividend of 2.0 sen per share, tax-exempt, amounting to RM32,261,582 in respect of the current financial year was paid on November 26, 2021.

On February 25, 2022, 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, 2021 and will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2022.

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 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 which resulted in a net increase in the share capital (after deducting expenses incurred in relation to the private placement) by RM160,558,864.

On October 7, 2021, the Company issued 806,539,555 new ordinary shares by way of issuance of bonus issue on the basis of one (1) new ordinary share for every one (1) existing ordinary share held in the Company.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company. Further details are disclosed in Note 21 to the financial statements.

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 and has disposed 6,745,200 treasury shares in the open market of Bursa Malaysia between May 24, 2021 to June 11, 2021 at an average selling price of RM7.15 per share for a total consideration of RM48,204,044 (after deducting transaction costs).

As of the end of the financial year, the Company no longer hold any treasury shares on hand. 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 of 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.

OTHER STATUTORY INFORMATION (CONT'D)

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.

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

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

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

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
Mr. Xiao Zhiyi
Mr. Cui Weibing
Mr. Ju Feng
Ms. Wei Xiaoli (appointed on July 30, 2021)
Puan Nelleita Binti Omar (appointed on February 25, 2022)
Puan Mahani Binti Amat (retired on April 28, 2021)

The directors who held office in the subsidiaries of the Company are listed below (excluding directors who are also directors of the Company):

Michael Hannan Mc Kerreghan
Allan Casildo Toriaga
Gilbert Lawrence Chiu

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:

	NUMBER OF ORDINARY SHARES				
	BALANCE AS OF 1.1.2021	ACQUIRED	TRANSFERRED*/ DISPOSED OF	BONUS ISSUE	BALANCE AS OF 31.12.2021
Shares in the Company					
Registered in the name of directors					
Mr. John Chia Sin Tet	62,326,125	-	-	62,326,125	124,652,250
Mr. Alexander Chia Jhet-Wern	2,050,000	-	-	2,050,000	4,100,000
Mr. Francis Chia Mong Tet	-	2,000,000*	(2,000,000)*	-	-
Indirect interests by virtue of shares held by companies in which a director has interests					
Mr. John Chia Sin Tet	121,862,813	36,000,000	(5,837,700)	152,265,113	304,290,226
Mr. Francis Chia Mong Tet	2,870,480	4,100,000	(4,000,000)*	2,970,480	5,940,960

	NUMBER OF CALL OPTIONS*				
	BALANCE AS OF 1.1.2021	ACQUIRED	EXERCISED/ REDUCED	BONUS ISSUE	BALANCE AS OF 31.12.2021
Call Options in the Shares of the Company					
Registered in the name of directors					
Mr. John Chia Sin Tet	-	70,000,000	(36,000,000)	34,000,000	68,000,000
Mr. Alexander Chia Jhet-Wern	-	6,000,000	-	6,000,000	12,000,000
Indirect interests by virtue of Call options held by companies in which a director has interests					
Mr. John Chia Sin Tet	-	18,236,293	(2,687,500)	15,548,793	31,097,586

* *Pursuant to the Collaboration Agreement dated September 12, 2018 ("Collaboration Agreement") between Tianshui Huatian Technology Co., Ltd ("TSHT") and the John Chia, Alexander Chia, Jayvest Holdings and SCQ Industries ("Controlling Shareholders" as defined in the Collaboration Agreement) and the Controlling Shareholders Agreement between the Controlling Shareholders dated April 5, 2021 and Controlling Shareholders Supplemental Agreement between the Controlling Shareholders dated July 19, 2021. Subject to compliance with the Controlling Shareholders' obligations under the Collaboration Agreement, TSHT (via Huatian Technology (Malaysia) Sdn Bhd ("HT Malaysia")) granted to the Controlling Shareholders (collectively and not individually) an option to require TSHT (via HT Malaysia) to sell to the Controlling Shareholders, any or all of the Call Option Shares (as defined in the Collaboration Agreement), from time to time during the period commencing from the first (1st) anniversary of the completion of the general offer on January 7, 2019 and expiring on the fourth (4th) anniversary of the completion of the general offer on January 7, 2023, at the Call Option Price (as defined in the Collaboration Agreement). The Controlling Shareholders Agreement was to determine the call option allocation amongst the Controlling Shareholders as the call options granted was not granted individually.*

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' REPORT

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) 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.

Detail of the remuneration of the directors of the Company are set out in Note 6 to the financial statements. The remuneration of the directors of subsidiaries are set out in Note 18 to the financial statements.

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 except for the options granted to certain directors as disclosed above.

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 RM49,500.

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, 2021 are as follows:

	THE GROUP RM'000	THE COMPANY RM'000
Fees paid/payable to external auditors:		
Statutory audit	589	273
Others	3	3

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

JOHN CHIA SIN TET

DATO' WONG GUANG SENG

Kuala Lumpur,
February 28, 2022

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, 2021, 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 140 to 201.

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, 2021, 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 Matter

Key audit matter is the matter that, in our professional judgement, is of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter is 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 this matter.

Key Audit Matter	*How the matter was addressed in the audit*
Capitalisation of expenses as property, plant and equipment Unisem (M) Berhad ("UM") and its foreign subsidiary, Unisem Chengdu Co., Ltd. ("UC") have embarked on expansion plans to increase their production lines for assembly and bumping services with newer technologies. Total capital expenditure of the Group for the financial year ended December 31, 2021 amounted to RM571 million, as disclosed under Note 12 to the financial statements, out of which RM534 million pertaining to UM's and UC's capital investments. The significant levels of capital expenditure require 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/ IAS 16 *Property, Plant and Equipment* and MFRS 123/ IAS 23 *Borrowing Costs.*	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/ IAS 16. 4. Evaluated whether any borrowing costs capitalised are in accordance with the requirements of MFRS 123/ IAS 23. 5. Physically verified a sample of additions during the financial year.

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.

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 - 02939/01/2024 J
Chartered Accountant

Ipoh,
February 28, 2022

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2021

		THE GROUP		THE COMPANY	
		2021	2020	2021	2020
	NOTE	RM'000	RM'000	RM'000	RM'000
Continuing Operations					
Revenue		**1,568,923**	1,289,294	**639,129**	590,061
Investment income	8	**10,876**	3,477	**15,276**	89,511
Other (losses)/gains		**(2,516)**	(7,155)	**3,547**	2,193
Other operating income		**21,362**	12,217	**12,042**	8,273
Changes in inventories of finished goods and work-in-progress		**14,731**	9,569	**10,294**	1,941
Raw materials and consumables used		**(544,957)**	(428,429)	**(201,525)**	(172,528)
Depreciation of property, plant and equipment		**(193,229)**	(167,234)	**(78,773)**	(67,395)
Loss allowance on financial assets measured at amortised cost	18	**-**	-	**-**	(8,778)
Impairment of investment in a subsidiary	14	**-**	-	**(4,408)**	(3,492)
Employee benefit expenses		**(379,718)**	(306,530)	**(171,039)**	(163,303)
Directors' remuneration	6	**(7,935)**	(9,413)	**(7,935)**	(9,413)
Amortisation of prepaid interests in leased land		**(307)**	(324)	**(44)**	(44)
Finance costs	7	**(2,827)**	(4,887)	**(1,848)**	(2,474)
Other operating expenses		**(261,775)**	(226,561)	**(136,036)**	(125,203)
Profit before tax		**222,628**	164,024	**78,680**	139,349
Taxation	9(a)	**(24,385)**	(21,445)	**(522)**	(4,235)
Profit for the year from continuing operations	5	**198,243**	142,579	**78,158**	135,114
Discontinued Operations					
(Loss)/Profit for the year from discontinued operations	11	**(468)**	207	**-**	-
Profit for the year attributable to owners of the Company		**197,775**	142,786	**78,158**	135,114
Earnings per share					
From continuing and discontinued operations: Basic and diluted (sen)	10	**12.32**	9.76		
From continuing operations: Basic and diluted (sen)	10	**12.35**	9.75		

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the year	**197,775**	142,786	**78,158**	135,114
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**51,172**	37,629	**-**	-
Total comprehensive income for the year attributable to owners of the Company	**248,947**	180,415	**78,158**	135,114

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

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

	NOTE	THE GROUP 2021 RM'000	THE GROUP 2020 RM'000	THE COMPANY 2021 RM'000	THE COMPANY 2020 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,637,477**	1,215,064	**576,422**	457,871
Prepaid interests in leased land	13	**16,798**	16,640	**3,342**	3,386
Investments in subsidiaries	14	**-**	-	**500,078**	500,078
Intangible assets	15	**-**	-	**-**	-
Amount owing by subsidiaries	18	**-**	-	**73,729**	14,869
Total non-current assets		**1,654,275**	1,231,704	**1,153,571**	976,204
Current assets					
Inventories	16	**260,492**	176,110	**138,896**	104,132
Trade receivables	17	**186,094**	167,522	**85,038**	81,230
Other receivables, deposits and prepaid expenses	17	**14,361**	11,660	**10,930**	2,757
Amount owing by subsidiaries	18	**-**	-	**97,691**	52,327
Tax recoverable	9(b)	**2,711**	11,698	**-**	353
Cash and cash equivalents	19	**655,959**	664,095	**434,735**	475,557
		1,119,617	1,031,085	**767,290**	716,356
Non-current assets classified as held for sale	20	**9,069**	8,757	**-**	-
Total current assets		**1,128,686**	1,039,842	**767,290**	716,356
Total assets		**2,782,961**	2,271,546	**1,920,861**	1,692,560

