



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

A large, stylized graphic of the year "2012". The "20" is rendered in a grey, outlined font. The "1" is a thick, solid black line. The "2" is a thick, solid red line with a slight gradient. The text "INTEGRATED ANNUAL REPORT" is centered within the "0".

**INTEGRATED  
ANNUAL  
REPORT**

# ABOUT THIS REPORT

This integrated report marks Unisem (M) Berhad’s (“Unisem”) first integrated report through which we aim to communicate Unisem’s business strategy, performance, and value creation over time to our various stakeholders. We measure our success taking into account our long-term financial and non-financial sustainability, the impacts we create for stakeholders, as well as the financial returns we create for shareholders.

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Unisem’s Integrated Annual Report FY2022 is made up of the following reports.

**Integrated Annual Report FY2022** (“IAR’22” or this “Report”)

- IAR’22 is the primary report that presents our value creation story, where we are heading towards, and how we have progressed.

**Sustainability Report FY2022** (“SR’22”)

- SR’22 discusses our sustainability performance, including our economic, environmental, and social impacts and how we manage them.

**Financial Statements FY2022**

- The Financial Statements 2022 provides a comprehensive report on our financial performance. This report includes our audited financial statements for FY2022.

The Sustainability Report FY2022 and Financial Statements FY2022 are appended in our IAR’22

*[Click here](#) or go to page 78 for Sustainability Report FY2022*

*[Click here](#) or go to page 158 for Financial Statements FY2022*

Through this Report, Unisem wishes to illustrate the value creation process of Unisem (M) Berhad and its subsidiaries (“Unisem Group” or the “Group”), allowing stakeholders to have a clear understanding of our business and to make informed decisions about the Group.

This Report describes our business and operations, the environment that we operate in, our Material Topics, Strategic Priorities, and the associated risks and opportunities. To understand how our resource allocation in response to these business focuses, the IAR’22 also discusses the Group’s value in the context of the 6 capitals, namely Financial Capital, Manufactured Capital, Intellectual Capital, Human Capital, Natural Capital, and Social and Relationship Capital.

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# REPORTING SCOPE AND BOUNDARY

The scope of this Report includes companies within the Unisem Group and covers the financial reporting period from 1 January 2022 to 31 December 2022 (“FY2022”).

In the preparation of this Report, we have considered the International <IR> Framework (2021) as well as other relevant reporting guidelines and regulations including the Malaysian Code on Corporate Governance (as at 28 April 2021), applicable provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), and the GRI Standards.

## Application of materiality

Our Material Topics are determined by applying the concept of materiality to prioritise topics which substantively affect Unisem’s ability to create value over the short, medium, and long term, especially those which have a significant bearing on the Group’s strategy, governance, business model, performance, and prospects. In our application of materiality, we have considered our business model and value chain, the internal and external environment, our stakeholders’ views and concerns, our 6 capitals, and relevant risks and opportunities.

## Forward-looking statements

This Report contains forward-looking statements regarding Unisem’s future performance, business environment, and prospects. While these statements were developed based on underlying assumptions which we believed are realistic at the time of the preparation of this Report, they may be rendered inaccurate subject to changes in underlying assumptions, emerging risks, uncertainties, and important future factors which could result in variations between actual results and our expectations.

## Assurance

While this Report has not been externally assured, the financial performance and sustainability performance reported in the FY2022 Highlights section have been audited and reviewed by Unisem Group’s external auditor and internal audit functions, respectively.

## Board’s responsibility statement

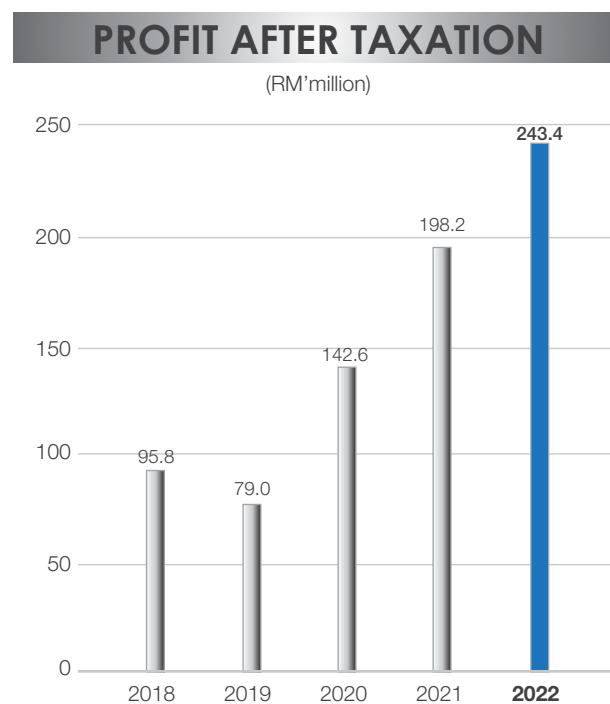
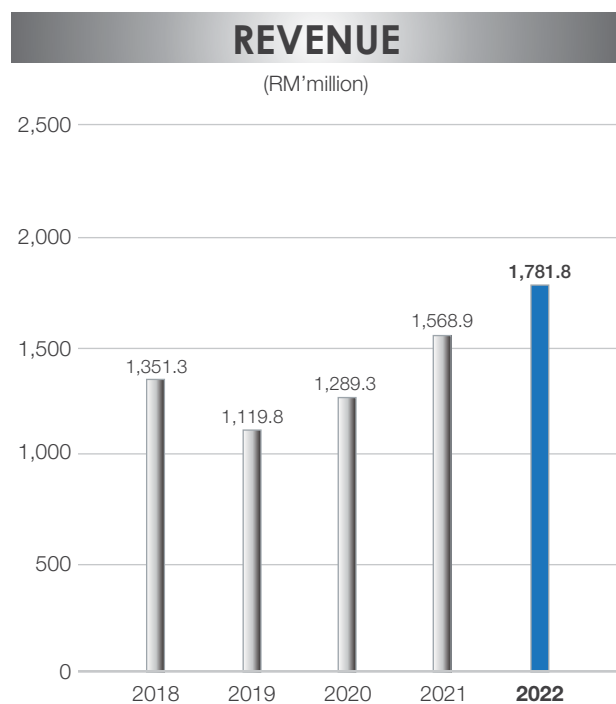
The Board acknowledges its responsibility to ensure the integrity of this Report. This Report is prepared under the supervision of Senior Management and is subject to rigorous internal reviews and validation by relevant functions. The Board has reviewed this Report and is of the view that this Report is presented in accordance with the <IR> Framework.

# FY2022 HIGHLIGHTS

## SUSTAINABILITY PERFORMANCE

Unisem's Sustainability Key Performance Indicators	FY2022 Target	FY2022 Performance	Did we achieve our targets?
Revenue growth	To achieve revenue growth	13.6%	✓
Key customer satisfaction rate	90%	92%	✓
Injury frequency rate (industrial accidents)	<2.00	1.03	✓
Technology growth and development as per our Technology Road Map	To achieve target project completion dates	Achieved	✓
Employee Satisfaction Index	> 3.80	3.71	X
Complied with environmental regulatory standards	Compliance	Compliant	✓
Total hazardous waste recycling rate	To achieve 52% recycling rate of total hazardous waste generated	52%	✓

## FINANCIAL HIGHLIGHTS



# CHAIRMAN'S LETTER TO SHAREHOLDERS



**Dear Shareholders,**

On behalf of the Board of Directors,  
I am pleased to present to you  
the Integrated Annual Report  
covering its financial and non-financial  
performance of Unisem (M) Berhad  
and its subsidiaries for the financial  
year ended 31 December 2022.



**JOHN CHIA SIN TET**  
Chairman



# CHAIRMAN'S LETTER TO SHAREHOLDERS

Through this first integrated report, we aim to communicate how our business strategy, governance, performance and prospects lead to value creation over time to our various stakeholders. We measure our success taking into account our long-term sustainability, the impacts we create for stakeholders, as well as the financial returns we create for shareholders.

## FINANCIAL PERFORMANCE

During the year, the operations of the Group faced various challenges in the external environment, particularly in Chengdu, People's Republic of China ("PRC") where lockdown measures imposed by the authorities due to the Covid pandemic led to a closure of our plant for several weeks. Our operations in Chengdu were also affected by the power restriction in the Sichuan Province in July 2022.

In spite of the challenges, I am pleased to report that for the financial year ("FY") 2022, the Group achieved revenue from continuing operations of RM1.782 billion, an increase of 13.6% as against the revenue recorded of RM1.569 billion in FY2021. Net profit climbed to RM243.411 million from continuing operations, an increase of 22.8% compared to a net profit of RM198.243 million in FY2021.

EBITDA from continuing operations of the Group was recorded at RM479.7 million, an increase of 17.7% from RM407.7 million attained a year ago, whilst the EBITDA margin was maintained at about 26.9%.

The financial position of the Group remained strong with cash and cash equivalents amounting to RM556.0 million as at 31 December 2022 compared to RM656.0 million in FY2021. Total bank borrowings of the Group increased from RM174.9 million in FY2021 to RM196.5 million in FY2022 primarily due to capacity expansion projects. We invested approximately RM550.3 million in capital expenditure during the year mainly for the construction of our Phase 3 building in Chengdu, the construction of our new plant in Gopeng, Perak and for new machines to further enhance reliability and productivity at our various facilities.

## EXPANSION PROJECTS

In September 2021, we commenced construction of a new production facility adjacent to our existing facility in Chengdu, PRC with an aggregate gross floor area of

around 48,057 square meters ("Phase 3 Building") with cleanroom facilities (of approximately 25,344 square meters). Despite the challenges such as environmental/dust control (that limited the supply of building materials), power supply restrictions and Covid lockdowns in Chengdu, the construction of the Phase 3 Building was completed in December 2022.

We expect to commence production in the first phase of Phase 3 Building, by the second half of 2023.



*Unisem Chengdu Phase 3 construction completed*



*Unisem Gopeng plant construction in progress*

We also commenced construction of our new semiconductor production facility on a 28.5 acre piece of land in Gopeng, Perak, Malaysia ("Gopeng Plant") in March 2022. Phase 1 of this new Gopeng Plant will have an aggregate built up area of about 53,000 square meters and the cost of construction will be approximately RM300 million.

We expect the construction to be completed in the third quarter of 2023, and the commencement of production in the first quarter of 2024.

# CHAIRMAN'S LETTER TO SHAREHOLDERS

Once completed, fully facilitated and equipped with the latest state-of-the-art equipment, the Gopeng Plant will enable Unisem to better serve the needs of our customers. It will also enable Unisem to double the production capacity of its existing operations in Ipoh, Perak.

## PROSPECTS AND OUTLOOK

According to the Semiconductor Industry Association (“SIA”), the global semiconductor industry experienced tremendous growth from mid-2020 with sales peaking at US\$573.5 billion in 2022, the highest-ever annual total and an increase of 3.2% compared to the 2021 total of US\$555.9 billion. However sales slowed during the second half of 2022.

For 2023, the global semiconductor market is projected by the World Semiconductor Trade Statistics (“WSTS”) to decline by 4.1 percent to US\$557 billion, primarily due to a decline in the Memory segment of the industry. This category is projected to fall to US\$112 billion in 2023, dropping by 17 percent compared to the previous year.

The current short-term downturn, attributable to increasing inflation, geopolitical unrest, and the lingering effects of the covid pandemic, have contributed to decreased consumer spending, and fluctuations in demand for semiconductors, leading to a lower growth in the Consumer Electronics and Communication segments. However the automotive, data servers, cloud usage, contactless and automated solutions segments of the market will continue to see increasing demand.

Despite all this, industry analysts have an overall positive outlook for 2023. According to the SIA, the long-term trend of the semiconductor industry has shown consistent growth over the last two decades, and the current short-term downturn does not change the reality that long-term growth prospects for this foundational technology remain very promising. Although macroeconomic headwinds have created short-term challenges for the semiconductor industry, this short-term adjustment, however, is not expected to change the structural drivers of industry growth that are expected to propel continued growth over the long term. The demand for semiconductors is expected to grow over the long term, as chips continue to make the world smarter, more efficient, and better connected.

Despite the current slow-down, the Board is of the view that the outlook of the Group for 2023 will be satisfactory as we tap into the growing segments of the market. In addition, we anticipate that our sizable plants and upgraded facilities in Malaysia are well-placed to benefit from customers looking to diversify their supply chain/production outside of China.

In the mid to long term, the Board expects the Group’s performance to improve further on the back of the positive outlook for the industry, the Group’s healthy balance sheet and the anticipated growth in its revenue and earnings from the capacity expansion at its Chengdu and Ipoh plants. We will continue to focus on the Consumer Electronics and Communication segments 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).

## ESG INITIATIVES

The Unisem Group has aligned its Vision to reflect its aspiration to play a more significant role in the semiconductor industry globally, providing services and producing products that meet with the highest standards of service and quality.

We continue to focus on our commitment to build sustained value and trust with our customers and deliver societal value including in the area of environmental protection and sustainability. Our new factories in Chengdu, Gopeng and Ipoh will incorporate smart factory facilities that will further facilitate greater pursuit of product quality and consistency while at the same time helping us to reduce reliance on labour.



# CHAIRMAN'S LETTER TO SHAREHOLDERS

Unisem continues to review its environmental roadmap with intensified aspirations and targets. We aim to achieve by 2025, our Green House Gas (“GHG”) intensity reduction by 10% against the 2020 baseline and obtain ISO 14064 certification - a set of international standards for GHG emissions inventories and verification. We are also pursuing green building certification for all our new plants.

I am pleased to report that we have further strengthened our sustainability commitments in 2022. Both our manufacturing facilities, in Perak, Malaysia and in Chengdu, PRC, 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 International Labour Organisation (“ILO”) Declaration on Fundamental Principles and Rights at Work and the United Nations (“UN”) Universal Declaration of Human Rights.



I am also pleased to note that the Company has satisfied the requirements to be included in the FTSE4Good Bursa Malaysia Index since 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.

## RETIREMENT OF DIRECTOR

Y.Bhg. Dato’ Gregory Wong Guang Seng, who will be retiring in accordance with Regulation 115 of the Constitution of the Company at the 34th Annual General Meeting (“AGM”) of the Company, has decided not to seek re-appointment. He therefore retires at the conclusion of the AGM. Dato’ Gregory Wong was appointed to the Board in February 2014 and as the Senior Independent Director since 2018. He was the Chairman of the Audit & Risk Management Committee, the Nomination Committee and the Sustainability Committee, and a member of the Remuneration Committee up till 23 February 2023. In February 2023, Dato’ Gregory Wong completed 9 years of service as an Independent Director of Unisem.

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

## ACKNOWLEDGEMENT

I would like to express my gratitude to all our customers, suppliers, the governmental authorities, and our bankers for their assistance and support; to all our employees for their efforts, dedication and loyalty; and to my fellow colleagues on the Board for their counsel and support throughout the year. I would 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

# ABOUT UNISEM

## WHO WE ARE / WHERE WE OPERATE

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 6,100 employees worldwide, Unisem has 2 semiconductor packaging and testing facilities and 2 wafer bumping facilities in Ipoh, Perak, Malaysia and Chengdu, PRC. The Company is headquartered in Kuala Lumpur, Malaysia.

Unisem group has a customer base comprising primarily fabless companies 68% and integrated device manufacturers 32%. About 59% of Unisem group’s sales from continuing operations are to customers in North America, 31% 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.

### Products and services we offer

- 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.

## OUR MARKET PRESENCE

Our customers are located globally and include leading brand names in the semiconductor and electronics industry. Our Group revenue broken down by region is illustrated below.

	REVENUE GENERATED BY CUSTOMERS' REGION (RM'000)		
UNISEM GROUP	FY2020*	FY2021	FY2022
United States of America	695,144	835,694	1,052,415
Europe	145,127	158,034	172,979
Asia	467,310	575,195	556,444
<b>Total Group Revenue</b>	<b>1,307,581</b>	<b>1,568,923</b>	<b>1,781,838</b>

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



## OUR OPERATION SITES

### UNISEM (M) BERHAD (the “Company”)

### UNISEM ADVANCED TECHNOLOGIES SDN BHD (“UAT”)

### UNISEM CHENGDU CO., LTD. (“Unisem Chengdu”)

#### IPOH, MALAYSIA

- Commenced operations in 1992
- 3,050 employees
- Total built-up areas 570,000 square feet
- Provides full turnkey solutions – packaging capabilities include all types of copper leadframe and laminate based packages, modules, WLCSP, 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), and RBA VAP
- Currently undergoing expansion, i.e. Gopeng plant which are expected to be completed in third quarter of 2023.