	NOTE	THE GROUP 2021 RM'000	THE GROUP 2020 RM'000	THE COMPANY 2021 RM'000	THE COMPANY 2020 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21(a)	**1,036,677**	876,118	**1,036,677**	876,118
Treasury shares	21(b)	**-**	(15,888)	**-**	(15,888)
Reserves	22	**1,129,441**	912,566	**580,567**	534,481
Total equity		**2,166,118**	1,772,796	**1,617,244**	1,394,711
Non-current liabilities					
Borrowings	23	**56,241**	108,562	**56,241**	78,439
Deferred income	24	**39,552**	24,011	**-**	-
Deferred tax liabilities	9(c)	**57,290**	37,889	**-**	4,849
Total non-current liabilities		**153,083**	170,462	**56,241**	83,288
Current liabilities					
Trade payables	25	**96,855**	71,974	**51,895**	40,178
Other payables and accrued expenses	25	**247,574**	155,338	**81,077**	82,781
Amount owing to subsidiaries	18	**-**	-	**26,351**	25,231
Amount owing to other related companies	18	**80**	2,138	**-**	2,011
Borrowings	23	**118,684**	98,838	**87,486**	64,360
Provision for taxation	9(b)	**567**	-	**567**	-
Total current liabilities		**463,760**	328,288	**247,376**	214,561
Total liabilities		**616,843**	498,750	**303,617**	297,849
Total equity and liabilities		**2,782,961**	2,271,546	**1,920,861**	1,692,560

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

THE GROUP	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	← NON-DISTRIBUTABLE RESERVES → CAPITAL RESERVE RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	DISTRIBUTABLE RESERVE RETAINED EARNINGS RM'000	TOTAL RM'000
Balance as of January 1, 2020		595,367	(15,888)	40,255	124,799	610,722	1,355,255
Profit for the year		-	-	-	-	142,786	142,786
Other comprehensive income for the year, net of income tax		-	-	-	37,629	-	37,629
Total comprehensive income for the year		-	-	-	37,629	142,786	180,415
Dividends	26	-	-	-	-	(43,625)	(43,625)
Issuance of shares	21	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
Profit for the year		**-**	**-**	**-**	**-**	**197,775**	**197,775**
Other comprehensive income for the year, net of income tax		**-**	**-**	**-**	**51,172**	**-**	**51,172**
Total comprehensive income for the year		**-**	**-**	**-**	**51,172**	**197,775**	**248,947**
Issuance of shares	21	**160,559**	**-**	**-**	**-**	**-**	**160,559**
Disposal of treasury shares	21	**-**	**15,888**	**-**	**-**	**32,316**	**48,204**
Dividends	26	**-**	**-**	**-**	**-**	**(64,388)**	**(64,388)**
Transfer to statutory reserve fund		**-**	**-**	**13,360**	**-**	**(13,360)**	**-**
Balance as of December 31, 2021		**1,036,677**	**-**	**63,228**	**213,600**	**852,613**	**2,166,118**

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, 2020		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	26	-	-	(43,625)	(43,625)
Balance as of December 31, 2020		**876,118**	**(15,888)**	**534,481**	**1,394,711**
Profit and total comprehensive income for the year		**-**	**-**	**78,158**	**78,158**
Issuance of shares	21	**160,559**	**-**	**-**	**160,559**
Disposal of treasury shares	21	**-**	**15,888**	**32,316**	**48,204**
Dividends	26	**-**	**-**	**(64,388)**	**(64,388)**
Balance as of December 31, 2021		**1,036,677**	**-**	**580,567**	**1,617,244**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	NOTE	THE GROUP 2021 RM'000	THE GROUP 2020 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**197,775**	142,786
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**193,229**	169,406
Taxation		**24,385**	8,227
Unrealised loss on foreign exchange		**5,945**	8,430
Finance costs		**2,828**	4,904
Write down of inventories to net realisable values		**669**	329
Amortisation of prepaid interests in leased land		**307**	325
Property, plant and equipment written off		**104**	34
Investment income		**(10,876)**	(3,478)
Amortisation of deferred income		**(3,388)**	(1,637)
Gain on disposal of property, plant and equipment		**(1,484)**	(2,138)
Impairment of property, plant and equipment		**-**	999
Loss allowance on financial assets measured at amortised cost		**-**	410
Loss allowance on financial assets measured at amortised cost no longer required		**-**	(1,436)
		409,494	327,161
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		**(80,204)**	(19,796)
Trade receivables		**(13,457)**	(19,246)
Other receivables, deposits and prepaid expenses		**(3,125)**	1,463
Increase/(Decrease) in:			
Trade payables		**22,932**	(544)
Other payables and accrued expenses		**(627)**	18,150
Amount owing to related companies		**(47)**	127
Cash Generated From Operations		**334,966**	307,315
Income tax refunded		**9,754**	-
Income tax paid		**(7,137)**	(11,545)
Net Cash From Operating Activities		**337,583**	295,770

	NOTE	THE GROUP 2021 RM'000	2020 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Investment income received		**8,868**	3,099
Proceeds from disposal of property, plant and equipment		**1,672**	4,688
Additions to property, plant and equipment	19	**(483,460)**	(240,707)
Net Cash Used In Investing Activities		**(472,920)**	(232,920)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares	21(a)	**160,559**	280,751
Proceeds from disposal of treasury shares	21(b)	**48,204**	-
Proceeds from revolving credits	19	**21,665**	41,115
Proceeds from deferred income	24	**17,114**	7,004
Dividends paid		**(64,388)**	(58,166)
Repayment of term loans	19	**(56,813)**	(54,040)
Finance costs paid		**(2,850)**	(4,887)
Repayment to related companies	19	**(2,011)**	(2,096)
Proceeds from term loans	19	**-**	50,257
Net Cash From Financing Activities		**121,480**	259,938
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(13,857)**	322,788
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**664,095**	342,803
Effect of exchange rate changes on the balance of cash held in foreign currencies		**5,721**	(1,496)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**655,959**	664,095

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	NOTE	THE COMPANY 2021 RM'000	2020 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**78,158**	135,114
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**78,773**	67,395
Impairment of investment in a subsidiary		**4,408**	3,492
Finance costs		**1,848**	2,474
Taxation		**522**	4,235
Unrealised loss on foreign exchange		**94**	630
Amortisation of prepaid interests in leased land		**44**	44
Investment income		**(15,276)**	(89,511)
Gain on disposal of property, plant and equipment		**(1,463)**	(207)
Loss allowance on financial assets measured at amortised cost		**-**	8,778
Property, plant and equipment written off		**-**	7
		147,108	132,451
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		**(34,764)**	(15,584)
Trade receivables		**(4,632)**	(17,247)
Other receivables, deposits and prepaid expenses		**(6,157)**	1,318
Increase/(Decrease) in:			
Trade payables		**11,916**	8,702
Other payables and accrued expenses		**(4,669)**	9,806
Cash Generated From Operations		**108,802**	119,446
Income tax paid		**(4,451)**	(4,752)
Net Cash From Operating Activities		**104,351**	114,694

	NOTE	THE COMPANY 2021 RM'000	2020 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Investment income received		**8,074**	1,939
Proceeds from disposal of property, plant and equipment		**1,651**	756
Additions to property, plant and equipment	19	**(194,340)**	(72,872)
(Advances to)/Repayment from subsidiaries		**(101,689)**	41,278
Net Cash Used In Investing Activities		**(286,304)**	(28,899)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares	21(a)	**160,559**	280,751
Proceeds from disposal of treasury shares	21(b)	**48,204**	-
Proceeds from revolving credits	19	**21,665**	41,115
Dividends paid		**(64,388)**	(58,166)
Repayment of term loan	19	**(21,199)**	(18,806)
Advances from subsidiaries	19	**823**	3,293
Repayment to related companies	19	**(2,011)**	(2,096)
Finance costs paid		**(1,870)**	(2,457)
Proceeds from term loan	19	**-**	50,258
Net Cash From Financing Activities		**141,783**	293,892
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(40,170)**	379,687
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**475,557**	98,299
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(652)**	(2,429)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**434,735**	475,557

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 are presented in Ringgit Malaysia ("RM").

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on February 28, 2022.

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 amendments to MFRSs

In the current year, the Group and the Company adopted all of the amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

(b) Standards in issue but not yet effective

The Group and the Company have not elected for early adoption of the relevant 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 beyond June 30, 2021[1]
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 - 2020[2]
Amendments to MFRS 3	Reference to the Conceptual Framework[2]
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract[2]
MFRS 17	Insurance Contracts[3]
Amendments to MFRS 17	Insurance Contracts[3]
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information[3]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current[3]
Amendments to MFRS 101	Disclosure of Accounting Policies[3]
Amendments to MFRS 108	Definition of Accounting Estimates[3]
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after April 1, 2021, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.
[4] 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 *Financial Instruments.*

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

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and Basis of Consolidation

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or a loss is recognised in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible Assets Acquired in a Business Combination

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

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

Revenue Recognition

Contracts with customers

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

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

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 volumes. Credit Notes would be issued to the customers for the volume discounts and offset against the previously recognised revenue. Commission costs in relation to obtaining a contract is charged out 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.

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

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.

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 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, if any.

Whenever the Group incurs an obligation for costs to dismantle and to remove a leased asset, to restore the site on which it is located or to 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 *Provisions, Contingent Liabilities and Contingent Assets.* To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

The right-of-use assets, including prepaid interests in leased land, are presented as a separate line in the statements of financial position. Leasehold land that normally has an indefinite economic life and where the title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. Payments made on entering into or acquiring leasehold land represent right-of-use assets and are amortised over the remaining lease terms ranging from 20 to 99 years.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

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.

Foreign Currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 the 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. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or to settle the carrying amount of its assets and liabilities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on a net basis.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and subsequent accumulated impairment losses, if any.

Capital work-in-progress are not depreciated and 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 statements of profit or loss.

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

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.

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 a 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 are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 ("FVTPL")) 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 FVTPL are recognised immediately in the statements of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(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 FVTPL.

(a) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. 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.

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

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

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

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

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 and refundable deposits, cash and bank balances, trade receivables, other receivables and inter-company indebtedness.

(b) Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

(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.

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.

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)

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;
- a significant deterioration in the operating results of the debtor;
- an actual or expected 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 since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial Assets (cont'd)

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

(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.

(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 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.

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)

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.

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(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.

(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 (excluding provision), 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

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

(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.

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 Group and the Company place short-term deposits with licensed banks at different maturity periods. In the process of applying the Group's accounting policies, the directors have evaluated the relevant facts and circumstances on those deposits with maturity periods exceeding 3 months and have concluded that these short-term deposits were held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, and they met all the characteristics of cash equivalents as defined under MFRS 107 *Statement of Cash Flows.* Details of the short-term deposits with licensed banks are as disclosed in Note 19.

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) <u>Impairment of property, plant and equipment</u>

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e. the carrying amount of the asset is more than the recoverable amount.

The Group performs an impairment indicator 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) <u>Estimated useful lives of property, plant and equipment</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Key sources of estimation uncertainty (cont'd)

(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, 2021, the carrying amounts of tax recoverable, provision for taxation and deferred tax liabilities are as follows:

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Tax recoverable	**2,711**	11,698	**-**	353
Provision for taxation	**567**	-	**567**	-
Deferred tax liabilities	**57,290**	37,889	**-**	4,849

(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 29.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Key sources of estimation uncertainty (cont'd)

(f) 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 and People's Republic of China.

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.

In the previous 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 2021 RM'000	ASIA 2020 RM'000	EUROPE 2021 RM'000	EUROPE 2020 RM'000	UNITED STATES OF AMERICA 2021 RM'000	UNITED STATES OF AMERICA 2020 RM'000	CONSOLIDATED 2021 RM'000	CONSOLIDATED 2020 RM'000
Geographical segments by location of customers								
Statement of Profit or Loss								
Revenue								
External sales from continuing operations	**575,195**	466,916	**158,034**	131,955	**835,694**	690,423	**1,568,923**	1,289,294
Results								
Segment results from continuing operations	**83,157**	65,472	**26,455**	21,103	**104,749**	78,779	**214,361**	165,354
Non-reportable segments							**218**	80
Finance costs							**(2,827)**	(4,887)
Investment income							**10,876**	3,477
Profit before tax from continuing operations							**222,628**	164,024
Taxation							**(24,385)**	(21,445)
Profit for the year from continuing operations							**198,243**	142,579
(Loss)/Profit for the year from discontinued operations							**(468)**	207
Profit for the year							**197,775**	142,786

Information about major customers

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

	2021 RM'000	2020 RM'000
Segment of United States of America	**315,356**	205,636

No single customers contributed 10 per cent or more to the Group's revenue in either 2021 or 2020 other than those disclosed above.

5. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

		THE GROUP		THE COMPANY	
	NOTE	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Grant income received		**2,708**	2,911	**-**	-
Foreign exchange:					
Realised gain		**1,932**	1,063	**2,178**	2,473
Unrealised loss		**(5,932)**	(8,569)	**(94)**	(630)
Rental income		**1,743**	1,968	**2,478**	2,348
Gain on disposal of property, plant and equipment		**1,484**	208	**1,463**	207
Gain arising on financial assets designated as at FVTPL		**-**	143	**-**	143
Employee benefit expenses:					
Wage subsidies received		**-**	1,556	**-**	840
Defined contribution plans		**(35,972)**	(27,842)	**(11,421)**	(11,007)
Research and development expenses		**(6,663)**	(6,634)	**(5,380)**	(5,638)
Rental expenses		**(1,547)**	(1,027)	**(371)**	(360)
Auditors' remuneration:					
Statutory audit		**(589)**	(700)	**(273)**	(273)
Others		**(3)**	(5)	**(3)**	(5)
Property, plant and equipment written off		**(104)**	(31)	**-**	(7)

6. DIRECTORS' REMUNERATION

	THE GROUP AND THE COMPANY	
	2021 RM'000	2020 RM'000
Continuing Operations		
Directors of the Company		
Executive:		
Fees	**620**	703
Other emoluments	**5,876**	7,105
Defined contribution plans	**706**	850
	7,202	8,658
Non-executive fees	**733**	755
	7,935	9,413

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 RM52,000 (2020: RM172,000).

7. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Interest on:				
Term loans	**2,010**	4,349	**1,207**	2,185
Revolving credit	**372**	44	**372**	44
Bank charges and commissions	**445**	494	**269**	245
Total interest expense for financial liabilities that are not designated as at FVTPL	**2,827**	4,887	**1,848**	2,474

8. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Interest income from:				
Short-term deposits	**10,876**	3,477	**10,090**	1,939
Financial assets measured at amortised cost	**-**	-	**5,186**	6,022
Total interest income earned on financial assets that are not designated as at FVTPL	**10,876**	3,477	**15,276**	7,961
Dividend income from a foreign subsidiary (Note 14)	**-**	-	**-**	81,550
	10,876	3,477	**15,276**	89,511

9. TAXATION

(a) Taxation recognised in profit or loss

	THE GROUP		THE COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Tax expense comprises:				
Current tax in respect of the financial year:				
Malaysian	**(5,421)**	(4,905)	**(5,386)**	(4,801)
Foreign	**(1,947)**	(320)	**-**	-
Deferred tax relating to origination and reversal of temporary differences	**(17,831)**	(16,461)	**4,050**	347
Adjustments recognised in the current year in relation to the taxes of prior years				
- income tax	**15**	241	**15**	219
- deferred tax	**799**	-	**799**	-
Total taxation of continuing operations	**(24,385)**	(21,445)	**(522)**	(4,235)

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 2021 (2020: 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Continuing Operations				
Profit before tax	**222,628**	164,024	**78,680**	139,349
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2020: 24%)	**(53,431)**	(39,366)	**(18,883)**	(33,444)
Effect of reduced tax rate for a foreign subsidiary operating in promoted area	**14,152**	10,130	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**62**	124	**-**	-
Tax effects of:				
Unabsorbed reinvestment allowances recognised as deferred tax assets	**18,116**	11,544	**18,116**	11,544
Income that is exempted from taxation	**287**	2,531	**1,321**	21,795
Unabsorbed reinvestment allowances and capital allowances and unutilised tax losses not recognised as deferred tax assets	**(2,642)**	(2,456)	**-**	-
Expenses that are not deductible in determining taxable profit	**(1,743)**	(4,193)	**(1,890)**	(4,349)
	(25,199)	(21,686)	**(1,336)**	(4,454)
Adjustments recognised in the current year in relation to the taxes of prior years				
- income tax	**15**	241	**15**	219
- deferred tax	**799**	-	**799**	-
Taxation recognised in the statements of profit or loss	**(24,385)**	(21,445)	**(522)**	(4,235)

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 2021 RM'000	THE GROUP 2020 RM'000
Years of Assessment:		
2009	**-**	10,567
2010	**-**	1,862
2011	**3,764**	8,852
2012	**-**	4,256
2016	**76**	-
Contingent tax expense pending outcome of court cases (included in tax recoverable of the Group)	**3,840**	25,537
Add : Translation reserve	**121**	1,151
Less : Amount recognised as tax expense upon early adoption of IC Int. 23 in prior years	**(3,885)**	(17,169)
Add : Reversal of tax expense recognised in prior years arising from favourable outcome of court cases	**-**	(9,519)
	76	-

The details of the outcome of judicial review during the current financial year are as follows:

<u>Year of Assessment 2009 (YA 2009)</u>

PT Unisem had an outstanding appeal on tax assessment received for YA 2009 showing an underpayment of corporate income tax inclusive of interest amounting to RM6,133,000. This underpayment has been paid by PT Unisem in year 2011, 2012 and 2015. A penalty of RM4,288,000 was imposed on the late payment of the outstanding balance following the rejected appeal by both the Director General of Tax and Tax Court.