#### IPOH, MALAYSIA

- Commenced operations in 2006
- 300 employees
- Total built-up areas 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 and 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), and RBA VAP

#### CHENGDU, PEOPLE’S REPUBLIC OF CHINA

- Commenced operations in 2006
- 2,750 employees
- Total built-up areas 1,137,000 square feet
- Provides full turnkey solutions - packaging capabilities include 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 200mm 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, ANSI/ESD S20.20-2014 and ISO 45001:2018, Certificate of Green Partner (Sony), Samsung ECO Partner, IECQ QC080000: 2017 – HSPM (Hazardous Substance Process Management) Certificate, Global Security Verification (GSV), and RBA VAP
- Phase 3 Building was completed in December 2022 and to commence production in the first Phase by the second half of 2023.

# OUR MILESTONES



## 1992

Unisem started with Ipoh , Simpang Pulai factory

## 1998

Listed on Kuala Lumpur Stock Exchange Main Board



## 2006

Commenced Wafer Bump service at UAT

Launched Chengdu factory



## 2011

Unisem Chengdu Phase 2 expansion and install wafer bump capability





# OUR MILESTONES



## 2012

Unisem expands WLCSP & Bumping capability

## 2014

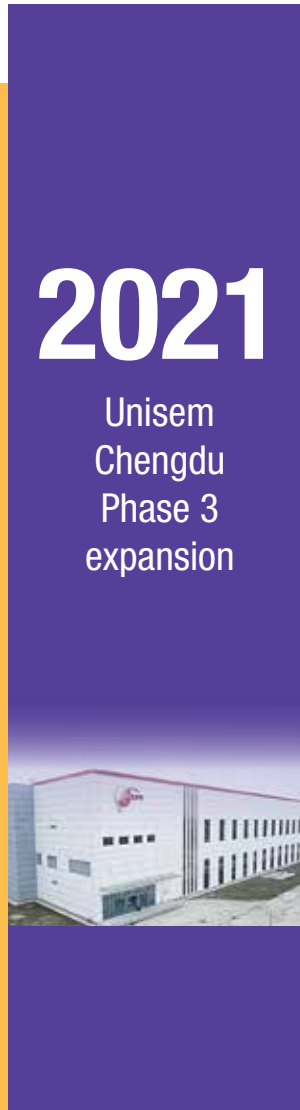
1st RBA VAP

Obtained Samsung ECO partner

ANSI ESD S20.20 certified

## 2019

Offer Package level EMI shielding, 12" wafer bumping capability at UAT



## 2021

Unisem Chengdu Phase 3 expansion

## 2022

Unisem Ipoh, Gopeng Plant ground breaking

Unisem Chengdu Phase 3 completed



# OUR VISION, MISSION & VALUES

In whatever we do, we are guided by Unisem's Vision, Mission, and Core Values which set out clear long-term objectives for the Group. Unisem's Vision and Mission incorporates value creation and preservation for our stakeholders including shareholders, customers, employees, and the people we work with, as well as our commitment towards good governance and support for environmental, social, and economical development.

We believe firmly in our core values which help drive our organisation and our people towards being a leading global multinational provider of comprehensive turnkey assembly and test solutions, as well as being recognised as an exemplary corporate citizen through our responsible business practices.

## VISION

To be the leading global multinational company providing comprehensive turnkey assembly and test solutions for the evolving needs of our customers, and an exemplary corporate citizen in the communities in which we operate.

## MISSION

In order to achieve our vision, we are committed to:

- Providing total customer satisfaction.
- Be a caring company and employer of choice.
  - Generate profits and accelerate growth.
- Develop long term win-win partnership with our business associates.
- Adhere to good corporate governance and support environmental, social and economical development of the community.
  - Uphold and live our core values.

## VALUES

Teamwork   Commitment   Trust   Proactive   Caring



# AWARDS & RECOGNITION



**RENEASAS ELECTRONICS CORPORATION**  
2021 RENESAS APPRECIATION AWARD  
UNISEM IPOH  
FEB 2022



**UNITED MONOLITHIC SEMICONDUCTORS**  
2021 PARTNER OF THE YEAR AWARD  
UNISEM IPOH  
MAR 2022



**QORVO**  
2021 RECOGNITION AWARD FOR UM & UAT EXCELLENT SERVICE AND SUPPORT  
JUNE 2022



**RESPONSIBLE BUSINESS ALLIANCE**  
VALIDATED AUDIT PROCESS FOR UNISEM IPOH SILVER STATUS  
DEC 2022



**SPINTECH ELECTRONIC TECHNOLOGY**  
2022 BEST POTENTIAL SUPPLIER  
UNISEM CHENGDU  
JAN 2023



**大瞬科技BIG MOMENT**  
2022最佳合作供应商  
UNISEM CHENGDU  
JAN 2023



**ESPRESSIF**  
2022最佳供应商  
UNISEM CHENGDU  
JAN 2023



**SCN**  
2022年最佳服务奖  
UNISEM CHENGDU  
JAN 2023



**傅里叶 FOS**  
2022年度优秀供应商  
UNISEM CHENGDU  
FEB 2023



**圣邦微电子 SGM**  
2022年度最佳供应商  
UNISEM CHENGDU  
FEB 2023



**NVT 伏达半导体**  
最佳支持服务奖  
UNISEM CHENGDU  
MAR 2023

# UNISEM'S VALUE CREATION PROCESS

CAPITALS - INPUT		BUSINESS MODEL
<p><b>Financial Capital</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">FC</span></p> <p>Our financial capital mainly depends on our equity and funds generated from investments and operations.</p>	<ul style="list-style-type: none"> <li>• RM1,502 million in cost of sales and operating expenses during the FY</li> <li>• Available banking support in the form of facilities amounting to RM118 million at the beginning of FY</li> <li>• Net cash in hand and cash equivalent of RM656 million at the beginning of FY</li> </ul>	<p>Unisem provides semiconductor assembly and test services and offers turnkey solutions and an integrated suite of packaging and test services.</p>
<p><b>Manufactured Capital</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">MC</span></p> <p>Our machinery and technology serve to improve operational efficiency without compromising quality.</p>	<ul style="list-style-type: none"> <li>• 2 semiconductor packaging and testing facilities</li> <li>• 2 wafer bumping facilities</li> <li>• All facilities certified for quality management system, environmental management system, and other relevant management systems.</li> </ul>	
<p><b>Intellectual Capital</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">IC</span></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• 31 patented technology, system designs, and processes</li> <li>• Operational efficiency and quality assurance processes</li> </ul>	
<p><b>Human Capital</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">HC</span></p> <p>Our talent base is highly skilled professionals and technical personnel. Our operations depend on the capabilities and competencies of all our employees.</p>	<ul style="list-style-type: none"> <li>• About 6,100 employees across the Group</li> <li>• 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.</li> </ul>	
<p><b>Natural Capital</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">NC</span></p> <p>Direct materials and water are our natural capital and are also our critical enabler across manufacturing platforms and key operations.</p>	<ul style="list-style-type: none"> <li>• 3.7 million m<sup>3</sup> water withdrawn</li> <li>• 0.8 million m<sup>3</sup> water consumed</li> <li>• 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.</li> </ul>	
<p><b>Social and Relationship Capital</b> <span style="background-color: #4CAF50; color: white; padding: 2px;">S &amp; RC</span></p> <p>The relationships we foster with our stakeholders is integral to our business and operations.</p>	<ul style="list-style-type: none"> <li>• Collaborative business relationships with customers</li> <li>• Robust supply chain management maintained based on RBA Code of Conduct and industrial standards</li> </ul>	

		KEY FOCUS AREAS/DESIRED OUTCOMES (& INDICATORS)	OUTCOME (FY2022)
<p>Positive Output</p> <p>Negative Output</p> <p>Process Output</p>	<ul style="list-style-type: none"> <li>Self-sustaining cash generation</li> <li>Achieving revenue growth</li> <li>Sustainable profit generation and shareholder return</li> <li>Capex investment in capacity expansion</li> </ul>	<ul style="list-style-type: none"> <li>RM404 million net cash generated by operations</li> <li>RM1.78 billion in revenue, representing a growth of 13.6%</li> <li>RM385 million Group profit for the year</li> <li>RM556 million cash and cash equivalent as at end of year</li> <li>Total tax-exempt dividend paid during FY2022 to shareholders - RM96.8 million</li> <li>Capital expenditure of RM550 million</li> </ul>	
	<ul style="list-style-type: none"> <li>Enhancing capabilities through strategic investment in new facilities</li> </ul>	<ul style="list-style-type: none"> <li>New phase construction in Unisem Chengdu cost RM199 million in capex</li> <li>New factory construction in Unisem Malaysia estimate cost RM300 million</li> </ul>	
	<ul style="list-style-type: none"> <li>Development and adoption of latest technology in line with market demand</li> <li>Achievement of Technology Road Map</li> <li>Maintaining optimum level of operational efficiency and quality for products and services</li> </ul>	<ul style="list-style-type: none"> <li>Meeting targets and timeline of Unisem's Technology Road Map</li> <li>Approximately 35 new package modules</li> </ul>	
	<ul style="list-style-type: none"> <li>Safe workplace</li> <li>Injury frequency rate for industrial accidents &lt;2.00 across the Group</li> <li>Continuous training for employees</li> <li>75% employees receiving minimum 6 hours of training per year</li> <li>Personal and professional growth in employees</li> <li>Employee satisfaction &gt; 3.80</li> </ul>	<ul style="list-style-type: none"> <li>1.03 injury frequency rate</li> <li>69.8% employees received minimum of 6 training hours</li> <li>Employee satisfaction score of 3.71</li> </ul>	
	<ul style="list-style-type: none"> <li>Compliance with regulatory requirements</li> <li>Minimum negative environmental impact</li> <li>52% recycling rate for total scheduled waste</li> </ul>	<ul style="list-style-type: none"> <li>52% of total scheduled waste recycled</li> <li>No non-compliance issues with environmental laws and regulations</li> <li>146,600 tCO2e GHG - 3.4% decrease in GHG intensity (base year: 2020)</li> <li>56% reduction of water consumption intensity (base year: 2020)</li> </ul>	
	<ul style="list-style-type: none"> <li>Upholding of Unisem core values</li> <li>Robust collaborative relationship with customers</li> <li>Strong, sustainable, and responsible supply chain</li> <li>High rate of satisfied key customers</li> </ul>	<ul style="list-style-type: none"> <li>Key customer satisfaction score of 92%</li> <li>Completed 14 audits on key direct material suppliers</li> </ul>	

# CORPORATE GOVERNANCE





# BOARD OF DIRECTORS



**JOHN CHIA SIN TET**  
Chairman/  
Group Managing Director



**FRANCIS CHIA  
MONG TET**  
Executive Director

**ALEXANDER CHIA  
JHET-WERN**  
Executive Director

# BOARD OF DIRECTORS



**ANG CHYE HOCK**  
Independent Director

**LIM SIEW ENG**  
Independent Director



**NELLEITA  
BINTI OMAR**  
Independent Director

**TEH MUY CH'NG**  
Independent Director

**DATO' GREGORY  
WONG GUANG SENG**  
Non-Executive Director



# BOARD OF DIRECTORS



**XIAO ZHIYI**  
Non-Executive Director

**CUI WEIBING**  
Non-Executive Director



**JU FENG**  
Non-Executive Director

**WEI XIAOLI**  
Non-Executive Director

# PROFILE OF BOARD OF DIRECTORS

## **JOHN CHIA SIN TET**

Chairman/Group Managing Director  
Malaysian, Male

Mr John Chia Sin Tet, aged 73, 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. Mr John Chia is a Barrister at Law and a Member of the Lincoln's Inn, United Kingdom. He is also the Chairman of the Executive Management Committee.

Under Mr John Chia's leadership, Unisem has grown to become a global player in the semiconductor industry. With his strong leadership skills, strategic thinking and deep understanding of the industry and market, Mr John Chia is pivotal to the growth and success of the Unisem Group, including expanding its operations into Chengdu, PRC.

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.

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.

## **FRANCIS CHIA MONG TET**

Executive Director  
Malaysian, Male

Mr Francis Chia Mong Tet, aged 71, 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. Mr Francis Chia is a Fellow of the Institute of Chartered Accountants (England and Wales) and is also a member of the Malaysian Institute of Accountants.

In addition to his current capacity as an Executive Director responsible for the financial operations of the Group, he is also a member of the Executive Management Committee.

Mr Francis Chia played a critical role in establishing Unisem as one of the founder members. He started his career with an international accounting firm from 1976 to 1979 and ran his own accounting firm from 1980 to 2019.

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

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

## **ALEXANDER CHIA JHET-WERN**

Executive Director  
Malaysian, Male

Mr Alexander Chia Jhet-Wern, aged 42, 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.

As an Executive Director, Mr Alexander Chia is responsible in supporting the Group Managing Director and the Board in the implementation of strategic goals set for the Group and overseeing specific programmes or initiatives. Mr Alexander Chia joined the Company in 2004 and held the position of Vice President, Deputy COO, prior to his appointment to the board in 2014.

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

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

# PROFILE OF BOARD OF DIRECTORS

## ANG CHYE HOCK

Independent Director  
Singaporean, Male

Mr Ang Chye Hock, aged 73, 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). Mr Ang is the Chairman of the Audit & Risk Management Committee, Remuneration Committee and Sustainability Committee and a member of the Nomination Committee. In February 2023, Mr Ang was appointed as the Senior Independent Director of the Company.

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 70, 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 the Chairman of the Nomination Committee, and a member of the Audit & Risk Management Committee, Remuneration Committee and Sustainability 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 Hextar Healthcare Berhad as an Independent and Non-Executive Director. Apart from Hextar Healthcare Berhad, she does not have directorships in other public listed companies. She also sits on the board of a private limited company.

## NELLEITA BINTI OMAR

Independent Director,  
Malaysian, Female

Puan Nalleita binti Omar, aged 47, 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, the latter as a Chevening Scholar. She is also a member of the Audit & Risk Management Committee, Nomination Committee, Remuneration Committee and Sustainability Committee.

Puan Nalleita has more than 20 years' experience as a management consultant and researcher. She began her career at the Boston Consulting Group before branching out to work independently in association with several boutique consultancies. She has delivered consulting projects for both public and private sector clients, covering a range of topics and roles, from strategy setting to policy research to project management.

Apart from her core management consulting work, Puan Nalleita has also shouldered other unique roles throughout her career including as speechwriter and policy researcher for Prime Minister YAB Tun Abdullah Ahmad Badawi, as advisor to a life sciences venture capital firm, and as Research Director to Kuala Lumpur-based policy think tank The Centre.

Puan Nalleita currently sits on the board of a number of private limited companies. To date, she does not have directorships in other public listed companies.

# PROFILE OF BOARD OF DIRECTORS

## **TEH MUY CH'NG**

Independent Director,  
Malaysian, Female

Madam Teh Muy Ch'ng, aged 51, was appointed to the Board of the Company on 9 December 2022 as an Independent Director. Madam Teh is a Chartered Account, a member of Malaysian Institute of Accountants (MIA), Australian Society of Certified Practising Accountants, and a Certified Financial Planner with the Financial Planning Association of Malaysia. She graduated from the Curtin University of Technology, Perth, Australia with a Bachelor of Commerce (Accounting) degree. She is also a member of the Audit & Risk Management Committee, Nomination Committee, Remuneration Committee and Sustainability Committee.

Madam Teh has more than 25 years of professional experience in providing financial and corporate advisory services. She started her career in KPMG, an international audit, tax and advisory firm in the audit and business assurance for 5 years and subsequently in 2000 she joined the corporate finance division of KPMG where she was exposed in various corporate finance, corporate advisory as well cross border transactions and M&A advisory. In 2005, she joined Horwath - Corporate Finance where she continued to focus on corporate finance and advisory engagements. Subsequently in 2008, together with another partner she set up a MIA member firm to undertake a few corporate finance projects in Malaysia and Singapore.

In 2010, she re-joined KPMG Corporate Finance as a Director. During her career in the international audit, tax and advisory firm from 2010 till March 2022, Madam Teh was appointed on the panel of advisors for the IPO Program initiated by Cradle Fund Sdn Bhd under the Ministry of Finance in 2012. She was one of the coaches responsible in coaching a selected group of companies participated in the IPO Program.

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

## **DATO' GREGORY WONG GUANG SENG**

Non-Executive Director  
Malaysian, Male

Y.Bhg. Dato' Gregory Wong Guang Seng, aged 71, was appointed to the Board of the Company on 26 February 2014 as an Independent Director. In February 2023, he completed his 9 years of service as an Independent Director and was re-designated as non-independent Non-Executive 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 was the Senior Independent Director and the Chairman of the Audit & Risk Management Committee, the Nomination Committee and the Sustainability Committee, and a member of the Remuneration Committee up till 23 February 2023.

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.

## **XIAO ZHIYI**

Non-Executive Director,  
Chinese, Male

Mr Xiao Zhiyi, aged 46, 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.

# PROFILE OF BOARD OF DIRECTORS

## **CUI WEIBING**

Non-Executive Director,  
Chinese, Male

Mr Cui Weibing, aged 55, 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 39, 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 37, 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.