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 RM61,000 and made full payment within the same year.

On October 29, 2021, the Supreme Court has rejected the judicial review submitted by PT Unisem.

<u>Year of Assessment 2010 (YA 2010)</u>

Based on the revised tax assessment for YA 2009 disclosed above, PT Unisem had 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 RM1,643,000, instead of an overpayment of RM286,000. PT Unisem had made a full payment on the assessed underpayment of corporate income tax in year 2010.

Following the Supreme Court's decision on YA 2009 tax case, PT Unisem has also lost the basis to make claims for potential refund for YA 2010 as well.

9. TAXATION (CONT'D)

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

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 RM2,533,000 and RM473,000 respectively and interest of RM760,000 on the underpayment of corporate income tax, instead of an overpayment of RM1,634,000.

In 2017, PT Unisem had made full payment of the underpayment amount inclusive of the interest and withholding tax. Following the rejected appeal by the Tax Court, a penalty of RM3,293,000 and RM474,000 respectively were imposed on the late payment of the outstanding balances and PT Unisem had 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 in favour of PT Unisem. The underpayment of corporate income tax inclusive of interest amounting to RM4,927,000 and the withholding tax of RM469,000 has been fully refunded to PT Unisem on May 17, 2021 and August 19, 2021 respectively.

PT Unisem has submitted the request for refund of penalty on corporate income tax and withholding tax of RM3,293,000 and RM471,000 respectively.

As at the date of this audit report, the refund of penalty has yet to be approved.

Year of Assessment 2012 (YA 2012)

PT Unisem's appeal on tax assessment received for YA 2012 showing an underpayment of corporate income tax inclusive of interest amounting to RM4,254,000, instead of an overpayment of RM153,000. In 2014, PT Unisem made a full payment of the assessed underpayment amount inclusive of interest of RM4,408,000.

In 2019, PT Unisem submitted a judicial review to the Supreme Court following the rejected appeal by the Tax Court and the Supreme Court has on December 16, 2020 granted a favourable Verdict to PT Unisem's judicial review request. The underpayment of corporate income tax amounting to RM4,408,000 has been fully refunded on July 2, 2021.

Year of Assessment 2016 (YA 2016)

On December 8, 2021, the Director General of Tax has issued a revised additional tax assessment for YA 2016 to PT Unisem for an amount of RM77,000 and full payment has been made in the same month. PT Unisem has filed an objection to the Tax Office on the revised additional tax assessment.

As at the date of this audit report, there is no further updates on the objection.

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 2021	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	60,745	**13,380**	**-**	**74,125**
Unabsorbed capital allowances and unutilised tax losses	14,606	**1,057**	**-**	**15,663**
Deferred income	2,500	**2,091**	**203**	**4,794**
Provisions	832	**675**	**58**	**1,565**
	78,683	**17,203**	**261**	**96,147**
Offsetting				**(96,147)**
Deferred tax assets (after offsetting)				**-**
Deferred tax liabilities				
Property, plant and equipment	(116,572)	**(34,235)**	**(2,630)**	**(153,437)**
Offsetting				**96,147**
Deferred tax liabilities (after offsetting)				**(57,290)**

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
Deferred income	1,578	836	86	2,500
Provisions	3,656	(2,940)	116	832
	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)

9. TAXATION (CONT'D)

(c) Deferred Tax Balances (cont'd)

THE COMPANY 2021	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	60,745	**13,380**	**74,125**
Provision	-	**450**	**450**
	60,745	**13,830**	**74,575**
Offsetting			**(74,575)**
Deferred tax assets (after offsetting)			**-**
Deferred tax liabilities			
Property, plant and equipment	(65,594)	**(8,981)**	**(74,575)**
Offsetting			**74,575**
Deferred tax liabilities (after offsetting)			**-**

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

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unabsorbed investment tax allowances	**24,617**	24,617	**-**	-
Unabsorbed reinvestment allowances	**31,249**	16,050	**8,272**	-
Unabsorbed capital allowances	**750**	-	**-**	-
	56,616	40,667	**8,272**	-

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unabsorbed reinvestment allowances:				
2025	**181,572**	203,203	**181,572**	203,203
2031	**161,749**	-	**161,749**	-
2037	**95,738**	74,761	**-**	-
Unutilised tax losses:				
2028	**779**	-	**-**	-
2025	**-**	779	**-**	-

10. EARNINGS PER SHARE

Basic earnings per share is calculated based on the net profit attributable to owners of the Company divided by the weighted average number of shares in issue pursuant to the Private Placement, Disposal of Treasury Shares and Bonus Issue as follows:

	THE GROUP	
	2021 RM'000	2020 RM'000
Profit/(Loss) for the year attributable to owners of the Company:		
From continuing operations	**198,243**	142,579
From discontinued operations	**(468)**	207
	197,775	142,786

	2021 SHARES	2020 SHARES (RESTATED)
Number of ordinary shares in issue as of January 1 ('000)	**778,719**	727,086
Effect of bonus issue as of January 1 ('000)	**778,719**	727,086
	1,557,438	1,454,172
Weighted average number of ordinary shares in issue ('000)	**19,319**	4,303
Weighted average number of treasury shares in issue ('000)	**4,380**	-
Effect of bonus issue ('000)	**23,699**	4,303
	1,604,836	1,462,778

	2021	2020 (RESTATED)
Basic and diluted earnings/(loss) per share:		
From continuing operations (sen)	**12.35**	9.75
From discontinued operations (sen)	**(0.03)**	0.01
From continuing and discontinued operations (sen)	**12.32**	9.76

11. DISCONTINUED OPERATIONS

Discontinued operations of Indonesia manufacturing plant

One of the foreign subsidiaries of the Group, PT Unisem, had 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 GROUP	
	2021 RM'000	2020 RM'000
(Loss)/Profit for the year from discontinued operations		
Revenue	**-**	18,287
Other operating income	**99**	3,579
Other gains	**856**	2,301
Expenses	**(1,423)**	(37,178)
Loss before tax	**(468)**	(13,011)
Taxation	**-**	13,218
(Loss)/Profit for the year attributable to owners of the Company	**(468)**	207

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

	THE GROUP	
	2021 RM'000	2020 RM'000
Net cash (used in)/from operating activities	**(1,591)**	7,866
Net cash from investing activities	**-**	5,159
Net cash (outflows)/inflows	**(1,591)**	13,025

The leasehold land and building of PT Unisem had been reclassified as 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, 2020	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
Additions	**3,873**	**220,993**	**1,090**	**1,604**	**2,237**	**175**	**1,940**	**319**	**338,849**	**571,080**
Translation reserve	**11,997**	**75,291**	**-**	**855**	**305**	**35**	**271**	**4,004**	**7,890**	**100,648**
Disposals	**-**	**(63,559)**	**-**	**-**	**-**	**(143)**	**-**	**(10)**	**-**	**(63,712)**
Write offs	**-**	**(830)**	**-**	**(148)**	**-**	**-**	**(8)**	**(78)**	**-**	**(1,064)**
Transfers	**1,250**	**229,520**	**-**	**-**	**-**	**-**	**45**	**4,795**	**(235,610)**	**-**
As of December 31, 2021	**303,505**	**3,497,492**	**20,746**	**68,494**	**19,159**	**3,787**	**13,046**	**76,677**	**134,910**	**4,137,816**
Accumulated depreciation and impairment losses										
As of January 1, 2020	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
Charge for the year	**6,559**	**177,002**	**597**	**2,987**	**645**	**146**	**527**	**4,766**	**-**	**193,229**
Translation reserve	**2,845**	**48,554**	**-**	**767**	**275**	**28**	**205**	**3,120**	**-**	**55,794**
Disposals	**-**	**(63,371)**	**-**	**-**	**-**	**(143)**	**-**	**(10)**	**-**	**(63,524)**
Write offs	**-**	**(762)**	**-**	**(135)**	**-**	**-**	**(8)**	**(55)**	**-**	**(960)**
As of December 31, 2021	**86,085**	**2,257,842**	**16,855**	**55,821**	**13,534**	**3,025**	**9,526**	**57,651**	**-**	**2,500,339**
Carrying amounts										
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
As of December 31, 2021	**217,420**	**1,239,650**	**3,891**	**12,673**	**5,625**	**762**	**3,520**	**19,026**	**134,910**	**1,637,477**

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, 2020	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
Additions	**3,873**	**184,469**	**980**	**1,336**	**2,237**	**-**	**1,024**	**3,593**	**197,512**
Disposals	**-**	**(63,554)**	**-**	**-**	**-**	**-**	**-**	**-**	**(63,554)**
Write offs	**-**	**-**	**-**	**(5)**	**-**	**-**	**-**	**-**	**(5)**
Transfers	**1,250**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,250)**	**-**
As of December 31, 2021	**103,911**	**1,594,361**	**18,684**	**51,673**	**14,081**	**3,129**	**7,320**	**9,338**	**1,802,497**
Accumulated depreciation and impairment losses									
As of January 1, 2020	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
Charge for the year	**2,009**	**72,599**	**424**	**2,784**	**645**	**87**	**225**	**-**	**78,773**
Disposals	**-**	**(63,366)**	**-**	**-**	**-**	**-**	**-**	**-**	**(63,366)**
Write offs	**-**	**-**	**-**	**(5)**	**-**	**-**	**-**	**-**	**(5)**
As of December 31, 2021	**35,673**	**1,115,705**	**16,087**	**41,682**	**8,963**	**2,547**	**5,418**	**-**	**1,226,075**
Carrying amounts									
As of December 31, 2020	65,124	366,974	2,041	11,439	3,526	669	1,103	6,995	457,871
As of December 31, 2021	**68,238**	**478,656**	**2,597**	**9,991**	**5,118**	**582**	**1,902**	**9,338**	**576,422**

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

Impairment review of property, plant and equipment

In the previous financial year, due to the discontinuance of PT Unisem's operations, management had 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 in the previous financial year. No additional impairment loss was provided during the year.

13. PREPAID INTERESTS IN LEASED LAND

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At cost:				
At beginning of year	**21,777**	28,706	**4,354**	4,354
Reclassified as held for sale (Note 20)	**-**	(7,277)	**-**	-
Translation reserve	**650**	348	**-**	-
At end of year	**22,427**	21,777	**4,354**	4,354
Less: Amortisation				
At beginning of year	**5,137**	11,645	**968**	924
Charge for the year	**307**	325	**44**	44
Reclassified as held for sale (Note 20)	**-**	(6,840)	**-**	-
Translation reserve	**185**	7	**-**	-
At end of year	**5,629**	5,137	**1,012**	968
Net	**16,798**	16,640	**3,342**	3,386

On March 24, 2021, the Company entered into a Sale and Purchase Agreement with its subsidiary, Unisem (Ipoh) Sdn. Bhd. to purchase a piece of industrial leasehold land for a total consideration of RM5,892,316. The transaction has yet to be completed at the end of the reporting period pending state authorities' approval.

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2021 RM'000	2020 RM'000
Unquoted shares, at cost		
At beginning of year	**750,785**	665,743
Additions:		
Deemed contribution arising from waiver of debts owing by a subsidiary	**4,408**	3,492
Dividend income from a foreign subsidiary re-invested as investment cost (Note 8)	**-**	81,550
At end of year	**755,193**	750,785
Accumulated impairment losses		
At beginning of year	**250,707**	247,215
Additions	**4,408**	3,492
At end of year	**255,115**	250,707
Carrying amount	**500,078**	500,078

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 2021 %	2020 %	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

The Company has recognised an impairment loss of RM4,408,000 (2020: RM3,492,000) for its investment in Unisem (Mauritius) Holdings Limited group as a result of the impairment of the deemed contribution arising from waiver of debts owing by a subsidiary.

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, 2020	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
Translation reserve	**-**	**524**	**34**	**558**
As of December 31, 2021	**16,890**	**20,490**	**983**	**38,363**
Accumulated amortisation and impairment losses				
As of January 1, 2020	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
Translation reserve	**-**	**524**	**34**	**558**
As of December 31, 2021	**16,890**	**20,490**	**983**	**38,363**
Carrying amounts				
As of December 31, 2020 and 2021	-	-	-	-

The intangible assets comprise mainly license fees, intellectual property rights 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 and intellectual property rights, tech-transfer support fees and development expenses have been fully amortised.

16. INVENTORIES

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Raw materials	**147,387**	85,904	**71,100**	45,010
Factory supplies	**67,260**	58,858	**47,856**	47,920
Work-in-progress	**39,536**	24,232	**19,554**	8,636
Finished goods	**6,309**	5,560	**386**	1,010
Goods-in-transit	**-**	1,556	**-**	1,556
	260,492	176,110	**138,896**	104,132

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 RM1,299,422,000 (2020: RM1,065,034,000) and RM554,026,000 (2020: RM500,351,000) respectively.

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

	THE GROUP	
	2021 RM'000	2020 RM'000
Continuing operations	**669**	329

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade receivables	**186,500**	167,915	**85,038**	81,230
Less: Loss allowance				
At beginning of year	**(393)**	(2,134)	**-**	-
Addition	**-**	(410)	**-**	-
No longer required	**-**	1,436	**-**	-
Write off	**-**	757	**-**	-
Translation reserve	**(13)**	(42)	**-**	-
At end of year	**(406)**	(393)	**-**	-
	186,094	167,522	**85,038**	81,230

Trade receivables comprise amounts receivable for sale of goods and services rendered. The credit terms granted range from 30 to 60 days (2020: 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 such as 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other receivables	**4,874**	4,959	**8,832**	651
Deposits	**1,352**	1,164	**446**	475
Prepaid expenses	**8,135**	5,537	**1,652**	1,631
	14,361	11,660	**10,930**	2,757

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

The currency profile of other receivables is as follows:

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Ringgit Malaysia	**2,926**	643	**8,832**	651
Chinese Renminbi	**1,284**	4,031	**-**	-
US Dollar	**664**	285	**-**	-
	4,874	4,959	**8,832**	651

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% (2020: 1.90% to 5.00%) per annum.

The amounts owing to other related companies arose mainly from trade transactions with credit term granted of 30 days (2020: non-trade which were unsecured, interest-free and were repayable upon demand).

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

	THE COMPANY	
	2021 RM'000	2020 RM'000
Amount due within 12 months	**175,228**	129,864
Less: Loss allowance:		
At beginning of year	**(77,537)**	(1,938)
Addition	**-**	(8,778)
Reclassified from amount due after 12 months	**-**	(66,821)
At end of year	**(77,537)**	(77,537)
	97,691	52,327
Amount due after 12 months	**73,729**	14,869
Less: Loss allowance:		
At beginning of year	**-**	(66,821)
Reclassified to amount due within 12 months	**-**	66,821
At end of year	**-**	-
	73,729	14,869
	171,420	67,196

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 in the previous 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. No additional loss allowances was provided during the current financial year.

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

	THE COMPANY	
	2021 RM'000	2020 RM'000
US Dollar	**229,766**	133,955
Ringgit Malaysia	**19,191**	10,778
	248,957	144,733

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

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

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

	THE COMPANY 2021 RM'000	THE COMPANY 2020 RM'000
Subsidiaries		
Loan granted	**97,549**	13,448
Interest received/receivable on loan granted	**5,186**	6,022
Waiver of debts	**4,408**	3,492
Marketing support fee paid/payable	**1,252**	2,481
Rental income	**834**	834
Management fees received/receivable	**576**	576
Marketing support fees received/receivable	**114**	92
Dividend received	**-**	81,550
Purchase of property, plant and equipment	**-**	17,645
Disposal of property, plant and equipment	**-**	557
Purchase of inventories	**-**	421

	THE GROUP 2021 RM'000	THE GROUP 2020 RM'000
Other related companies		
Trade purchases	**847**	373
Trade sales	**-**	24

Compensation of key management personnel (other than the directors of the Company)

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

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term employee benefit	**9,307**	6,927	**1,907**	1,651
Post employment benefit	**81**	78	**-**	-
	9,388	7,005	**1,907**	1,651

19. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash on hand and at banks	**236,477**	219,517	**78,283**	131,091
Short-term deposits with licensed banks	**419,482**	444,578	**356,452**	344,466
	655,959	664,095	**434,735**	475,557

19. CASH AND CASH EQUIVALENTS (CONT'D)

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

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Ringgit Malaysia	**382,295**	360,549	**368,097**	350,859
US Dollar	**258,870**	295,011	**66,638**	124,698
Chinese Renminbi	**14,426**	7,545	**-**	-
Indonesian Rupiah	**368**	990	**-**	-
	655,959	664,095	**434,735**	475,557

The average effective interest rates per annum are as follows:

	2021 %	2020 %
Short-term deposits		
The Group	**0.50 - 2.20**	1.62 - 3.50
The Company	**2.00 - 2.20**	2.00 - 3.25
Bank current accounts		
The Group	**0.03 - 1.65**	0.03 - 2.65
The Company	**0.03 - 1.65**	0.03 - 2.65

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

	2021 DAYS	2020 DAYS
Short-term deposits		
The Group	**20 - 180**	17 - 90
The Company	**30 - 180**	30 - 90

Additions to property, plant and equipment

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

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Additions during the year	**571,080**	270,947	**197,512**	95,406
Outstanding balances	**(139,509)**	(51,889)	**(31,670)**	(28,498)
Cash payment in respect of additions in:				
Current year	**431,571**	219,058	**165,842**	66,908
Prior year	**51,889**	21,649	**28,498**	5,964
	483,460	240,707	**194,340**	72,872

19. CASH AND CASH EQUIVALENTS (CONT'D)

Changes in liabilities arising from financing activities

The table below details changes in the Group's and the Company'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 and the Company's statements of cash flows as cash flows from financing activities.