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 57, 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 52, 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 secretarial staff and oversees the corporate secretarial and advisory work at for over 300 clients, ranging from public listed companies, multinational companies, asset management companies to manufacturing companies.



# PROFILE OF SENIOR MANAGEMENT

## KEVIN KHOO CHUNG SHIN

Senior Vice President,  
Group Chief Operating Officer  
Malaysian, Male

Mr Kevin Khoo, aged 55, is the Senior Vice President, Group Chief Operating Officer of Unisem Group, a position he has held since 1 March 2023. Mr Khoo holds a Bachelor's Degree in Electrical Engineering from Oklahoma State University, Stillwater, Oklahoma, United States of America.

Mr Khoo has over 30 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. He was the Senior Vice President, Group Sales, responsible for worldwide sale and marketing of Unisem Group since December 2020. 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.

## HO CHOON SENG

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

Mr Ho Choon Seng, aged 68, 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 47 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 73, 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 49 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.

# PROFILE OF SENIOR MANAGEMENT

## **CHAI CHAN WAH**

General Manager  
- UAT  
Malaysian, Male

Mr Chai Chan Wah, aged 59, 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 35 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.

## **THAM ENG HUAK**

Vice President,  
Group Finance  
Malaysian, Male

Mr Tham Eng Huak, aged 61, 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 37 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 2022. The Corporate Governance Report is made available on Unisem’s corporate website, [www.unisemgroup.com](http://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 Integrated 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 2022, Unisem reports as a Large Company<sup>1</sup>. 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.

<sup>1</sup> Large Companies are companies on the FTSE Bursa Malaysia Top 100 Index; or companies with market capitalisation of RM2 billion and above, at the start of the companies’ financial year.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Summary of Corporate Governance Practices

Unisem has applied all the Practices encapsulated in the MCGG for the financial year ended 31 December 2022, save for the following:

- Practice 1.3 (Demarcation of the Board Chairman and Managing Director roles); and
- Practice 5.2 (Board to comprise a majority of Independent Directors).

Unisem has provided meaningful explanation on its departures from the said practices based on the latitude accorded in the application mechanism of the MCGG. 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 for adoption of the above Practices. Additional details on Unisem's application of each individual Practice of the MCGG are available on the Corporate Governance Report which is published on Unisem's corporate website at <https://www.unisemgroup.com/company-info/corporate-governance/> as well as via an announcement on the website of Bursa Malaysia Securities Berhad.

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

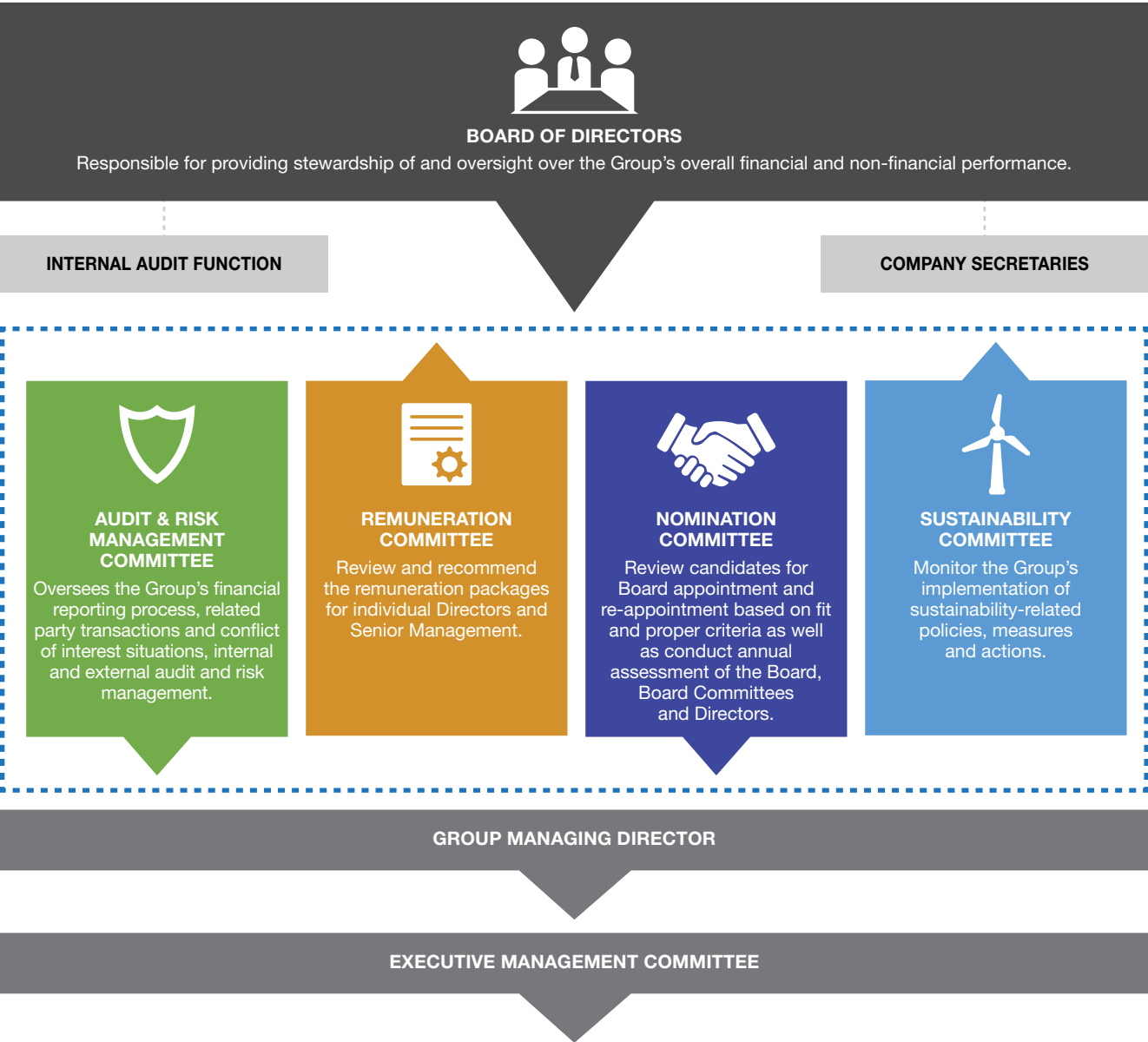
# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**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:



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board delegates the day-to-day business management of the Group to the Executive Management Committee whilst significant matters remain vested under the purview of the Board. The 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 2022. The latest Board Charter was reviewed and approved by the Board on 23 February 2023 and is available on the website of the Company at <https://www.unisemgroup.com/company-info/corporate-governance/>.

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.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The attendance of individual Directors for the meetings of the Board and Board Committees in 2022 are illustrated below:

Director	Board	Audit & Risk Management Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
<b>Executive Directors</b>					
Mr John Chia Sin Tet (Chairman)	6/6				
Mr Francis Chia Mong Tet	6/6				
Mr Alexander Chia Jhet-Wern	6/6				1/2
<b>Independent Directors</b>					
Y.Bhg. Dato' Gregory Wong Guang Seng	6/6	9/9	3/3	2/2	2/2
Mr Ang Chye Hock	6/6	9/9	3/3	2/2	2/2
Mdm Lim Siew Eng	6/6	9/9	3/3	2/2	
Puan Nelleita binti Omar	6/6				
Mdm Teh Muy Ch'ng	1/6*				
<b>Non-Executive Directors</b>					
Mr Cui Weibing	6/6				
Mr Xiao Zhiyi	6/6				
Mr Ju Feng	6/6				
Mdm Wei Xiaoli	6/6				

**Legend:**   Board/Board Committee Chairman   Member

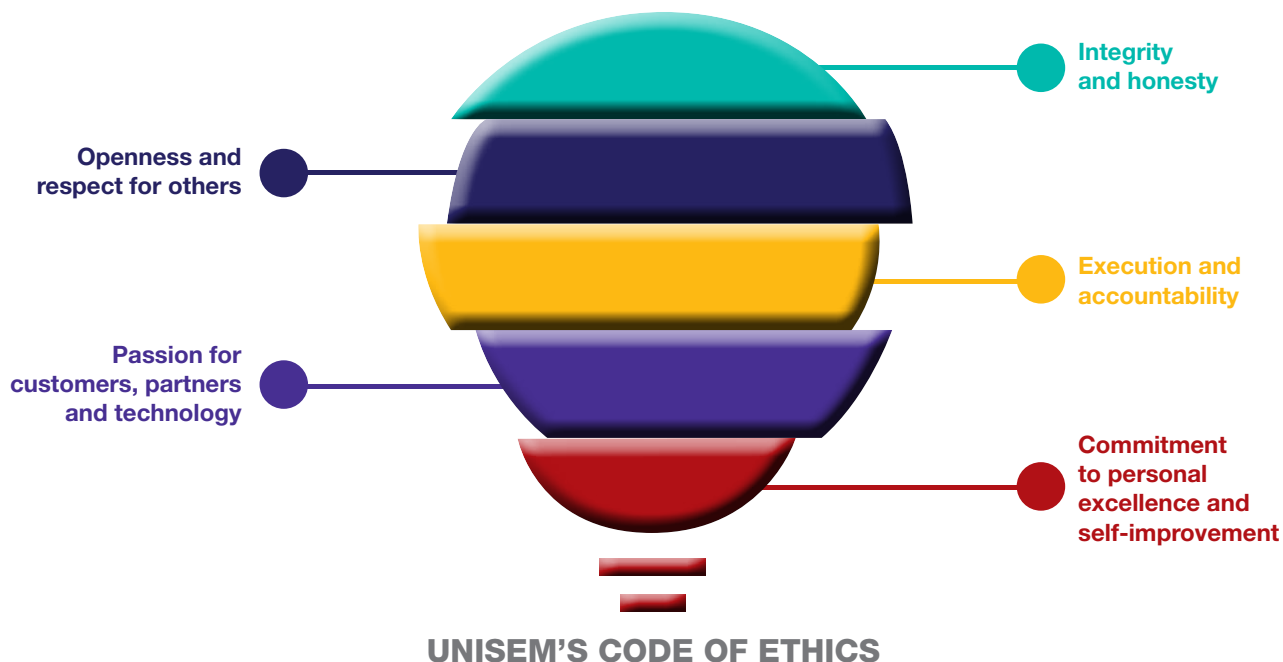
\* Mdm Teh Muy Ch'ng was appointed to the Board on 9 December 2022.

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 Unisem’s Code of Ethics, Anti-Corruption and Bribery Policy and Whistle Blowing, Ethics & Compliance Policy are available on our website at <https://www.unisemgroup.com/company-info/corporate-social-responsibility/>.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

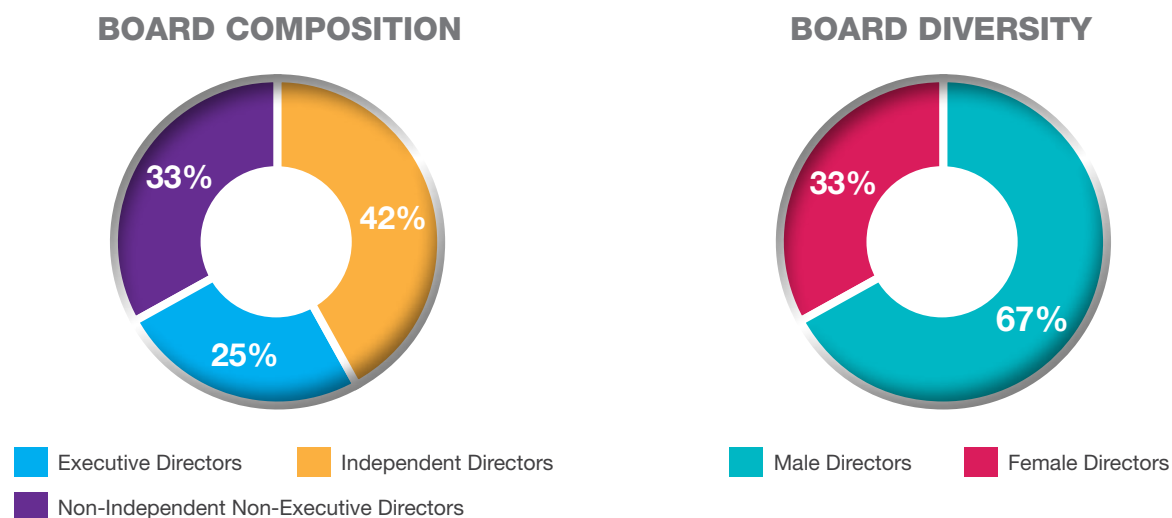
During the year, Puan Nalleita binti Omar was appointed as Independent Non-Executive Director in February 2022 and Mdm Teh Muy Ch’ng was appointed as Independent Non-executive Director in December 2022. After the appointment of Mdm Teh, the Board comprises 3 Executive Directors, 5 Independent Directors and 4 Non-Executive Directors. These 4 Non-Executive Directors represent the interest of Tianshui Huatian Technology Co., Ltd (“TSHT”) pursuant to the Collaboration Agreement dated 12 September 2018 between TSHT and John Chia Sin Tet, Alexander Chia Jhet-Wern, Jayvest Holdings Sdn Bhd and SCQ Industries Sdn Bhd (“Collaboration Agreement”).

Whilst the current Board composition of 5 Independent Non-Executive Directors out of a total of 12 board members, falls short of the expectations in Practice 5.2 of the MCGG 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 a channel for Independent Directors to voice any issues of concern, particularly in relation to governance. 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 the current 12 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

A breakdown of the Board composition in terms of designation and gender is illustrated below:



## Appointment and re-election of Directors, Board Diversity in terms of skill sets and gender, Board Effectiveness Evaluation and Directors’ Training

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.

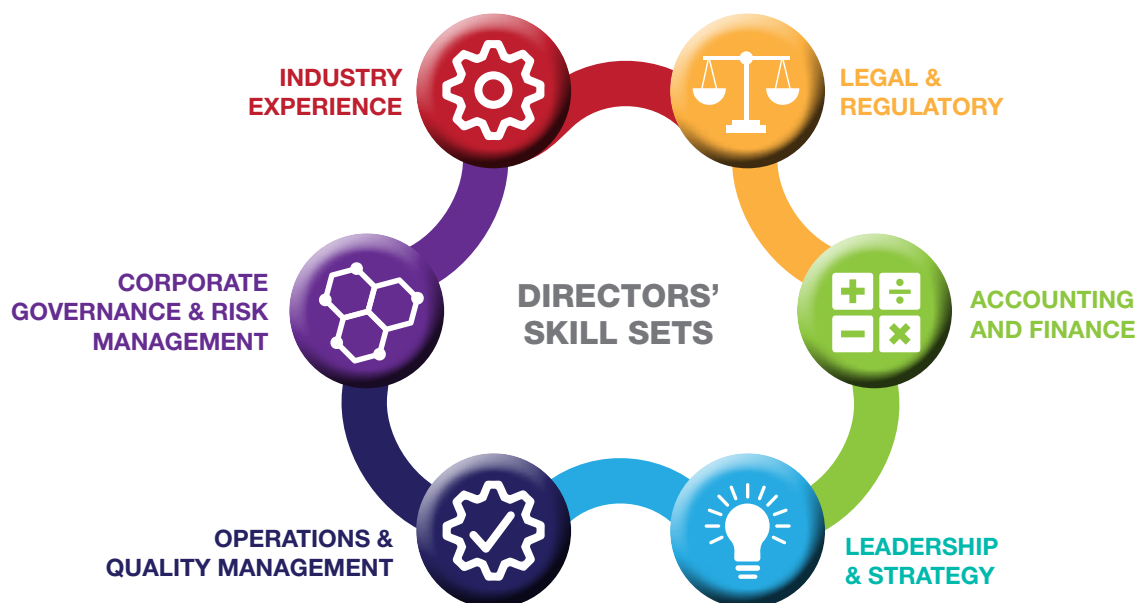
More recently and in line with paragraph 15.01A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board, as aided by the NC has formulated the fit and proper policy for appointment and re-election of Directors (“Fit and Proper Policy”). The Fit and Proper Policy is available on the website of the Company at <https://www.unisemgroup.com/company-info/corporate-governance/>.

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, individually under separate resolution, 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 set out in the *Statement Accompanying Notice of Annual General Meeting* on page 241 of this Integrated Annual Report.

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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 understand the challenges and disruptions to business, 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 Mdm Wei Xiaoli, out of a total of 10 board members. In February 2022, Puan Nalleita binti Omar joined the Board as Independent Non-Executive Director and in December 2022, Mdm Teh Muy Ch'ng was appointed as Independent Non-Executive Director. With the appointment of Puan Nalleita and Mdm Teh, the Board has 33% female representation on the Board out of a total of 12 board members.

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 Board Effectiveness Evaluation ("BEE") exercise, including assessment of Independent Directors, Board mix and composition, Directors' skill sets, was facilitated by the Company Secretary with oversight of the exercise by the NC. The BEE exercise was administered using questionnaires 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) Engage with non-executive and independent directors in strategy setting process; (ii) Formulate an induction programme for newly appointed Directors; (iii) Enhance the succession planning framework for Board and senior management.

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
23-25 May 2022	Mandatory Accreditation Program (“MAP”) organised by Institute of Corporate Directors Malaysia (“ICDM”)	Puan Nelleita binti Omar
28 May 2022	In-House Training organised by Huatian Group (华天集团) on Internal Control construction and implementation (内部控制建设与执行)	Mr Xiao Zhiyi
15-16 June 2022	FCD Series Module D: Financial Essentials for Non-Finance Directors organised by ICDM	Puan Nelleita binti Omar
2-3 August 2022	National Tax Conference 2022 organised by Chartered Tax Institute Of Malaysia (“CTIM”)	Y.Bhg. Dato’ Gregory Wong Guang Seng
10 August 2022	MICPA-KPMG Webinar: Supercharge ESG Ambitions with Technology organised by MICPA/ KPMG	Y.Bhg. Dato’ Gregory Wong Guang Seng
18 August 2022	In-house Directors Training on The Functions of Environmental Sustainability & Landscape of Semiconductor Industries conducted by BeyondGood Consultancy	Mr John Chia Sin Tet Mr Francis Chia Mong Tet Mr Alexander Chia Jhet-Wern Y.Bhg. Dato’ Gregory Wong Guang Seng Mr Ang Chye Hock Mdm Lim Siew Eng Puan Nelleita binti Omar Mr Xiao Zhiyi Mr Cui Weibing Mr Ju Feng Mdm Wei Xiaoli

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Date	Particulars of training programmes attended	Attended by
1 September 2022	Directors Plant Visit to Unisem Ipoh and Presentation, including Package & Technology Development Roadmap	Mr John Chia Sin Tet Mr Francis Chia Mong Tet Mr Alexander Chia Jhet-Wern Y.Bhg. Dato' Gregory Wong Guang Seng Mr Ang Chye Hock Mdm Lim Siew Eng Puan Nelleita binti Omar
6 September 2022	Towards a Zero Carbon Future: The New Funding Landscape & Supply Chain Opportunities organised by MICPA	Y.Bhg. Dato' Gregory Wong Guang Seng
13 September 2022	Special Training On Improving The Quality Of Listed Companies (提高上市公司质量专题培训” 严厉打击财务造假，坚决杜绝资金占用” ), organised by China Securities Regulatory Commission Gansu Bureau (中国证券监督管理委员会甘肃监管局)	Mr Xiao Zhiyi Mr Cui Weibing Mr Ju Feng
5-6 October 2022	MAICSA Annual Conference 2022, Challenging the Challenges in Governance organised by MAICSA	Y.Bhg. Dato' Gregory Wong Guang Seng
5 December 2022	Special training on corporate governance (公司治理专题培训) organised by China Association of Listed Companies (中国上市公司协会)	Mr Xiao Zhiyi
6 December 2022	AOB's Conversation with Audit Committees organized by the Securities Commission	Mdm Lim Siew Eng

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 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 and as follows:

No	Name	Directorate	Group and Company (RM)						Total
			Fee	Allowance <sup>^</sup>	Salary <sup>®</sup>	Bonus	Benefits-in-kind	Other emoluments	
1	Mr John Chia Sin Tet	Executive Director	300,000	-	3,787,800	593,166	27,756	-	4,708,722
2	Mr Francis Chia Mong Tet	Executive Director	160,000	-	1,948,568	310,070	28,198	-	2,446,836
3	Mr Alexander Chia Jhet-Wern	Executive Director	160,000	-	401,414	56,546	52,742	-	670,702
4	Y.Bhg. Dato’ Gregory Wong Guang Seng	Independent Director	246,000	-	-	-	-	-	246,000
5	Mr Ang Chye Hock	Independent Director	217,000	-	-	-	-	-	217,000
6	Mdm Lim Siew Eng	Independent Director	217,000	-	-	-	-	-	217,000
7	Puan Nelleita binti Omar*	Independent Director	133,333	-	-	-	-	-	133,333
8	Mdm Teh Muy Ch’ng**	Independent Director	13,333	-	-	-	-	-	13,333
9	Mr Cui Weibing	Non-Executive Director	-#	-	-	-	-	-	-
10	Mr Xiao Zhiyi	Non-Executive Director	-#	-	-	-	-	-	-
11	Mr Ju Feng	Non-Executive Director	-#	-	-	-	-	-	-
12	Mdm Wei Xiaoli	Non-Executive Director	-#	-	-	-	-	-	-

\* appointed on 25 February 2022

\*\* appointed on 9 December 2022

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

^ The term “Allowance” that is reflected as a subheading or component in the table above refers to meeting allowance for the Board and Board Committees. Unisem does not accord any allowance to Directors for attending the Board and Board Committee meetings.

® Salary includes defined contribution plans.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 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 chaired by 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 at <https://www.unisemgroup.com/company-info/corporate-governance/>.

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 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 Integrated 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 channels available for stakeholders who wish to engage with the Company, the Board appointed Mr Ang Chye Hock as the Senior Independent Director who is tasked to be the "point of contact" to address queries on any Unisem-related matters.

Mr Ang Chye Hock 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

**Email:** SID@unisemgroup.com

### 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 ended 31 December 2022, Company conducted its 33rd AGM on 28 April 2022 ("33rd 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 the Company Secretaries were present at the broadcast venue while all the other Directors attended the 33rd AGM via video conferencing.

The notice of the 33rd AGM was provided 30 days in advance to enable shareholders to make adequate preparation. The notice of the 33rd 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 TIH 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Focus areas during the year (2022)

In 2022, the corporate governance focus areas of the Group constituted the following:

### 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 revisited its vision and mission statements so as to embed ESG considerations within its ethos. This is to further foster cohesion in purpose across the Group towards achieving tangible progress on its ESG targets.

The Group has also clarified the oversight structure on sustainability-related matters at the Management-level. Specifically, the Group identified a designated individual to manage sustainability strategically at the management-level whilst having direct reporting lines to the Board Sustainability Committee.

Furthermore, the Company adopted integrated reporting to allow for more informed assessments by stakeholders on the Group’s value creation journey.

### 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.

### Boardroom Gender Diversity



With the appointment of Puan Nelleita binti Omar and Mdm Teh Muy Ch’ng in February and December 2022 respectively, the representation of women Directors of 33.33% has met and exceeded the 30% target.

### 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Corporate governance priorities (2023 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 the current 12 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 continue to enlist 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.

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 in 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 acquainted and committed to embedding ESG considerations into the ethos of the Group's diverse operational landscape pursuant to global trends.

In the coming years, the Board will focus on the recently introduced Task Force on Climate-related Financial Disclosures ("TCFD"). To this end, the Sustainability Committee will endeavour to take necessary incremental steps to comply with the TCFD.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## NOMINATION COMMITTEE REPORT

### COMMITTEE MEMBERS, MEETINGS AND ATTENDANCE

The Nomination Committee (NC) of Unisem (M) Berhad comprises wholly of Independent Directors.

In 2022, the NC met three times and the Chairman and members of the Committee attended all the meetings.

Name	Designation	Directorship	No. of Meetings Attended in 2022
Y.Bhg. Dato' Gregory Wong Guang Seng	Chairman	Independent Director	3/3
Mr Ang Chye Hock	Member	Independent Director	3/3
Mdm Lim Siew Eng	Member	Independent Director	3/3

In 2022, the Company Secretary was in attendance at all three meetings. The Company Secretary circulates the minutes of NC meeting to the Committee and at the Board Meeting for notation. The Chairman of the NC also briefs the Board on the highlights and key issues deliberated during the NC meeting.

### TERMS OF REFERENCE

The terms of reference which include composition, authority, responsibilities, meetings and specific duties of the NC are disclosed and published on the Company's website at <https://www.unisemgroup.com/company-info/corporate-governance/>.

### SUMMARY OF WORK

The summary of work of the NC for the financial year is set out below:-

#### Board and Board Committees Composition and Succession Planning

The NC

- reviewed the Board size and composition to identify any gaps in its configuration;
- reviewed the size and composition of the Board Committees;
- reviewed the selection criteria for potential board candidates; and
- reviewed the succession plan for the Board, Board Committees, the Chairman and Group Managing Director.

#### Appointment & Re-election of Directors

The NC

- reviewed the leadership experience, skill sets, knowledge, diversity of background, fit & proper, professionalism and time commitment of potential candidates to be appointed as Independent Non-Executive Directors of the Company;
- assessed the candidates' ability to bring the element of detached impartiality and objective judgment to boardroom deliberations;
- formulated the bases for recommending the re-election of Directors who are due for rotation/retirement, including the assessment on the contribution of Directors seeking for re-election; and
- reviewed the Directors' service tenure.

#### Board Effectiveness Evaluation

The NC

- reviewed the questionnaires for the Board Effectiveness Evaluation ("BEE");
- reviewed outcome of the annual Board and Board Committees' performance assessments, independency of independent directors, contribution and performance of each individual director;
- reviewed the results of the BEE exercise for FY2022 and recommended the proposed actionable improvement plan to the Board;
- received updates for the actionable improvement plan for BEE FY2021;
- reviewed Board skills matrix and level of competency to meet the current and future needs of the Company; and
- assessed the training needs of the Directors via the annual assessment or the BEE exercise.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Framework, Policy & Guidelines

The NC

- formulated and reviewed the fit and proper policy for appointment and re-election of Directors (“Fit and Proper Policy”); and
- reviewed and recommended the relevant amendments made in the Board Policies & Procedures and Terms of Reference of the Board Committees adopted by the Board to comply with the prevailing rules and regulations.

## 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 2022 RM'000	Deviation RM'000	Balance of Proceeds as at 31 Dec 2022 RM'000
Capital expenditure - Unisem Ipoh	Within 12 months	124,193	124,193	-	-
Capital expenditure - Unisem Chengdu	Within 24 months	204,010	182,970	-	21,040
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	-
<b>Total</b>		<b>446,264</b>	<b>425,776</b>	<b>552</b>	<b>21,040</b>

### (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 Integrated 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 nine times in 2022 and the Chairman and members of the Committee attended all the meetings.

Name & Qualification	Designation	Directorship	No. of Meetings Attended in 2022
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	9/9
Mr Ang Chye Hock (Bachelor of Science in Electronics (Honours). More than 28 years of experience in the semiconductor industry.)	Member	Independent Director	9/9
Mdm Lim Siew Eng (Bachelor of Economics (Honours) degree. More than 28 years of working experience in the financial services industry.)	Member	Independent Director	9/9

## 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 at <https://www.unisemgroup.com/company-info/corporate-governance/>.

## SUMMARY OF WORK

The Committee met nine times during the financial year ended 31 December 2022. 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 all relevant accounting policies are in place 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; and
- 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 2022 and 27 October 2022 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.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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

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

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

- demonstration of objectivity and skepticism including challenges to management with their outcomes;
- assessment of safeguards on conflict of interest with regards to the provision of non-audit services; and
- 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 two years before being appointed as a member of the ARMC.

## **Risk Management And Internal Control**

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

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

In November 2022, 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 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 & Risk 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.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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

- Order Processing, Billing and Credit Control;
- Property Plant & Equipment Management;
- IT General & Cybersecurity Controls;
- Procurement & Vendor Management;
- Human Resource (“HR”) & Payroll Management;
- Whistle Blowing Policy; 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 2022.

The cost incurred for the internal audit function of the Group in respect of the financial year ended 31 December 2022 amounted to RM276,532.

# 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 2022.

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 knowable 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**

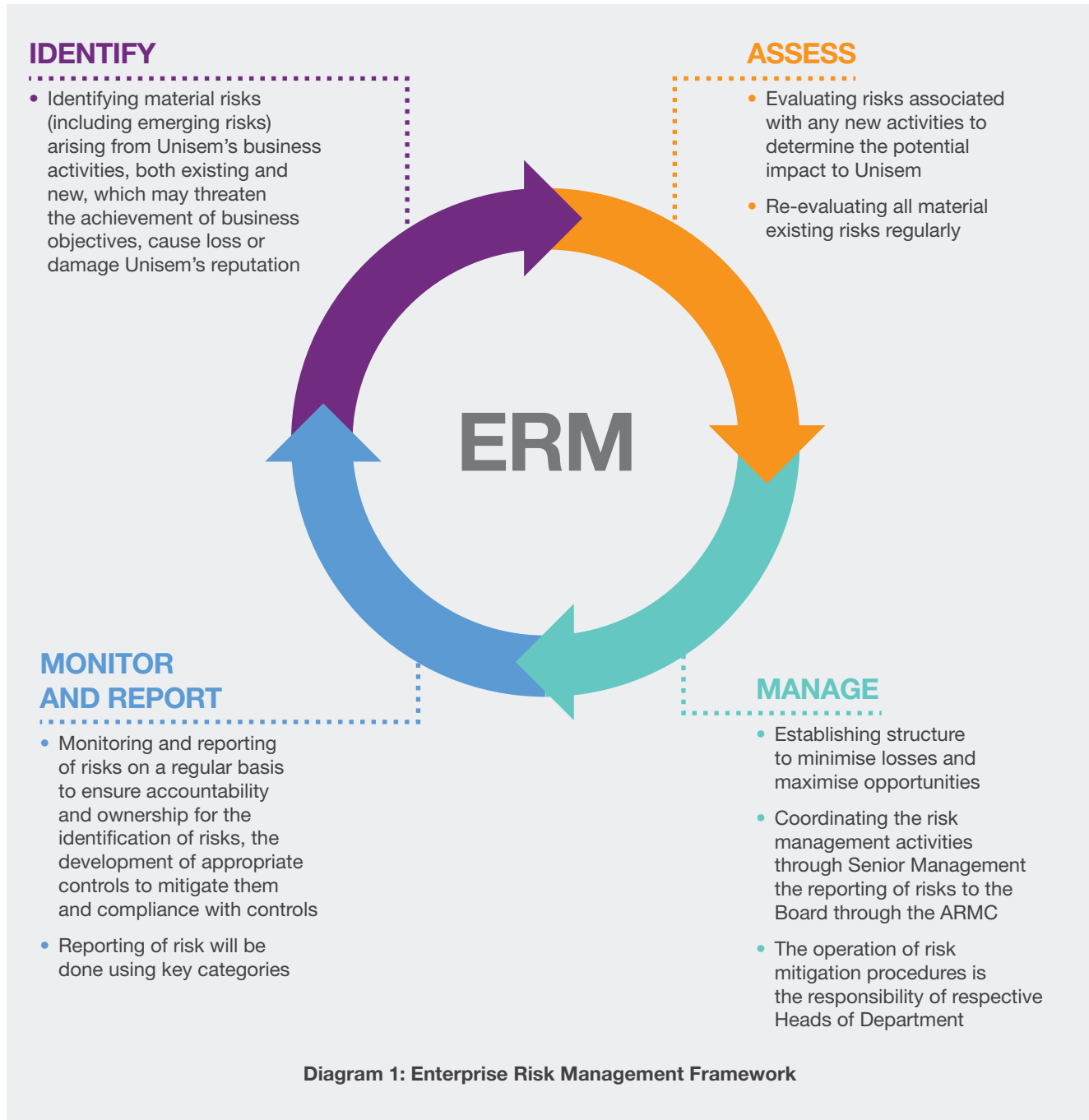
The Group has instituted an ERM framework which is consistent with that espoused by the Committee of Sponsoring Organisations of Treadway Commission (“COSO”). The ERM framework is designed to systematically identify, analyse, monitor and report key risks and the likelihood of risk occurrence as well 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.