THE GROUP 2021	BALANCE AS OF JANUARY 1 RM'000	FINANCING CASH FLOWS[1] RM'000	NON-CASH CHANGES - UNREALISED LOSS ON FOREIGN EXCHANGE RM'000	BALANCE AS OF DECEMBER 31 RM'000
Term loans	**167,175**	**(56,813)**	**2,073**	**112,435**
Revolving credits	**40,225**	**21,665**	**600**	**62,490**
Amount owing to related companies	**2,011**	**(2,011)**	**-**	**-**

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

THE COMPANY 2021	BALANCE AS OF JANUARY 1 RM'000	FINANCING CASH FLOWS[1] RM'000	NON-CASH CHANGES - UNREALISED (GAIN)/LOSS ON FOREIGN EXCHANGE RM'000	BALANCE AS OF DECEMBER 31 RM'000
Term loans	**102,574**	**(21,199)**	**(138)**	**81,237**
Revolving credits	**40,225**	**21,665**	**600**	**62,490**
Amount owing to subsidiaries	**25,231**	**823**	**297**	**26,351**
Amount owing to related companies	**2,011**	**(2,011)**	**-**	**-**

19. CASH AND CASH EQUIVALENTS (CONT'D)

THE COMPANY 2020	BALANCE AS OF JANUARY 1 RM'000	FINANCING CASH FLOWS[1] RM'000	NON-CASH CHANGES - UNREALISED (GAIN)/LOSS ON FOREIGN EXCHANGE RM'000	BALANCE AS OF DECEMBER 31 RM'000
Term loans	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

(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	BUILDING RM'000	LEASEHOLD LAND RM'000	TOTAL RM'000
Cost:			
As of January 1, 2020	-	-	-
Reclassified from property, plant and equipment/prepaid interests in leased land	81,199	7,277	88,476
As of December 31, 2020	81,199	7,277	88,476
Translation reserve	**2,896**	**260**	**3,156**
As of December 31, 2021	**84,095**	**7,537**	**91,632**
Accumulated depreciation/amortisation:			
As of January 1, 2020	-	-	-
Reclassified from property, plant and equipment/prepaid interests in leased land	72,879	6,840	79,719
As of December 31, 2020	72,879	6,840	79,719
Translation reserve	**2,599**	**245**	**2,844**
As of December 31, 2021	**75,478**	**7,085**	**82,563**
Carrying amount			
As of December 31, 2020	8,320	437	8,757
As of December 31, 2021	**8,617**	**452**	**9,069**

Although management is actively committed to promote the sale of the land and building of PT Unisem, it is taking more than 12 months to complete the sale due to the potential buyers taking longer time than usual to review and to assess the land and building as a consequence of travel restrictions arising from the Covid-19 pandemic. Sales offers were received from potential buyers, but management has yet to decide on the sale in anticipation of a higher offer. 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, 2020	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
Issuance of new shares	**21,075**	**-**	**21,075**	**160,559**	**-**	**160,559**
Sold during the year	**-**	**6,745**	**6,745**	**-**	**15,888**	**15,888**
Bonus issue	**806,539**	**-**	**806,539**	**-**	**-**	**-**
As of December 31, 2021	**1,613,078**	**-**	**1,613,078**	**1,036,677**	**-**	**1,036,677**

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 which resulted in a net increase in the share capital (after deducting expenses incurred in relation to the private placement) by RM160,558,864.

On October 7, 2021, the Company issued 806,539,555 new ordinary shares by way of issuance of bonus issue on the basis of one (1) new ordinary share for every one (1) existing ordinary share held in the Company.

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.

During the current financial year, the Company has not repurchased any new treasury shares and has disposed 6,745,200 treasury shares in the open market of Bursa Malaysia between May 24, 2021 to June 11, 2021 at an average selling price of RM7.15 per share for a total consideration of RM48,204,044 (after deducting transaction costs). The gain on disposal of treasury shares of RM32,316,180 was credited to retained earnings.

As of the end of the financial year, the Company no longer hold any treasury shares on hand.

22. RESERVES

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-distributable reserves:				
Foreign currency translation reserve	**213,600**	162,428	**-**	-
Capital reserve	**63,228**	49,868	**-**	-
Distributable reserve:				
Retained earnings	**852,613**	700,270	**580,567**	534,481
	1,129,441	912,566	**580,567**	534,481

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, 2021 is available for distribution as single-tier dividends to the shareholders of the Company.

23. BORROWINGS

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unsecured:				
Term loans	**112,435**	167,175	**81,237**	102,574
Revolving credits	**62,490**	40,225	**62,490**	40,225
	174,925	207,400	**143,727**	142,799
Less: Amount due within 12 months (shown under current liabilities)	**(118,684)**	(98,838)	**(87,486)**	(64,360)
Non-current portion	**56,241**	108,562	**56,241**	78,439

The non-current portion is repayable as follows:

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial years ending December 31:				
2022	**-**	54,258	**-**	24,135
2023	**24,996**	24,135	**24,996**	24,135
2024	**24,996**	24,135	**24,996**	24,135
2025	**6,249**	6,034	**6,249**	6,034
	56,241	108,562	**56,241**	78,439

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 (2020: USD30,000,000) with one (2020: one) local bank which is repayable over five (2020: five) years commencing year 2020 and unsecured revolving credits facilities of USD55,000,000 and RM33,000,000 (2020: USD10,000,000 and RM33,000,000) and bank guarantee facility of RM10,000,000 (2020: RM10,000,000) with four (2020: three) local banks.

23. BORROWINGS (CONT'D)

The subsidiaries have the following banking facilities:

i) USD30,000,000 (2020: USD30,000,000) Islamic term loan facility with one (2020: one) local bank which is repayable over five (2020: five) years commencing year 2019. This term loan facility is guaranteed by the Company; and

ii) RM2,700,000 (2020: RM2,700,000) Islamic overdraft and bank guarantee facilities with two (2020: two) local banks. These facilities are guaranteed by the Company.

The details of interest rates charged are as follows:

The Group

Term loans	- 1.10% - 1.30% (2020: 1.10% - 1.30%) per annum plus LIBOR
Revolving credits	- 0.60% - 0.75% (2020: 0.75%) per annum plus LIBOR

The Company

Term loans	- 1.10% (2020: 1.10%) per annum plus LIBOR
Revolving credits	- 0.60% - 0.75% (2020: 0.75%) per annum plus LIBOR

24. DEFERRED INCOME

	THE GROUP	
	2021 RM'000	2020 RM'000
At beginning of year	**24,011**	17,719
Additions	**17,114**	7,004
Amortisation	**(3,388)**	(1,637)
Translation reserve	**1,815**	925
At end of year	**39,552**	24,011

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 RM4,188,000 (2020: RM2,227,000).

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to the Group and to the Company range from 30 to 60 days (2020: 30 to 60 days).

The currency profile of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
US Dollar	**93,855**	69,632	**49,325**	38,328
Ringgit Malaysia	**2,570**	1,850	**2,570**	1,850
Chinese Renminbi	**430**	492	**-**	-
	96,855	71,974	**51,895**	40,178

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

Other payables and accrued expenses consist of:

	THE GROUP 2021 RM'000	THE GROUP 2020 RM'000	THE COMPANY 2021 RM'000	THE COMPANY 2020 RM'000
Other payables	**187,739**	102,550	**56,278**	56,292
Accrued expenses	**59,835**	52,788	**24,799**	26,489
	247,574	155,338	**81,077**	82,781

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 (2020: 30 to 60 days).

Included in accrued expenses of the Group and of the Company are provision of annual leave of RM2,043,000 and RM1,875,000 (2020: RM1,776,000 and RM1,611,000) respectively.

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

	THE GROUP 2021 RM'000	THE GROUP 2020 RM'000	THE COMPANY 2021 RM'000	THE COMPANY 2020 RM'000
US Dollar	**130,693**	70,066	**36,047**	29,454
Chinese Renminbi	**63,983**	22,440	**-**	-
Ringgit Malaysia	**50,554**	56,695	**43,784**	50,588
Singapore Dollar	**1,420**	1,097	**1,241**	978
Euro	**819**	339	**-**	-
Indonesian Rupiah	**90**	2,930	**-**	-
Japanese Yen	**5**	1,761	**5**	1,761
Others	**10**	10	**-**	-
	247,574	155,338	**81,077**	82,781

26. DIVIDENDS

	THE GROUP AND THE COMPANY 2021 RM'000	THE GROUP AND THE COMPANY 2020 RM'000
1st Interim dividend for 2021 of 2.0 sen per share, tax-exempt (2020: 2.0 sen per share, tax-exempt)	**16,130**	14,542
2nd Interim dividend for 2021 of 2.0 sen per share, tax-exempt (2020: 2.0 sen per share, tax-exempt)	**32,262**	14,542
3rd interim dividend for 2020 of 2.0 sen per share, tax-exempt (2019: 2.0 sen per share, tax-exempt)	**15,996**	14,541
	64,388	43,625

On February 25, 2022, 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, 2021 and will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2022.

27. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

(a) Market risk

(i) Foreign currency risk management

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

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

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the Group and of the Company at the end of the reporting period are disclosed in Notes 17, 18, 19, 23 and 25.

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% (2020: 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% (2020: 0.2%) change in foreign currency rates.

A positive number below indicates an increase in profit after tax of the Group and increase in profit after tax of the Company for both financial years where Ringgit Malaysia weakens 0.2% (2020: 0.2%) against the relevant foreign currencies. For a 0.2% (2020: 0.2%) strengthening of Ringgit Malaysia against the relevant foreign currencies, there would be a decrease in profit 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	
	2021 RM'000	2020 RM'000
The Group		
US Dollar impact	**70***	175*
The Company		
US Dollar impact	**192***	158*

* 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.