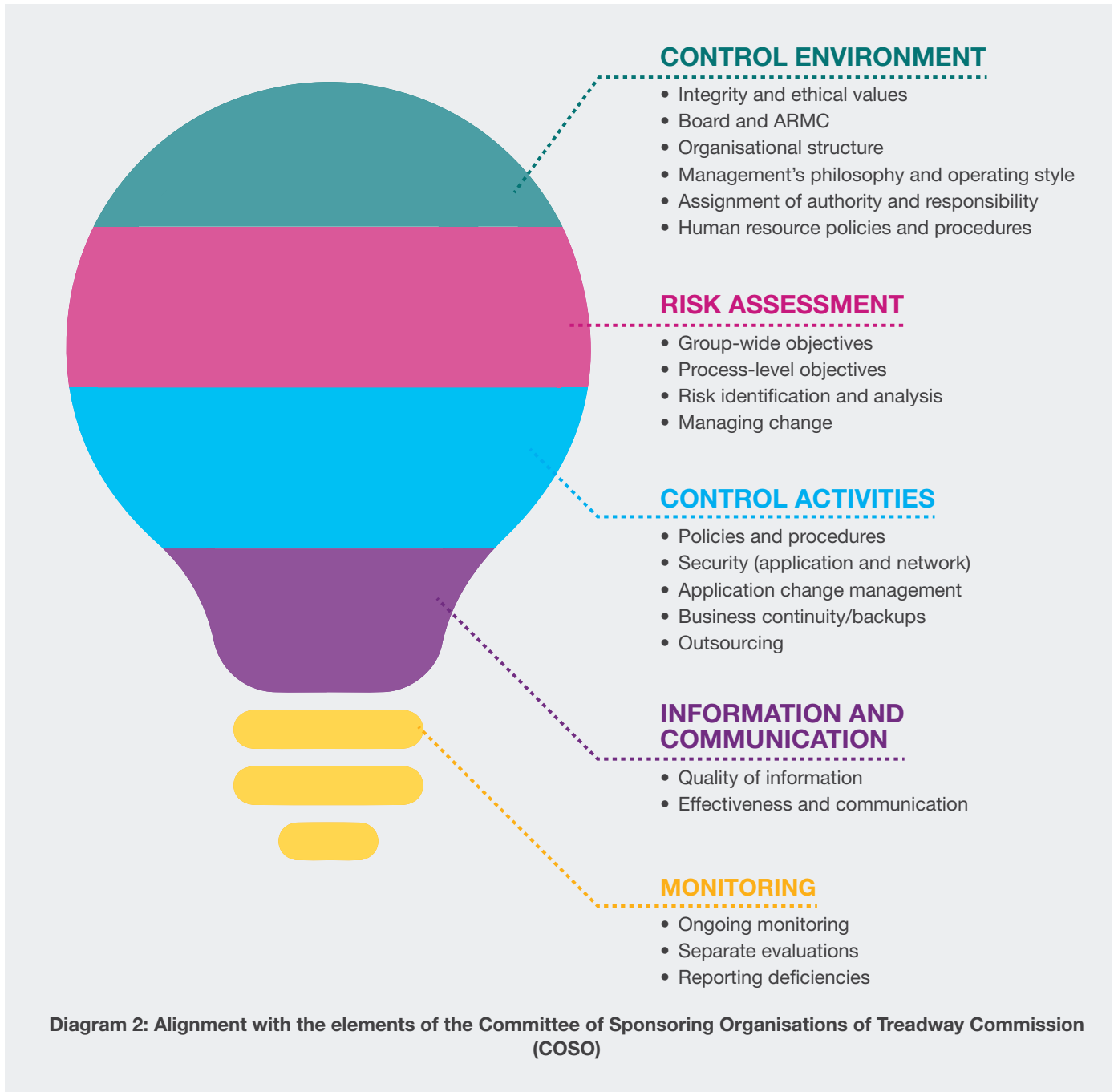
# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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





# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Internal control framework

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

<b>1</b>	<b>ORGANISATION STRUCTURE WITH DEFINED ROLES AND RESPONSIBILITIES</b>	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.
<b>2</b>	<b>FORMALISED STRATEGIC PLANNING PROCESSES</b>	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.
<b>3</b>	<b>REPORTING AND REVIEW</b>	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.
<b>4</b>	<b>DOCUMENTED POLICIES AND PROCEDURES</b>	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.
<b>5</b>	<b>CODE OF ETHICS</b>	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.
<b>6</b>	<b>CONTINUOUS EMPLOYEE EDUCATION</b>	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.
<b>7</b>	<b>QUALITY CONTROL</b>	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.
<b>8</b>	<b>FINANCIAL PERFORMANCE</b>	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 ("IPPF"), promulgated by the Institute of Internal Auditors.

For the financial year ended 31 December 2022, the internal audit function assessed the adequacy and operating effectiveness of internal controls deployed by Management for the Group's key processes namely, procurement and vendor management; order processing billing and credit control; property plant and equipment management; IT general and cybersecurity controls; human resource and payroll management; and management of whistle blowing complaints, if any. 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 & Risk 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 RM276,532.

## **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 Integrated Annual Report of the Group for the financial year ended 31 December 2022.

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 Integrated Annual Report of the Company was not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate.

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

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


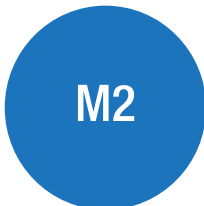


The Group Managing Director has also provided documented assurance to the Board that the Group's risk management and internal control system, in all material aspects, are operating adequately and effectively based on the risk management and internal control framework of the Group.

# THE STRATEGY & FOCUS AREAS



# OUR MATERIAL TOPICS

By applying the concept of materiality, we identified 4 Material Topics deemed to be crucial for driving Unisem Group’s ability to create and preserve value in line with our Vision and Mission in the long term.

			
<b>Maintaining presence and relevance in the market</b>	<b>Optimising value for shareholders and customers</b>	<b>Protecting and supporting our people</b>	<b>Responsible business and corporations</b>
<p>The semiconductor industry is moving fast and it is of paramount importance for Unisem to remain relevant in the market by ensuring our products and services are able to keep up with the pace of the market.</p> <p>We continue to maintain our focus on the pursuit of technological capabilities and innovative solutions/ smart manufacturing to help us sharpen our competitive edge. This is critical in attracting and retention of new and current customers.</p>	<p>All successful businesses strive to achieve an optimum balancing point between delivering value to customers through quality products and services and creating healthy financial returns for shareholders.</p> <p>It is necessary to optimise the use of resources and that also includes minimising externalities created through raw materials and operations in order to create and deliver real value to customer and shareholders.</p>	<p>People are one of our greatest assets and we are committed to protecting our people including via ensuring a safe and healthy working environment, supporting human and social development, and supporting the development of talents in the industry.</p> <p>Focusing on people development increases Unisem productive capacity of our people resources at all levels and also ensure seamless continuity growth of home-grown talents.</p>	<p>Unisem expects all its facilities, key suppliers and employees to commit to the ESG framework and criteria. In this respect, we have invested significant efforts in ESG training and building awareness.</p> <p>This includes respecting human rights in accordance with the Universal Declaration of Human Rights and minimising waste and wastage of resources, as well as playing our part in global efforts to combat climate change. We also acknowledge our role in promoting these values and responsibilities within our supply chain.</p>

# UNISEM'S STRATEGIC PRIORITIES

Unisem's strategic priorities reflect our strategies for managing our Material Topics and they are reviewed annually by the Board to ensure they remain relevant and most appropriate for charting the Group's directions towards its Vision and Mission.

Following the inevitable trend of AI development and greater adoption in daily applications, as well as the increasingly competitive and challenging industry and supply chain facing the world, our Strategic Priorities to pursue operational excellence, ability to build robust relationships with customers and suppliers, and ability to keep up with technology only get more relevant to Unisem. We continue to commit to adopting international standards and best practices when it comes to being a responsible corporation and taking care of the environment and people involved in our value chain.



## 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.

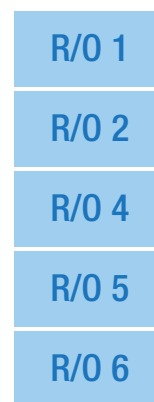
## Key Capitals



## Material Themes



## Associated Risks and Opportunities





# UNISEM'S STRATEGIC PRIORITIES



## 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.

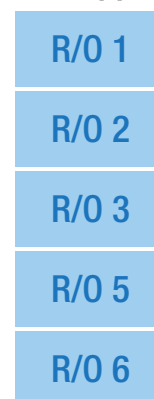
### Key Capitals



### Material Themes



### Associated Risks and Opportunities



## 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.

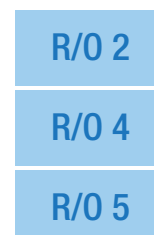
### Key Capitals



### Material Themes



### Associated Risks and Opportunities



# UNISEM'S STRATEGIC PRIORITIES

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## 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 including environmentally responsible and ethical business operations. 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.

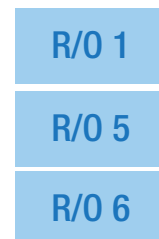
## Key Capitals



## Material Themes



## Associated Risks and Opportunities



# ASSOCIATED RISKS, AND OPPORTUNITIES AND HOW WE MANAGE THEM

Key Risk 1 - Political, economic and regulatory risks

R/O 1

Affected Capitals:



Political and economic conditions and regulatory development in Malaysia and other countries, especially in which our customers, supply chain, or the Group’s operations are located, 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.

**Mitigation Approaches:**

- we closely monitor master plans and annual budgets of relevant governments’ masterplan, especially with respect to long-term economic and development policies to enable the Group to stay ahead as well as capitalise on any regulatory changes
- we conduct ongoing monitoring of political, economic, and regulatory risks of countries, regions, and markets which may affect the Group’s operations, customers, and supply chain
- we perform ongoing review of short and long-term business strategies to determine if key success factors may be implicated by changes in political, economic, or regulatory risks, including considering if business strategies require adjustments to respond to these changes

**Associated Opportunities:**

Identify arbitrage opportunities for Unisem to step in in the event of geo-political risks which affect the global supply chain and competitors or other markets.

**FY2022 Highlights:**

The conflict between Ukraine and Russia in 2022 has caused upward fluctuation in commodity prices, exchange rates, and has affected supply chains and economic recoveries of countries globally. This poses a greater challenge for Unisem Group to manage its supply chain and margins.

At Unisem, we closely monitor key elements affecting operational continuity, supply chain, and margins and rigorously manage our risks through scenario analyses and incorporate necessary alternatives to ensure business continuity, including maintaining reasonable stock buffer levels and ongoing identification of alternatives to supply sources. This will increase the overall cost of doing business.

China’s “Zero-COVID” policy remained largely in place throughout FY2022 and has slowed down business operations and affected supply chain for Unisem Chengdu. Nevertheless, the impact was strategically diversified by Unisem Ipoh’s operations which has seen an increase in sales order arising from international businesses shifting to service providers outside China.

In addition, due to geo-political and economic factors, many global semiconductor businesses are adopting a “China Plus One” strategy to diversify businesses and supply chain outside China. This phenomenon poses an opportunity for Unisem to capture these customers, especially in Unisem Ipoh.

# ASSOCIATED RISKS, AND OPPORTUNITIES AND HOW WE MANAGE THEM

Key Risk 2 - Dependence on experienced personnel and manpower

R/O 2

Affected Capitals:

IC

HC

S & RC

Our continued success depends to a certain extent upon the abilities and continued efforts of our existing Directors, key management and technical personnel. Amongst others, they bring leadership, experience, key technical skills, and technical skills to support smooth and continuous business strategies and operations.

Our design capabilities also depend substantially on the number of skilled, professional and knowledge workers with a high level of competence and commitment. Software engineers, system architects, 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.

Competition for manpower is also aggressive in the regions where we have operations. Not being able to secure adequate manpower may impair the efficiency of production process and cost management.

#### Mitigation Approaches:

- we continue to review and innovate our human resources strategy to attract and retain key personnel and adequate highly skilled employees, focusing on succession planning, people competency development, and appropriate compensation and benefits packages.
- we undertake continuous efforts to strategically develop a dynamic and strong management team and groom our personnel in assisting senior key personnel to operate and manage operations, as part of succession planning and development.
- our new plants will adopt automation and Industry 4.0 technology which will help reduce reliance on labour manpower.

#### Associated Opportunities:

Existing management personnel possesses the relevant leadership and experience to further drive business strategy.

Unisem Group is expanding its capacity and building new plants and this expansion provides an opportunity for Unisem to adopt and incorporate automation and Industry 4.0 technology in our production flow while maintaining continuity of existing production activities, paving our path to optimising automation-manpower balance in our operations.

#### FY2022 Highlights:

FY2022 has seen a few global semiconductor players increasing investments and setting up plants in Malaysia.

At the same time, the Malaysian government continues to express the need to reduce overall national reliance on foreign workers in the long-term. It is expected that the cost of hiring will continue to rise, in addition to the raising of minimum wage to RM1,500 in Malaysia.

In Unisem Chengdu, competitive labour market continues to be an industry-wide phenomenon. We continued to undertake active hiring activities to cope with the turnover.

The adoption of automation and Industrial 4.0 technology in our new plants will be one of our key strategies to step-up our technology assisted production processes to enhance operational excellence while reduce reliance on manpower.

# ASSOCIATED RISKS, AND OPPORTUNITIES AND HOW WE MANAGE THEM

Key Risk 3 - Dependence on major customers

R/O 3

Affected Capitals:

FC

IC

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.

#### Mitigation Approaches:

- we continue to strengthen our existing long-term relationship and partnership with our existing customers which enables mutual growth.
- we review and expand our business proposition/model to extract new customers impacted by the geo-political "China Plus One" phenomenon.
- as a turnkey services provider, Unisem is equipped with a wide range of service capabilities to serve the different needs of our customers and growing our customer base.
- we carry out rigorous financial monitoring to ensure health financial position and cash flow, including any red flags arising from dependence on major customer.

#### Associated Opportunities:

The current market and industry environment, including the "China Plus One" phenomenon, poses an opportunity for Unisem Group to capture and grow its customer base.

The Group's plant expansion plans are set to prepare us for greater production capacity to serve more customers in the future, increasing our customer base and diversifying concentration risks.

The Group has two main operating sites, i.e. Unisem Ipoh and Unisem Chengdu, which allows the Group to capture and serve customers of different regions and markets.

#### FY2022 Highlights:

In recent years, due to changes in the global and country-specific political and economic contexts, semiconductor players are seeking to expand and diversify operations and service providers beyond China and this creates an opportunity for us to capture and grow our customer base for Unisem Ipoh.

We continued to focus on strengthening fundamentals which enable us to create and deliver value for customers, such as operational excellence, customer relationship management approach, innovative solutions, capacity expansion, etc. Our focus aims to build a solid foundation for sustainable growth of our customer base in the long term.

# ASSOCIATED RISKS, AND OPPORTUNITIES AND HOW WE MANAGE THEM

## Key Risk 4 - Cyclical nature of the semiconductor industry

R/O 4

### Affected Capitals:

FC

HC

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 build-up 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.

#### Mitigation Approaches:

- we closely monitor the industry's trend and market sentiment to identify cyclical downturns and adjust our business strategies accordingly.
- we take cognisance of the cyclical nature of the industry and strategically plan our financial and operational focuses to address issues arising during an expected downturn, such as ensuring sufficient cash flow buffer, minimising expenses during times of low utilisation, etc.
- we continue to serve our customers during cyclical downturns via collaborative research and new product development activities to support their future business.
- we offer a range of services and solutions which also help us diversify and mitigate the impact of cyclical downturns which may occur at different times for different products and services.

#### Associated Opportunities:

Cyclical downturns poses opportunities and time for the organisation to conduct market analysis to identify critical and strategic initiatives for execution for the upturn. This is to prepare us for the upsurge to stay ahead of our competitors. Initiatives can include upgrading and enhancement of key business processes, development of human resource, upgrading organisation capabilities and better customers need alignment.

#### FY2022 Highlights:

In the past few years, while nations worldwide were battling with the COVID-19 pandemic, the semiconductor market generally experienced a shortage of chips, while chipmakers underwent capacity expansion activities to respond to market demands. Post-COVID, the industry began to see signs of slowing down, especially in the segment of memory chips, due to various factors including adequate market supply and inflationary pressures in various economies. On the other hand, market demand for automotive chips is expected to continue to be strong arising from anticipated demand for electric vehicle.

Equipped with the required capacity and capabilities, Unisem Group was able to capture market demand and continued to generate sustainable revenue throughout these years.

In addition, we conduct ongoing monitoring of market sentiments, through various channels including engagement with customers, to plan and adjust our business strategies according to market demands and conditions.

Our plant expansion activities have also incorporated considerations which enables production to serve the various market demands arising from cyclical nature of semiconductor products. In this regard, we may also need to balance between automation-related investments and flexibility of our facilities to cater for production needs of different products.



# ASSOCIATED RISKS, AND OPPORTUNITIES AND HOW WE MANAGE THEM

Key Risk 5 - Competitive industry environment

R/0 5

Affected Capitals:



The semiconductor assembly and test industry is highly competitive. 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.

- Mitigation Approaches:**
- in order to enhance our competitive edge, we seek to create and deliver value to customers with optimum cost by pursuing operational excellence
  - the Group undertakes a product and service differentiation strategy which sets Unisem apart from competitors by supporting customers’ research and development needs as well as ability to serve customers in specific niche market within the OSAT industry

**Associated Opportunities:**

Unisem business model for providing turnkey solutions and ability to serve niche markets enables us to stand out in the competitive market.

**FY2022 Highlights:**

Our plant expansion plans are one of the key factors that boost capacity and enhance cost optimisation by attaining greater economies of scale. In addition, investments in automation technologies and streamlined process flows arising from the expansion are expected to better equip Unisem to compete with other global industry players.

We will continue to adopt our product and service differentiation strategy and business model to set ourselves apart by delivering added value through quality and innovative solutions.

# ASSOCIATED RISKS, AND OPPORTUNITIES AND HOW WE MANAGE THEM

Key Risk 6 – Cybersecurity Risks

R/O 6

Affected Capitals:

IC

S & RC

We operate a highly digitalised business and we have various sort of data, including customer data, intellectual property data, management and operational data which may be vulnerable to leakage in the event of a cybersecurity breach.

We handle and manage confidential information that are critical for safeguarding customer trust, business continuity, as well as the long-term competitive edge of our business. Not being able to protect this information from cyberattacks may cause significant consequences for the business.

**Mitigation Approaches:**

- we have internal controls to guide employees the safe and proper usage of IT infrastructure and tools so as to protect the integrity of the Group’s information system
- we perform reviews of our information system to identify and remedy system weaknesses and implement additional controls to prevent, detect, and reduce the impact of possible cyberattacks

**Associated Opportunities:**

Nil

**FY2022 Highlights:**

In FY2022, we continued to increased focus on safeguarding our information system. We have engaged external consultants to review and monitor the integrity and security of our systems, including performing assessments, enhancement, and tests to ensure our information and data, including customers’ data, other personal data, intellectual property, and other business information remain secure. Amongst other enhancements, we are strengthening our firewall and anti-virus software.

# CREATING VALUE FOR STAKEHOLDERS

We strive to create and deliver value for all our stakeholders while balancing the priorities and interest of different stakeholder groups, which may also depend on the relationship they have with the Group considering our business model. We aim to fairly address the interest of stakeholders and our stakeholder engagement approaches are aligned to support the Strategic Priorities.

We 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.

## Stakeholder Assessment and Prioritisation

Stakeholders are considered in the context of how they shape our internal and external business environment, their influence and reliance on our business model, how they affect our access to and relationships with the 6 capitals, as well as our legal and social obligations to them. Based on these consideration, Unisem prioritises stakeholders and establishes appropriate engagement strategies which help us manage relationship, align interest and foster mutual understanding, as well as facilitating communication of expectations such as business and sustainability strategies, priorities, and performance. We regularly engage stakeholders to hear their view, their needs and wants, and we also have channels through which they can initiate dialogues with us.

The Board, assisted by the Sustainability Committee, provides oversight to the Group’s overall stakeholder engagement activities. The Sustainability Committee reviews and considers the Group’s overall effectiveness in our stakeholder engagement approaches and channels, and it also ensures significant views and concerns of stakeholders are considered in business decisions.

Stakeholder Group	Engagement Approach	Focus Areas	Relevant capitals	Relevant Strategic Priorities	Key Information
Shareholders	<ul style="list-style-type: none"> <li>Annual general meetings</li> <li>Quarterly announcements</li> <li>Ad-hoc meetings</li> <li>Announcement on Bursa’s website</li> </ul>	<ul style="list-style-type: none"> <li>Continuous business growth, including new market penetration</li> <li>Operational sustainability during COVID-19 pandemic</li> </ul>	FC	A, D	<ul style="list-style-type: none"> <li>Chairman’s Letter</li> <li>Our Strategy and Focus Areas</li> <li>Our Performance</li> <li>Managing Our Business</li> <li>How we do Business</li> </ul>
Directors	<ul style="list-style-type: none"> <li>Quarterly and ad-hoc Board and Board Committee meetings</li> </ul>	<ul style="list-style-type: none"> <li>Continuous business and operational improvement</li> <li>Financial risk</li> <li>Compliance with laws, regulations, and industry standards</li> <li>Financial results</li> <li>Interests of stakeholders and shareholders</li> <li>Operational sustainability during COVID-19 pandemic</li> <li>Continuous investment in R&amp;D</li> <li>Minimising environmental impacts</li> </ul>	FC, MC, IC, HC, NC, S & RC	A, B, C, D	<ul style="list-style-type: none"> <li>Corporate Governance Overview Statement, Audit Committee and Risk Management Report, and Statement on Risk Management and Internal Control</li> <li>Corporate Governance Report</li> <li>Our Strategy and Focus Areas</li> <li>Our Performance</li> <li>Managing Our Business</li> <li>How we do Business</li> </ul>

# CREATING VALUE FOR STAKEHOLDERS

Stakeholder Group	Engagement Approach	Focus Areas	Relevant capitals	Relevant Strategic Priorities	Key Information										
Senior Management	<ul style="list-style-type: none"> <li>Management meetings</li> <li>Ad-hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring safe, humane working environment and respecting human rights</li> <li>Ensuring customer requirements are met, including protecting customer data</li> <li>Supply chain management, including eliminating conflict minerals</li> <li>Adherence to RoHS, REACH and environmental regulations</li> <li>Talent retention by providing competitive compensation and benefits packages for employees</li> <li>Proper management and disposal of hazardous waste</li> <li>Energy efficiency</li> <li>R&amp;D</li> </ul>	<table border="1"> <tr> <td>FC</td> <td>MC</td> </tr> <tr> <td>IC</td> <td>HC</td> </tr> <tr> <td>NC</td> <td>S &amp; RC</td> </tr> </table>	FC	MC	IC	HC	NC	S & RC	<table border="1"> <tr> <td>A</td> <td>B</td> </tr> <tr> <td>C</td> <td>D</td> </tr> </table>	A	B	C	D	<ul style="list-style-type: none"> <li>Our Strategy and Focus Areas</li> <li>Our Performance</li> <li>Managing Our Business</li> <li>How we do Business</li> </ul>
FC	MC														
IC	HC														
NC	S & RC														
A	B														
C	D														
Employee	<ul style="list-style-type: none"> <li>Annual Employee Climate Survey</li> <li>Quarterly forums held by the site COO with employees on financial and operational updates at Unisem Ipoh</li> <li>“Open-door” practices to provide feedback</li> <li>Annual performance evaluation sessions</li> <li>Ethics hotline/whistleblowing channel</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring safe, humane working environment and respecting human rights</li> <li>Nurturing culture, including provision of learning and development opportunities</li> <li>Competitive compensation and benefits packages for employees</li> <li>Proper management and disposal of hazardous waste</li> </ul>	<table border="1"> <tr> <td>IC</td> <td>HC</td> </tr> <tr> <td>S &amp; RC</td> <td></td> </tr> </table>	IC	HC	S & RC		<table border="1"> <tr> <td>A</td> <td>B</td> </tr> <tr> <td>C</td> <td>D</td> </tr> </table>	A	B	C	D	<ul style="list-style-type: none"> <li>How We Do Business</li> <li>Our People</li> </ul>		
IC	HC														
S & RC															
A	B														
C	D														

# CREATING VALUE FOR STAKEHOLDERS

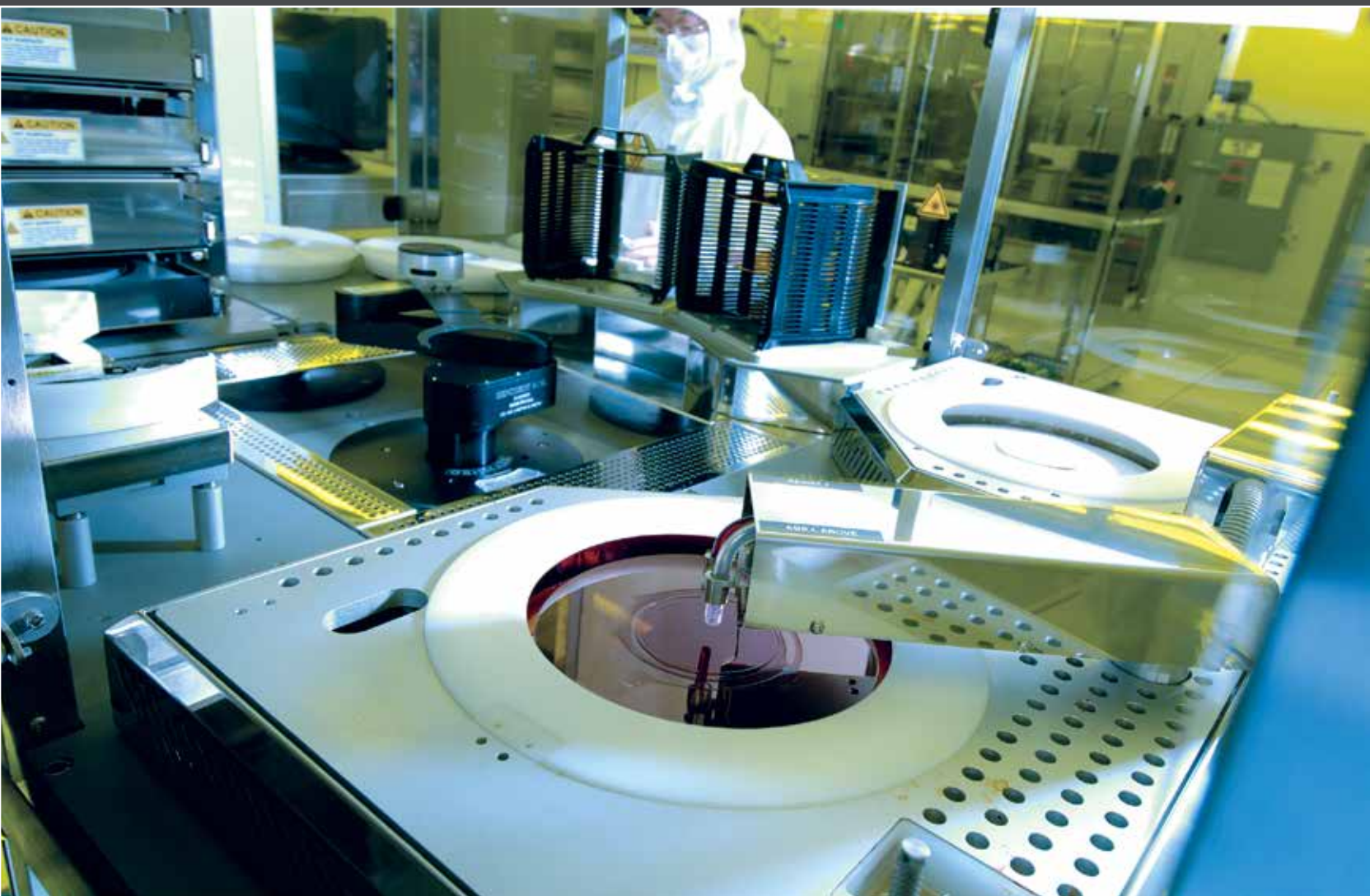
Stakeholder Group	Engagement Approach	Focus Areas	Relevant capitals	Relevant Strategic Priorities	Key Information
Customers	<ul style="list-style-type: none"> <li>Quarterly business reviews</li> <li>Annual customer satisfaction surveys</li> <li>Ad-hoc meetings and audits</li> <li>Ethics hotline/whistleblowing channel</li> </ul>	<ul style="list-style-type: none"> <li>Quality assurance and reliable products and services</li> <li>Competitive pricing and on-time delivery</li> <li>RBA-compliant operations at Unisem, as well as compliance with local and international regulations (e.g. RoHS and REACH)</li> <li>Ensuring safe, humane working environment and respecting human rights</li> <li>New product development projects</li> </ul>	<div style="display: flex; flex-wrap: wrap;"> <div style="background-color: #90EE90; padding: 5px; margin: 5px;">MC</div> <div style="background-color: #90EE90; padding: 5px; margin: 5px;">IC</div> <div style="background-color: #90EE90; padding: 5px; margin: 5px;">S &amp; RC</div> </div>	<div style="display: grid; grid-template-columns: 1fr 1fr; gap: 5px;"> <div style="background-color: #66B3FF; padding: 5px;">A</div> <div style="background-color: #66B3FF; padding: 5px;">B</div> <div style="background-color: #66B3FF; padding: 5px;">C</div> <div style="background-color: #66B3FF; padding: 5px;">D</div> </div>	<ul style="list-style-type: none"> <li>Managing Our Business</li> <li>Our Focus on Customers</li> </ul>
Suppliers/Contractors	<ul style="list-style-type: none"> <li>Annual supplier audits</li> <li>Supplier briefings</li> <li>Conduct of Self-Assessment Questionnaires</li> <li>Ad-hoc tender exercises and meetings</li> <li>Ethics hotline/whistleblowing channel</li> </ul>	<ul style="list-style-type: none"> <li>Fair tender practices</li> <li>Competitive pricing</li> <li>Business continuity</li> <li>Quality materials/parts/services</li> <li>Freely chosen labour</li> <li>Fair wages</li> <li>Responsible Mineral Initiative</li> </ul>	<div style="display: flex; flex-wrap: wrap;"> <div style="background-color: #90EE90; padding: 5px; margin: 5px;">FC</div> <div style="background-color: #90EE90; padding: 5px; margin: 5px;">NC</div> <div style="background-color: #90EE90; padding: 5px; margin: 5px;">S &amp; RC</div> </div>	<div style="display: grid; grid-template-columns: 1fr 1fr; gap: 5px;"> <div style="background-color: #66B3FF; padding: 5px;">A</div> <div style="background-color: #66B3FF; padding: 5px;">B</div> <div style="background-color: #66B3FF; padding: 5px;">D</div> </div>	<ul style="list-style-type: none"> <li>How we do Business</li> </ul>
In-house Union	<ul style="list-style-type: none"> <li>Monthly formalised union meetings</li> <li>Ad-hoc meetings</li> </ul>	<ul style="list-style-type: none"> <li>Industrial harmony between Management and employees</li> <li>Employees' rights and Unisem's responsibility in providing welfare to employee</li> <li>Resolving misunderstanding and grievances</li> <li>Maintaining high level of productivity, efficiency, and discipline</li> </ul>	<div style="display: flex; flex-wrap: wrap;"> <div style="background-color: #90EE90; padding: 5px; margin: 5px;">HC</div> <div style="background-color: #90EE90; padding: 5px; margin: 5px;">S &amp; RC</div> </div>	<div style="display: grid; grid-template-columns: 1fr; gap: 5px;"> <div style="background-color: #66B3FF; padding: 5px;">D</div> </div>	<ul style="list-style-type: none"> <li>How we do Business</li> <li>Our People</li> </ul>

# CREATING VALUE FOR STAKEHOLDERS

Stakeholder Group	Engagement Approach	Focus Areas	Relevant capitals	Relevant Strategic Priorities	Key Information
Law enforcers/ regulators	<ul style="list-style-type: none"> <li>Regular reporting (e.g. annual air quality and waste disposal reports, workplace incident reports)</li> <li>Quarterly announcements</li> <li>Ad-hoc report submissions as and when requested by regulators</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with relevant laws and regulations</li> <li>Corporate governance</li> </ul>	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px;">HC</div> <div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px;">NC</div> </div> <div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px; margin-top: 5px;">S &amp; RC</div>	<div style="border: 1px solid blue; background-color: #bbdefb; padding: 5px; width: 30px; margin: 0 auto;">D</div>	<ul style="list-style-type: none"> <li>How we do Business</li> <li>Our People</li> <li>The Environment</li> </ul>
Ministry/ local council	<ul style="list-style-type: none"> <li>Annual council meetings</li> </ul>	<ul style="list-style-type: none"> <li>Support towards local communities, including contributions to community matters</li> <li>Administrative management of foreign workers</li> </ul>	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px;">S &amp; RC</div> <div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px;">NC</div> </div>	<div style="border: 1px solid blue; background-color: #bbdefb; padding: 5px; width: 30px; margin: 0 auto;">D</div>	<ul style="list-style-type: none"> <li>Our People</li> <li>The Environment</li> </ul>
Financial Institutions	<ul style="list-style-type: none"> <li>Ad-hoc focus group discussions</li> </ul>	<ul style="list-style-type: none"> <li>Business continuity opportunities</li> </ul>	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px;">FC</div> <div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px;">S &amp; RC</div> </div>	<div style="display: flex; justify-content: space-around; width: 100%;"> <div style="border: 1px solid blue; background-color: #bbdefb; padding: 5px; width: 30px;">A</div> <div style="border: 1px solid blue; background-color: #bbdefb; padding: 5px; width: 30px;">B</div> </div>	<ul style="list-style-type: none"> <li>Our Strategy and Focus Areas</li> <li>Our Performance</li> <li>How we do Business</li> </ul>
Rating agencies/ analysts	<ul style="list-style-type: none"> <li>Quarterly credit reports and analyst briefings</li> </ul>	<ul style="list-style-type: none"> <li>Business continuity, transparency, and fair financial reporting</li> </ul>	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px;">FC</div> <div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px;">NC</div> </div> <div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px; margin-top: 5px;">S &amp; RC</div>	<div style="display: flex; justify-content: space-around; width: 100%;"> <div style="border: 1px solid blue; background-color: #bbdefb; padding: 5px; width: 30px;">A</div> <div style="border: 1px solid blue; background-color: #bbdefb; padding: 5px; width: 30px;">D</div> </div>	<ul style="list-style-type: none"> <li>Our Strategy and Focus Areas</li> <li>Our Performance</li> <li>How we do Business</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>On-going grievance channels and volunteering programmes</li> </ul>	<ul style="list-style-type: none"> <li>Noise monitoring and health, safety, and environmental management</li> <li>Contributions towards local communities, such as volunteering projects and donations</li> </ul>	<div style="border: 1px solid green; background-color: #c8e6c9; padding: 5px; width: 50px; margin: 0 auto;">S &amp; RC</div>	<div style="border: 1px solid blue; background-color: #bbdefb; padding: 5px; width: 30px; margin: 0 auto;">D</div>	<ul style="list-style-type: none"> <li>Our People</li> </ul>