27. 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 short-term deposits placed with licensed banks and 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 0.50% (2020: 1.00%) with all other variables including tax rate being held constant, profit after tax of the Group and of the Company for both financial years will increase and will be shown as follows:

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit or loss	**929**	1,803	**808**	1,533

The decrease in annual effective interest rates by 0.50% (2020: 1.00%) with all other variables including tax rate being held constant will have an opposite impact to profit after tax of the Group and 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.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

The age analysis of trade receivables is as follows:

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Neither past due nor impaired	**183,936**	166,788	**83,609**	80,765
Past due but not impaired:				
1 - 60 days	**2,008**	610	**1,279**	341
61 - 120 days	**150**	122	**150**	122
Above 120 days	**-**	2	**-**	2
	2,158	734	**1,429**	465
Past due and impaired:				
Above 120 days	**406**	393	**-**	-
	186,500	167,915	**85,038**	81,230

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 guarantees are called on, is as follows:

	THE COMPANY	
	2021 RM'000	2020 RM'000
Corporate guarantees provided to banks for a subsidiary's facilities	**31,198**	64,602

(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 credit banking facilities of approximately RM117,820,000 and RM116,320,000 (2020: RM38,160,000 and RM35,609,000) respectively at the end of the reporting period.

27. 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:

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, 2021			
Trade payables, other payables and accrued expenses	**342,386**	**-**	**-**
Amount owing to other related companies	**80**	**-**	**-**
Borrowings	**119,749**	**57,039**	**-**
As of December 31, 2020			
Trade payables, other payables and accrued expenses	225,536	-	-
Amount owing to other related companies	2,138	-	-
Borrowings	100,870	110,628	-

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, 2021			
Trade payables, other payables and accrued expenses	**131,097**	**-**	**-**
Amount owing to subsidiaries	**26,351**	**-**	**-**
Borrowings	**88,334**	**57,039**	**-**
Financial guarantee contracts	**31,415**	**-**	**-**
As of December 31, 2020			
Trade payables, other payables and accrued expenses	121,348	-	-
Amount owing to subsidiaries	25,231	-	-
Borrowings	65,650	80,282	-
Financial guarantee contracts	64,602	-	-
Amount owing to other related companies	2,011	-	-

The Group and the Company do not hold any derivative financial liabilities at the end of the reporting period.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (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 and the Company monitor 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		THE COMPANY	
	2021	**2020**	**2021**	**2020**
Total borrowings (RM'000)	**174,925**	207,400	**143,727**	142,799
Total equity attributable to owners of the Company (RM'000)	**2,166,118**	1,772,796	**1,617,244**	1,394,711
Gearing ratio (times)	**0.08**	0.12	**0.09**	0.10

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 *Shared-based Payment,* leasing transactions that are within the scope of MFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Asset*s.

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 assets, which is classified as Level 2 in the fair value hierarchy, 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 this financial asset as of the end of the reporting period.

The fair values of borrowings (including the financial guarantee contracts of the Company), which are classified as Level 2 in the fair value hierarchy, have been estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowings arrangement and approximate their carrying amounts.

28. COMMITMENTS

As of December 31, 2021, the Group and the Company have the following commitments in respect of property, plant and equipment:

	THE GROUP		THE COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Approved and contracted for	**301,042**	205,617	**51,249**	63,155

29. CONTINGENT LIABILITY

	THE GROUP AND THE COMPANY	
	2021 RM'000	2020 RM'000
Withholding tax payable	**20,830**	20,700

A wholly-owned foreign subsidiary of the Company distributed dividends in the 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, 2021 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

JOHN CHIA SIN TET

DATO' WONG GUANG SENG

Kuala Lumpur,
February 28, 2022

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
MIA MEMBERSHIP NO: 1071

Subscribed and solemnly declared by the abovenamed
FRANCIS CHIA MONG TET at **KUALA LUMPUR**
this 28th day of February, 2022

Before me,

COMMISSIONER FOR OATHS

SHAREHOLDERS' STATISTICS
AS AT 28 FEBRUARY 2022

1. Issued Shares and Voting Right

The total number of issued shares of the Company stands at 1,613,079,110 ordinary shares, with voting right of one vote per ordinary share.

2. Analysis of Shareholdings

NO. OF HOLDERS	SIZE OF HOLDINGS	NO. OF SHARES	% OF TOTAL ISSUED SHARES
426	Less than 100	4,792	0.00
1,843	100 to 1,000	1,244,094	0.08
4,366	1,001 to 10,000	18,814,666	1.17
1,267	10,001 to 100,000	38,080,305	2.36
312	100,001 to less than 5% of issued Shares	380,782,325	23.61
4	5% and above of issued Shares	1,174,152,928	72.79
8,218		**1,613,079,110**	**100.00**

3. Substantial Shareholders (as per the Register of Substantial Shareholders)

	NO. OF SHARES HELD			
NAME OF SHAREHOLDERS	DIRECT INTEREST	%	INDIRECT INTEREST	%
Huatian Technology (Malaysia) Sdn Bhd	774,356,508	48.00	-	-
Huatian Technology (Hongkong) Industrial Development Co., Limited	-	-	774,356,508	48.00 [a]
Tianshui Huatian Technology Co., Ltd.	-	-	774,356,508	48.00 [b]
Jayvest Holdings Sdn Bhd	175,194,170	10.86	14,328,600	0.89 [c]
John Chia Sin Tet	124,712,250	7.73	304,450,226	18.87 [d]
The Estate of Soo Yut Kuan	-	-	189,522,770	11.75 [e]

Notes:

(a) Deemed interest through Huatian Technology (Malaysia) Sdn Bhd 'pursuant to Section 8 of the Companies Act 2016.
(b) Deemed interest through Huatian Technology (Malaysia) Sdn Bhd and Huatian Technology (HongKong) Industrial Development Co., Limited pursuant to Section 8 of the Companies Act 2016.
(c) Deemed interest through SCQ Industries Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
(d) Deemed interest through Jayvest Holdings Sdn Bhd, Lancar Indah Sdn Bhd, SCQ Industries Sdn Bhd, his son and nominee companies/pledged securities accounts pursuant to Section 8 and Section 59(11)(c) of the Companies Act 2016.
(e) Deemed interest through Jayvest Holdings Sdn Bhd and SCQ Industries Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

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	774,356,508	48.00
2.	Jayvest Holdings Sdn Bhd	175,194,170	10.86
3.	John Chia Sin Tet	124,712,250	7.73
4.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For John Chia Sin Tet (PB)	99,890,000	6.19
5.	Lembaga Tabung Haji	27,900,000	1.73
6.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Norges Bank (FI 17)	24,235,998	1.50
7.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	22,184,100	1.38
8.	SCQ Industries Berhad	14,328,600	0.89
9.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Prulink Equity Focus Fund	13,551,000	0.84
10.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Prulink Equity Fund	10,089,000	0.63
11.	Pertubuhan Keselamatan Sosial	9,888,300	0.61
12.	Amanahraya Trustees Berhad Public Islamic Select Enterprises Fund	8,236,700	0.51
13.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Yen Woon @ Low Sau Chee (PB)	6,151,300	0.38
14.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund	6,009,400	0.37
15.	Yen Woon @ Low Sau Chee	6,000,000	0.37
16.	Lancar Indah Sdn.Bhd.	5,564,600	0.34
17.	Lembaga Tabung Angkatan Tentera	5,396,300	0.33
18.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For John Chia Sin Tet (01-00825-000)	5,272,856	0.33
19.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Affin-Hwg)	5,017,600	0.31
20.	Amanahraya Trustees Berhad ASN Umbrella For ASN Equity 3	4,628,000	0.29

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.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN For AIA Bhd.	4,509,700	0.28
22.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	4,482,100	0.28
23.	Cimb Group Nominees (Asing) Sdn. Bhd. Exempt AN For DBS Bank Ltd (SFS-PB)	4,200,000	0.26
24.	HSBC Nominees (Asing) Sdn Bhd J.P. Morgan Securities PLC	4,124,218	0.26
25.	Alexander Chia Jhet-Wern	4,000,000	0.25
26.	RHB Capital Nominees (Tempatan) Sdn Bhd Teoh Ewe Jin	3,883,500	0.24
27.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Lim Ka Kian (PB)	3,443,400	0.21
28.	CIMB Group Nominees (Tempatan) Sdn Bhd Hong Leong Asset Management Bhd For Hong Leong Assurance Berhad (LP Fund ED102)	3,400,000	0.21
29.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Participating Fund	3,352,800	0.21
30.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (DR)	3,210,900	0.20
		1,387,213,300	**85.99**

STATEMENT OF DIRECTORS' INTEREST
AS AT 28 FEBRUARY 2022

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

NAME OF DIRECTORS	NO. OF SHARES HELD DIRECT INTEREST	%	INDIRECT INTEREST	%
John Chia Sin Tet	124,712,250	7.73	304,450,226	18.87 [a]
Francis Chia Mong Tet	-	-	6,060,960	0.38 [b]
Alexander Chia Jhet-Wern	4,200,000	0.26	-	-
Dato' Gregory Wong Guang Seng	-	-	-	-
Ang Chye Hock	-	-	-	-
Lim Siew Eng	-	-	-	-
Xiao Zhiyi	-	-	-	-
Cui Weibing	-	-	-	-
Ju Feng	-	-	-	-
Wei Xiaoli	-	-	-	-
Nelleita Binti Omar	-	-	-	-

Notes:

(a) Deemed interest through Jayvest Holdings Sdn Bhd, Lancar Indah Sdn Bhd, SCQ Industries Sdn Bhd, his son and nominee companies/pledged securities accounts pursuant to Section 8 and Section 59(11)(c) of the Companies Act 2016.