# OUR PERFORMANCE



# FIVE-YEAR FINANCIAL HIGHLIGHTS

	2018 RM'000	2019* (restated) RM'000	2020* RM'000	2021* RM'000	2022* RM'000
<b>Highlights from Consolidated Income Statements for the year ended 31 December</b>					
Revenue	1,351,276	1,119,819	1,289,294	1,568,923	1,781,838
EBITDA	273,831	251,428	332,499	407,670	479,688
Profit before taxation	111,063	98,111	164,024	222,628	279,680
Profit after taxation	95,833	78,979	142,579	198,243	243,411
<b>Highlights from Consolidated Statements of Financial Position As of 31 December</b>					
Property, Plant and Equipment	1,094,094	1,100,076	1,215,064	1,637,477	1,949,547
Current Assets	690,882	655,350	1,039,842	1,128,686	1,052,939
Non-Current Assets	18,617	17,061	16,640	16,798	16,323
<b>Total Assets</b>	<b>1,803,593</b>	<b>1,772,487</b>	<b>2,271,546</b>	<b>2,782,961</b>	<b>3,018,809</b>
Current Liabilities	294,371	254,353	328,288	463,760	453,797
Deferred Tax Liabilities	10,994	24,522	37,889	57,290	63,133
Other Non-Current Liabilities	60,101	138,357	132,573	95,793	85,473
<b>Total Liabilities</b>	<b>365,466</b>	<b>417,232</b>	<b>498,750</b>	<b>616,843</b>	<b>602,403</b>
Share Capital	595,367	595,367	876,118	1,036,677	1,036,677
Treasury Shares	(15,888)	(15,888)	(15,888)	-	-
Reserves	851,351	775,776	912,566	1,129,441	1,379,729
Non-controlling Interests	7,297	-	-	-	-
<b>Shareholders' Equity</b>	<b>1,438,127</b>	<b>1,355,255</b>	<b>1,772,796</b>	<b>2,166,118</b>	<b>2,416,406</b>
<b>Key Financial Ratios</b>					
EBITDA margin	20%	22%	26%	26%	27%
Net earnings per share - Basic (sen)	6.57 <sup>^</sup>	5.48 <sup>^</sup>	9.75 <sup>^</sup>	12.35	15.09
Net dividend per share (sen)	7.50	6.00	6.00	6.00	6.00
Debt / Equity ratio	0.05	0.13	0.12	0.08	0.08
Net assets per share (RM)	0.98 <sup>^</sup>	0.93 <sup>^</sup>	1.14 <sup>^</sup>	1.34	1.50

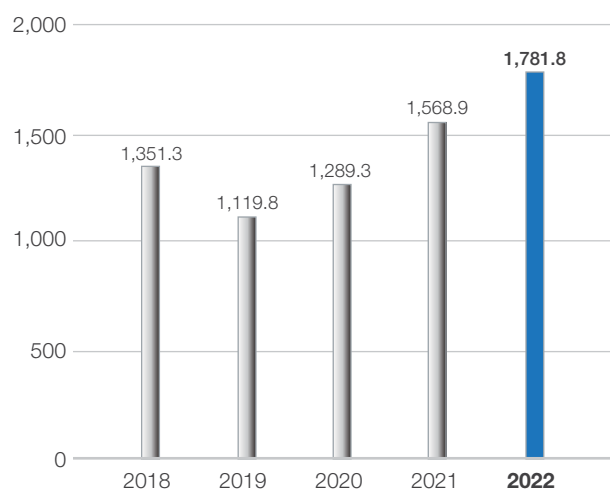
\* Continuing Operations only

<sup>^</sup> Adjusted for bonus issue

# FIVE-YEAR FINANCIAL HIGHLIGHTS

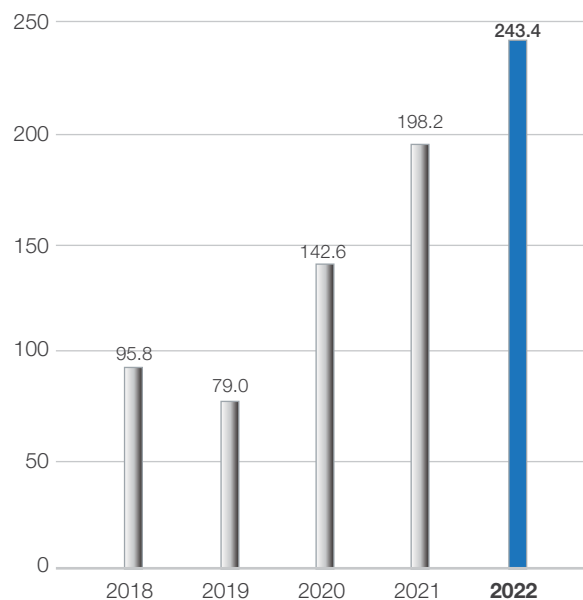
## REVENUE

(RM'million)



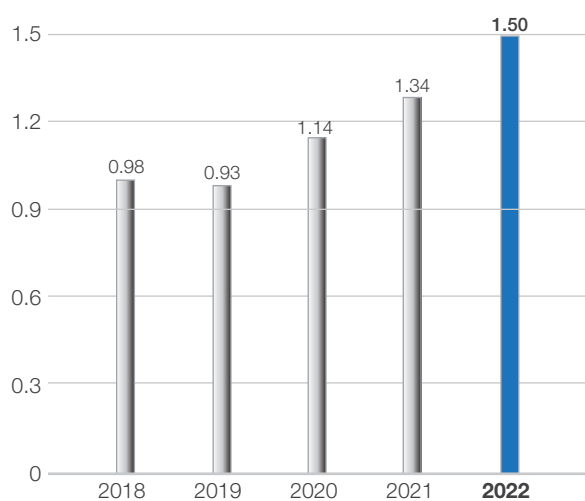
## PROFIT AFTER TAXATION

(RM'million)



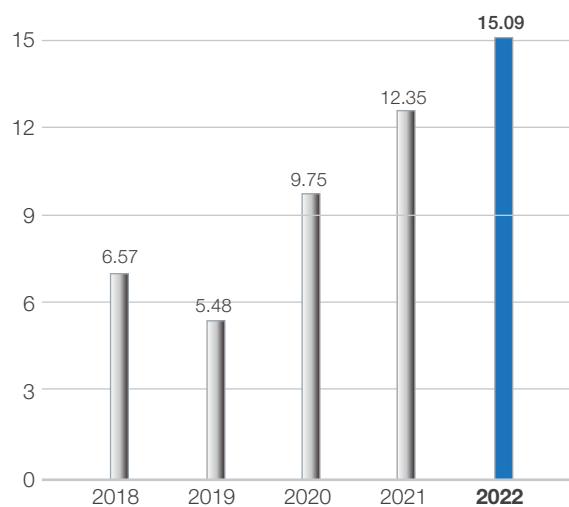
## NET ASSETS PER SHARE

(RM)



## NET EARNINGS PER SHARE

(Sen)



# MANAGEMENT DISCUSSION AND ANALYSIS

The year 2022 has seen the global and regional borders and markets gradually opening up while industries ramped up orders to fill in the gaps left opened by the pandemic in the past years. While overall orders for the Outsourced Semiconductor Assembly and Test (“OSAT”) industry remain active, the industry is seeing signs of a shift in the market as customers are exploring new or alternate OSAT service providers to mitigate supply chain risks including those arising from geopolitical uncertainties.

Overall, the overall business environment in Malaysia remained to be competitive in 2022 despite challenges from increasing cost of doing business, compliance requirements, inflation and higher interest rates. On the other hand, the Group’s operation in Unisem Chengdu continued to be subdued due to prolonged lockdown throughout most of the year and the impact of power restriction in Sichuan which was aimed to regulate power distribution in the region.

## Financial Performance and Position

On the back of better average selling price and stronger USD, Unisem Group delivered improved financial performance in FY2022 with a revenue of RM1.78 billion and net profit of RM243.4 million from continuing operations, an increase of 13.6% and 22.8% respectively from the previous financial year.

FY2022 tax expense is recorded at RM36.3 million, i.e. a 48.7% increase from FY2021 mainly due to higher profit before tax.

The Group’s operations are supported by strong financial position with RM556.0 million cash and cash equivalents and RM349.0 million unutilised bank facilities. As at 31 December 2022, bank borrowings were recorded at RM196.5 million, where RM33.0 million is non-current. The 12.3% increase in bank borrowings are mainly attributable to drawdowns for capital expenditures relating to our plant expansions. The Group maintains low debt/equity ratio of 0.08 as at 31 December 2022.

The Group’s capital expenditure for FY2022 amounted to RM550.3 million and was financed by internally generated funds as well as bank borrowings. 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.

## Focusing on our Strategic Priorities

Having our Vision set at the global horizon, we remained focused on pursuing our strategic priorities to guide our path towards success. The Group’s plant expansion projects will be one of our key focuses to broaden our capacity to serve customers while competing at high efficiency, not forgetting our social responsibility to also be efficient in our use of resources such as energy, water, and materials and reduce emissions and wastes.

The Group continued to deliver satisfactory customer service while we relentlessly upskill our client servicing team, in the aspects of technicalities as well as people skills, to serve our clients better. We are also actively expanding our team by identifying internal talents and facilitating cross-function transfers to drive growth in our customer base in the next few years.

We acknowledge that more effort is required to support our employees, especially after a challenging, prolonged period of lockdowns followed by difficult economic situations which have taken a toll on our employees’ working environment and morale.

# MANAGEMENT DISCUSSION AND ANALYSIS

This year, the Group reviewed its Environmental Roadmap and have set more aggressive targets for a period up to 2025, committing to greater efforts to deliver its environmental responsibilities. The Group targets to reduce its energy intensity and GHG emissions intensity by 10% against the 2020 baseline by 2025.

We are pleased to report that the Group has completed its LED-conversion project at Unisem Ipoh and Unisem Chengdu during 2022. The Group is also looking into areas where we can take advantage of solar power generation technologies to reduce reliance on fossil-based power.

During the financial year under review, we have initiated a readiness assessment for pursuing ISO 14064 in the coming years. The Group has also set milestones to achieve green building certifications for the new buildings planned for all plant expansion projects in Gopeng, Simpang Pulai, and Chengdu.

## Prospects and Outlook

According to the Semiconductor Industry Association (“SIA”), the global semiconductor industry experienced tremendous growth from mid-2020 with sales peaking at US\$573.5 billion in 2022, the highest-ever annual total and an increase of 3.2% compared to the 2021 total of US\$555.9 billion. However, sales slowed during the second half of 2022.

For 2023, the global semiconductor market is projected by the World Semiconductor Trade Statistics (“WSTS”) to decline by 4.1 percent to US\$557 billion, primarily due to a decline in the Memory segment of the industry. This category is projected to fall to US\$112 billion in 2023, dropping by 17 percent compared to the previous year.

The current short-term downturn, attributable to increasing inflation, geopolitical unrest, and the lingering effects of the covid pandemic, have contributed to decreased consumer spending, and fluctuations in demand for semiconductors, leading to a lower growth in the Consumer Electronics and Communication segments. However, the automotive, data servers, cloud usage, contactless and automated solutions segments of the market will continue to see increasing demand.

Despite all this, industry analysts have an overall positive outlook for 2023. According to the SIA, the long-term trend of the semiconductor industry has shown consistent growth over the last two decades, and the current short-term downturn does not change the reality that long-term growth prospects for this foundational technology remain very promising. Although macroeconomic headwinds have created short-term challenges for the semiconductor industry, this short-term adjustment, however, is not expected to change the structural drivers of industry growth that are expected to propel continued growth over the long term. The demand for semiconductors is expected to grow over the long term, as chips continue to make the world smarter, more efficient, and better connected.

Despite the current slow-down, the Board is of the view that the outlook of the Group for 2023 will be satisfactory as we tap into the growing segments of the market. In addition, we anticipate that our sizable plants and upgraded facilities in Malaysia are well-placed to benefit from customers looking to diversify their supply chain/production outside of China.

In the mid to long term, the Board expects the Group’s performance to improve further on the back of the positive outlook for the industry, the Group’s healthy balance sheet and the anticipated growth in its revenue and earnings from the capacity expansion at its Chengdu and Ipoh plants. We will continue to focus on the Consumer Electronics and Communication segments 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).

# OUR STRATEGIC PRIORITIES

A

Pursuit of operational excellence and quality products and services

- Achieved target to have revenue growth in FY2022. Actual performance: 13.6% y-o-y revenue growth.
- Achieved target of 52% recycling rate hazardous waste generated. Actual performance: 52% recycling rate for hazardous waste generated.
- Our overall cost of operation increased slightly for FY2022 due to greater resources such as storage and logistics expenses required to maintain a reasonably higher stock level to mitigate supply chain uncertainties. We expect some fundamental shifts in the global semiconductor value chain, partly due to geo-political and economic factors.
- Our current ongoing plant expansion in China and Malaysia are expected to boost capacity and to support our growth vision, as well as driving operational efficiency through sustainable resource management practices and more efficient economies of scale.
- Achieved our employee satisfaction score of 3.80 in FY2022. Actual performance: 3.71
- Improvement in injury frequency rate relating to industrial accidents. FY2022 performance: 1.03 compared to 1.44 in FY2021.
- No incidents of significant human rights or labour standards violations.
- 70% employees having minimum 6 hours training against a target of 75%.
- Missed our target of 5% reduction in GHG emission and energy intensity - FY2022: 3.4% reduction.
- Exceeded our target of 5% reduction in water consumption intensity at 56% reduction.
- Compliant with air emission laws and regulations and effluents and wastewater discharge regulations for the past 3 years.

- Managing Our Business - Business Performance, Sustainability Report
- Our Environment - Managing Waste and Effluent, Sustainability Report
- Our People - Employee Development, Sustainability Report
- Management Discussion and Analysis
- Financial Statements



# OUR STRATEGIC PRIORITIES

<p><b>B</b></p> <p><u>Development of long-term collaborative business partnerships with our customers and business associates</u></p>	<ul style="list-style-type: none"> <li>Achieved our internal customer satisfaction target of 90% in FY2022. Actual performance: 92%</li> <li>100% suppliers audit had been performance on all our 25 key suppliers at least once in the past two years.</li> <li>We continued to focus on enhancing our customer relationship management to develop the capacity to serve our customers and grow our customer base. We provide training for our customer management personnel to upskill them in various aspects including technical skills and people skills.</li> </ul> <p>In addition, we also ensure our research and development teams are technically robust to support the development needs of our customers. These development activities are initiated and align with customers' technology road map.</p>	<ul style="list-style-type: none"> <li>Our Focus on Customers - Serving Our Customers, Sustainability Report</li> <li>Managing our Business - Supply Chain Management</li> </ul>
<p><b>C</b></p> <p><u>Development of technological capabilities to stay current with market trend and demand</u></p>	<ul style="list-style-type: none"> <li>Development activities in accordance with our Technology Road Map.</li> <li>With respect to key developments, this year we completed 4 projects and added 3 new projects. amongst these include projects which are undertaken jointly with customers to suit their specific product needs.</li> <li>A total of 35 new processes and materials were qualified in 2022 to meet customer needs. To date, Unisem has obtained 31 patents up to date.</li> <li>In FY2022, the Group's research and development expenditure amounted to about RM9.0 million.</li> </ul>	<ul style="list-style-type: none"> <li>Managing Our Business - Pushing Our Technological Boundaries, Sustainability Report</li> <li>Our People - Employee Development, Sustainability Report</li> </ul>

# OUR STRATEGIC PRIORITIES

D

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

- Achieved target to remain compliant with regulatory standards.
  - Our operations are compliant with RBA standards and have passed RBA VAP reviews.
  - We continued to focus on enhancing our management of sustainability issues including economic, environmental, and social matters, focusing on ensuring compliance and further reviewing our environmental management strategies through a revised Environmental Roadmap with targets up to 2025 and targets to enhance resource efficiency and reduction in emission intensity of our operations.
- How We Do Business - Our RBA Obligations, Sustainability Report
  - The Environment, Sustainability Report

# KEY TRADE-OFFS OF OUR CAPITALS

The key trade-offs of the capitals during pursuing our priorities and undertaking strategic decisions towards value creation are highlighted as follows:

## Balancing between supply chain security and costs associated with keeping buffer stock

To mitigate supply chain uncertainties arising from the impact of the pandemic, global logistics challenges, geopolitical issues, and other factors, we have been performing regular monitoring of market conditions and have undertaken the strategy to increase our buffer stock. By doing so, we incurred opportunity costs and finance costs associated with working capital required for keeping higher stock levels while ensuring we continue to fulfil our promises to customers in delivering quality products and services.