(b) Deemed interest through nominee company/pledged securities account pursuant to Section 8 and Section 59(11)(c) of the Companies Act 2016.

LIST OF PROPERTIES
HELD BY THE GROUP AS AT 31 DECEMBER 2021

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 2021 (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	-	**2,201**
	Factory building Phase I	Factory	-	130,000 sq ft	March 1992	30	**9,243**
	Factory building Phase II	Factory	-	110,000 sq ft	August 1996	26	**7,916**
	Factory building Phase III	Factory	-	330,000 sq ft	September 2000	21	**40,656**
	Factory building wafer bumping	Factory	-	22,000 sq ft	August 2005	16	**1,890**
PN 289781 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Industrial land	Vacant	99 years leasehold expiring 2100	115,500 sq m	October 2000	-	**5,862**
PT 19130 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Residential land	Hostel	99 years leasehold expiring 2104	20,429 sq m	June 2005	-	**1,141**
	Residential	Hostel	-	50,000 sq ft	June 2012	10	**8,533**
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	-	**3,376**
	Industrial land	Factory	49 years leasehold expiring 2057	9.002 hectare	September 2007	-	**4,218**
	Factory building	Factory	-	366,000 sq ft	December 2005	16	**68,770**
	Factory building	Factory	-	254,000 sq ft	December 2012	9	**80,412**

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 2021 (RM'000)
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	-	**318**
	Industrial land	Factory	20 years leasehold expiring 2039	8,991 sq m	May 1998	-	**134**
	Factory Building Main Building	Factory	-	14,640 sq m	November 1991	30	**6,331**
	Factory Building East Wing	Factory	-	17,500 sq m	1998	23	**1,419**
	Factory Building East Wing Extension	Factory	-	1,600 sq m	2007	14.5	**867**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 33rd Annual General Meeting ("33rd 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 2022, Thursday at 10.30 a.m. to transact the following businesses:

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2021 and the Reports of the Directors and the Auditors thereon.
2. To approve the payment of Directors' fees amounting to RM1,353,333 for the financial year ended 31 December 2021, a decrease of RM104,667 from RM1,458,000 for the financial year ended 31 December 2020. — **Ordinary Resolution 1**
3. To re-elect the following Directors who retire pursuant to Regulation 115 of the Constitution of the Company:-
   (i) Mr Ang Chye Hock — **Ordinary Resolution 2**
   (ii) Mr Xiao Zhiyi — **Ordinary Resolution 3**
   (iii) Mr Cui Weibing — **Ordinary Resolution 4**
4. To re-elect the following Directors who retire pursuant to Regulation 118 of the Constitution of the Company:-
   (i) Mdm Wei Xiaoli — **Ordinary Resolution 5**
   (ii) Puan Nelleita binti Omar — **Ordinary Resolution 6**
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 7**

As Special Business:

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

6. **Authority To Allot Shares**

   "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. — **Ordinary Resolution 8**

   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."
7. 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 2022
Kuala Lumpur

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 33rd 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 33rd 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 33rd AGM and take note of procedure below in order to participate remotely via RPV.

2. *A member entitled to participate via RPV at the 33rd 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 2022 are entitled to participate via RPV at the 33rd AGM of the Company to be held on 28 April 2022.*

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 33rd AGM.*

5. *Where a member is an exempt authorised nominee (as defined under the SICDA) 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.*

11. *Explanatory Note on Special Business*

    Ordinary Resolution 8

    The proposed Ordinary Resolution 8 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 8, 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 32nd Annual General Meeting held on 28 April 2021, 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, no new shares of the Company were issued or allotted pursuant to this mandate.

    The proposed Ordinary Resolution 8 is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act, 2016. At this juncture, there is no decision to issue new shares.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS WHO ARE SEEKING RE-ELECTION AT THE 33RD ANNUAL GENERAL MEETING OF THE COMPANY

The Directors who retire in accordance with Regulations 115 and 118 of the Constitution and being eligible offer themselves for re-election at the upcoming Annual General Meeting ("AGM") are Mr Ang Chye Hock, Mr Xiao Zhiyi, Mr Cui Weibing, Mdm Wei Xiaoli, and Puan Nelleita Binti Omar ("Retiring Directors").

The details of the Retiring Directors are set out in their respective profiles on pages 95 to 100 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 207 of this Annual Report.

Prior to making its recommendation to the shareholders, the Board together with the Nomination Committee had assessed the Retiring Directors on the following factors:

(a) performance and contribution of the Director;
(b) fit & proper assessment of the Director;
(c) current composition of the Board; and
(d) tenure of each Director.

The outcome of the assessment is set out below:-

(a) Performance & Contribution of the Director - Based on the results of the Directors' Self and Peer Assessment from the 2021 Board effectiveness evaluation (BEE) exercise, the Retiring Directors met the performance criteria required of an effective and high-performance Board. Puan Nelleita Binti Omar joined the Board on 25 February 2022 and was not included in the 2021 BEE exercise.

(b) Fit & Proper Assessment of the Director - The Retiring Directors were assessed by the Nomination Committee and the Board as fit and proper based on the Fit & Proper Policy of the Company.

(c) Current Composition of the Board –
- Mr Ang Chye Hock as an Independent Director brings objectivity to the Board and a wealth of experience in the semiconductor industry.
- Mr Xiao Zhiyi, Mr Cui Weibing and Mdm Wei Xiaoli, represent the interest of Tianshui Huatian Technology Co Ltd pursuant to the Collaboration Agreement dated 12 September 2018. The presence of a higher proportion of these 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. Being Chinese nationals, these Directors broaden the perspective of the Board when working in collaboration with the Malaysian Directors; this is a move to foster greater boardroom diversity. They also bring a wealth of experience in the semiconductor industry.
- Puan Nelleita Binti Omar as an Independent Director brings objectivity to the Board and vast experience in the field of management consultancy.

(d) Tenure of Each Director – Mr Ang Chye Hock has been an Independent Director since January 2016, for a period of 6 years. His tenure as Independent Director is still below the 9-year tenure as recommended by the Malaysian Code of Corporate Governance. The shorter tenure of Mr Xiao Zhiyi, Mr Cui Weibing, Mdm Wei Xiaoli and Puan Nelleita Binti Omar creates a balance with longer tenured Directors.

Conclusion & Recommendation - Arising from the satisfactory outcome of the above evaluation and consideration, the Board recommends and supports the re-election of Mr Ang Chye Hock, Mr Xiao Zhiyi, Mr Cui Weibing, Mdm Wei Xiaoli and Puan Nelleita Binti Omar as Directors of the Company.

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

The details on the proposed general mandate to issue new ordinary shares pursuant to Sections 75 and 76 of the Companies Act, 2016 are set out in the Explanatory Note on Special Business in the Notice of 33rd Annual General Meeting and page 211 of the Annual Report.

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

PROXY FORM

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

of ____

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

Full Name (in Block and as per NRIC/Passport)	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and

Full Name (in Block and as per NRIC/Passport)	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him, the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the 33rd Annual General Meeting of the Company which will be conducted entirely through live streaming 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 2022, Thursday at 10.30 a.m. and at any adjournment thereof, and to vote as indicated with √ in respect of the following resolutions. (If you do not do so, the proxy will vote or abstain from voting at his discretion):-

		FOR	AGAINST
Ordinary Resolution 1	To approve the payment of Directors' fees amounting to RM1,353,333 for the financial year ended 31 December 2021.		
Ordinary Resolution 2	To re-elect Mr Ang Chye Hock as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
Ordinary Resolution 3	To re-elect Mr Xiao Zhiyi as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
Ordinary Resolution 4	To re-elect Mr Cui Weibing as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
Ordinary Resolution 5	To re-elect Mdm Wei Xiaoli as a Director who retires pursuant to Regulation 118 of the Constitution of the Company.		
Ordinary Resolution 6	To re-elect Puan Nelleita binti Omar as a Director who retires pursuant to Regulation 118 of the Constitution of the Company.		
Ordinary Resolution 7	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 8	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.		

^ Delete whichever is inapplicable.

Dated this __________ day of ____________________ , 2022.

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 2022 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 33rd 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 33rd 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 SICDA) 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 Nelleita binti Omar
Independent Director

Mr Xiao Zhiyi
Non-Executive Director

Mr Cui Weibing
Non-Executive Director

Mr Ju Feng
Non-Executive Director

Mdm Wei Xiaoli
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