- FY2022 revenue of RM1.78 billion, an increase of 13.6% compared to the previous year
- FY2022 profit of RM385 million, an increase of 95% compared to the previous year

## Investing in future production capacity and technology

Our capacity expansion projects in Chengdu and Perak aim to drive higher efficiency production in the future. The construction of a new production facility adjacent to our existing facility in Chengdu. The construction of the Phase 3 Building was completed in December 2022. We expect to commence production in first phase of Phase 3 Building, by the second half of 2023.

We also commenced construction of new semiconductor production facility in Gopeng, Perak, Malaysia in March 2022. Phase 1 of this new Gopeng Plant will have an aggregate build up area of about 53,000 square meters and the cost of construction will be approximately RM300 million. This investment has a medium to long-term nature where the return of investment may not be materialised within the short term.

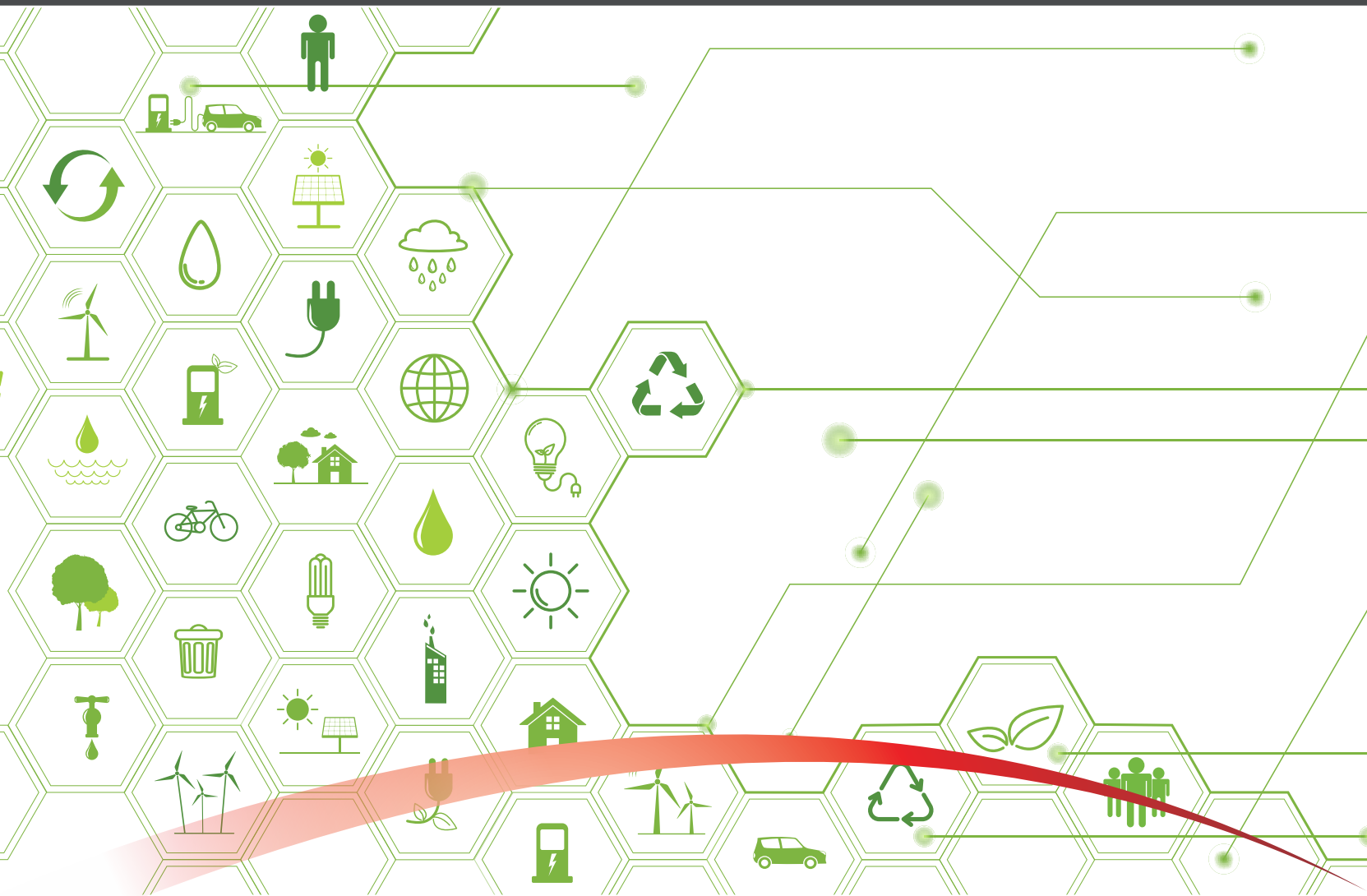
The planned capital investment includes smart manufacturing concepts, automation and industry 4.0 infrastructure to transition Unisem into global first-tier manufacturing organisation.

- Capital investment of RM550 million in FY2022
- Expected increase in production capacity.
- FY2022 dividend amounted to 6 sen per share.

## Assessing and reducing GHG emissions

In our effort to reduce the impact of our business on the environment, particularly GHG emissions, we have embarked on a journey to assess, quantify, and mitigate the Group's GHG emissions. As we acknowledge our social responsibilities and look into reducing the emissions-related impact of our operations, resources will need to be deployed to engage consultants, enhance processes, obtaining certifications, as well as investing in the necessary systems, if any, to achieve emissions reduction. Such resource investments are expected to have a long-term positive impact to our operations and the Group as a responsible corporation.

- We target to achieve ISO 14064 for our operations by FY2023
- We target to achieve green building certificated for our plant expansion projects
- We target to install solar panel system in our new plants to reduce GHG emissions.



# SUSTAINABILITY REPORT

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# SUSTAINABILITY REPORT

## ABOUT THIS SUSTAINABILITY REPORT

Unisem (M) Berhad (“Unisem” or the “Company”) publishes this Sustainability Report (“Report”) for the financial year 31 December 2022 ( “FY2022”) which forms one of the three key reports contained in Unisem’s FY2022 Integrated Annual Report (“IAR22”).

This Report provides key information on how we manage the sustainability aspects of our business, including economic, environmental, and social topics which are commonly deemed material to our stakeholders.

This Report covers the sustainability commitments, practices, progress, and performance of Unisem and its subsidiaries (the “Group”), as follows:-

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, PRC

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

These key operating sites at Unisem Ipoh and Unisem Chengdu represent the Group’s core revenue generating operations and employs the Group’s entire workforce. There were no significant changes to the Group’s operations and supply chain during the financial year.

Unless specifically stated in this Report, the abovementioned scope is applicable to all sustainability topics in this Report.

### **Reporting Framework and Standards**

This Report has been prepared in accordance with applicable paragraphs of the Main Market Listing Requirements and the Global Reporting Initiative (“GRI”) Standards. It has also incorporated elements of the Responsible Business Alliance (“RBA”) and relevant ESG aspects considered in FTSE4Good Bursa Malaysia Index. This year, we also disclose our sustainability data with reference to the Sustainability Accounting Standards Board (“SASB”) Standards.

### **Assurance**

This Report has not been externally assured. Nonetheless, the Group’s various sustainability management and reporting processes are also subject to internal validation, assessments, and third-party audits disclosed in this Report. Our risk-based internal audit also covers key risks, processes, and controls relevant to sustainability-related risks identified via the risk management process.

Through Board meetings which are carried out at least once every quarter, the Board is kept informed on key outcomes of these internal and external assessment or audits.



# SUSTAINABILITY REPORT

In the preparation of this Report, we carried out internal validation with the relevant Management personnel 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](http://www.unisemgroup.com) and queries regarding this report can be directed to our Corporate Affairs Vice President, Ms Ruth Chin, or the Senior Independent Director, Ang Chye Hock, at the following address:

## Unisem (M) Berhad

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No. 10, Jalan P. Ramlee  
50250 Kuala Lumpur, Wilayah Persekutuan  
Malaysia

Tel : +603 2072 3760  
Fax : +603 2072 4018  
Email : [investor@unisemgroup.com](mailto:investor@unisemgroup.com)

## SUMMARY OF KEY PERFORMANCE AND IMPACTS

### Sustainability Performance Highlights

The Board of Unisem leads the Group's management of sustainability matters and has identified the following 7 key performance indicators to measure the sustainability performance of the Group. These Sustainability Key Performance Indicators are reported to the Board on an annual basis.

Our key sustainability performance for FY2022 is summarised as follows:

Unisem's Sustainability Key Performance Indicators	FY2022 Targets	FY2022 Performance	
Revenue growth	To achieve revenue growth	13.6%	✓
Technology growth and development as per Technology Road Map	To achieve target project completion dates	Achieved	✓
Satisfied key customers rate	90%	92%	✓
Injury frequency rate for industrial accidents	< 2.00	1.03	✓
Employee satisfaction score	> 3.80	3.71	x
Recycling rate of hazardous waste generated	52%	52%	✓
Compliance with regulatory standards	Compliance	Compliant	✓

# SUSTAINABILITY REPORT

## Unisem's contribution to the SDGs

Unisem is supportive of the United Nations General Assembly (“UN”) Sustainable Development Goals (“SDGs”) towards achieving the global 2030 Agenda for Sustainable Development. We support the SDGs through our business principles, business strategies, and sustainability management.

### SDG

### Unisem's activities/ initiatives



3 GOOD HEALTH AND WELL-BEING

#### Safeguarding safe and healthy working environment during the pandemic

In the past few years, the Group reviewed its operations and invested resources to protect the working environment from the spread of COVID-19 virus, as much as possible.

An Emergency Response Team (“ERT”) task force had been set up comprising senior level management to oversee the plant wide monitoring and execution of COVID-19 initiatives. This includes providing antigen saliva self-test kits for employees’ weekly regular testing, plant wide disinfection at the factory and employees hostel, quarantine guidelines as well as initiatives to arrange vaccinations for employees.



6 CLEAN WATER AND SANITATION

#### Enhanced water treatment and reducing water consumption

Unisem treats its wastewater beyond compliance standards before effluent is discharged. It also reuses/ recycles water in its system to reduce water withdrawal. The Group also has targets to further reduce its water consumption intensity as part of its pursuit of operational efficiency. In FY2022, we achieved a 56% reduction in water consumption intensity against the base year of FY2020.



8 DECENT WORK AND ECONOMIC GROWTH

#### Supporting vulnerable communities

One of Unisem’s key focus in its corporate social responsibility activities is on supporting vulnerable communities. We continue to support communities including the elderly, orphans, people with disabilities, as well as those in poverty. Our CSR donations and contributions in FY2022 amounted to approximately RM102,050.

#### Good employment practices

Unisem adopts good employment practices which are in line with the RBA Code of Conduct, respecting the dignity and human rights of our employees, in addition to fair employment practices without discrimination.



9 INDUSTRY INNOVATION AND INFRASTRUCTURE

#### Driving innovation and technology in the OSAT industry

Unisem collaborates with customers including global leaders to innovate solutions and spearhead development in the semiconductor and electronics industry, including driving Industry 4.0.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

#### Driving responsible consumption across supply chain

Through adherence with the RBA Code of Conduct and regular audits on key suppliers, Unisem ensures the Group operates in an environmentally and socially sustainable way and also supports the sustainable business practices in its supply chain. All of our 25 key direct material suppliers had been audited, including for environmental and social factors, at least once in the past two years.



13 CLIMATE ACTION

#### Pursuing resource efficiency in production

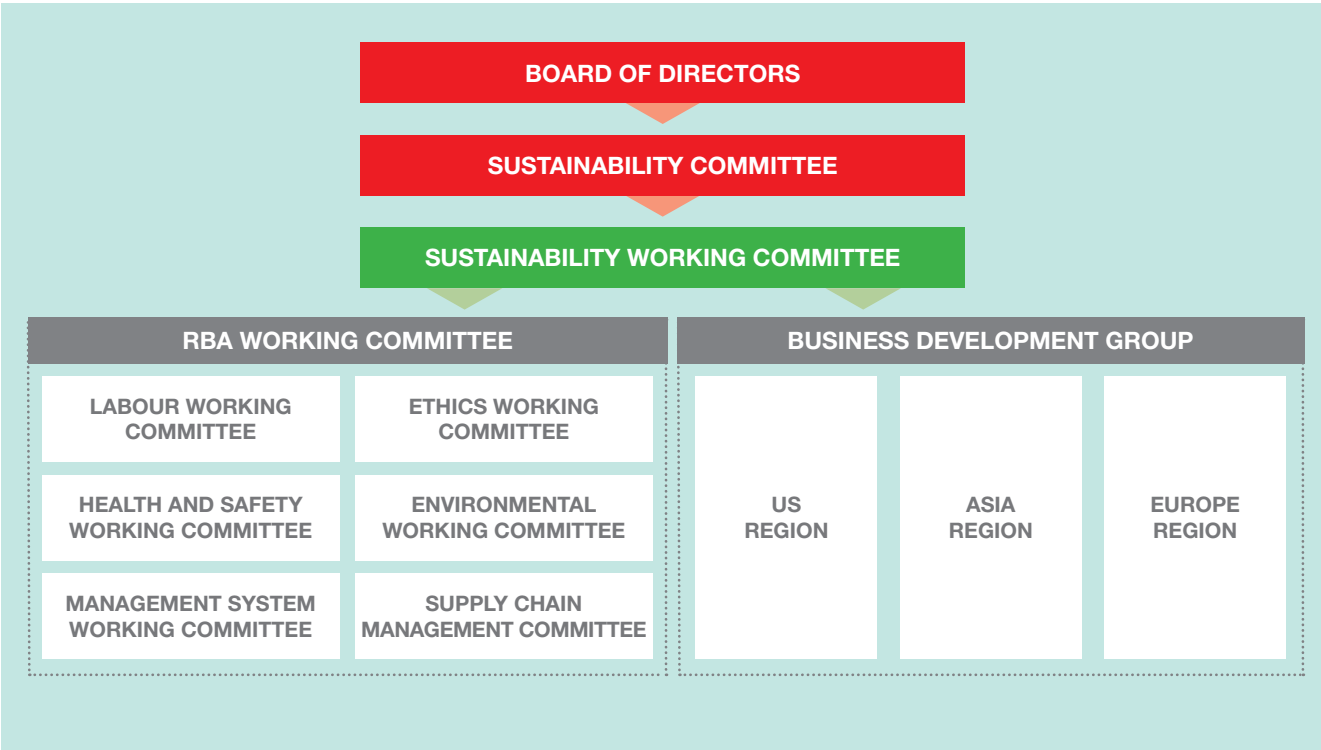
One of Unisem’s key strategic priorities is to achieve higher productivity with less resources including energy, in addition to the initiatives to enhance energy efficiency and emissions efficiency. The Group is also exploring areas where it could increase the use of renewable energy to help reduce the impact of emissions from production.

# SUSTAINABILITY REPORT

## GOVERNANCE FOR SUSTAINABILITY

The Board of Unisem is ultimately responsible for the sustainability of the business. The Board ensures Unisem’s long-term business objectives and strategies take into sustainability considerations including economic, environmental, and social aspects. The Board also establishes effective governance structure to support the business’ alignment with Unisem’s sustainability focus.

The following section discusses Unisem’s governance structure in relation to sustainability management. For detailed features and descriptions of the Group’s entire corporate structure, refer to the *Corporate Governance Report* and *Corporate Governance Overview Statement*.



The Board is supported by the Sustainability Committee, a Board-level committee delegated with the responsibilities to review, advise, and recommend sustainability strategies and policies of the Group. The Sustainability Committee is currently chaired by Unisem’s Senior Independent Director.

Guided by the Group’s sustainability directions and policies approved by the Board, Unisem’s Senior Management drives the development and implementation of sustainability strategies, initiatives, and risk management practices.

The Sustainability Committee assists the Board to review the proposed strategies, initiatives, and assessments made by the Senior Management, including materiality assessments and sustainability risk management assessments.

Senior Management implementation progress and management performance are also reviewed periodically by the Sustainability Committee. Key outcomes, progress, and performance, including key performance indicators disclosed in the *Sustainability Performance Highlights* section, are reported to the Board.

# SUSTAINABILITY REPORT

In addition, the Board and 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

A Sustainability Working Committee (“SWC”) is set up for Unisem Ipoh and Unisem Chengdu, respectively, to monitor and oversee the execution of sustainability strategies, management performance, and achievement of sustainability targets at the operating sites. The SWC is also responsible for reviewing the stakeholder management and materiality assessment for the operating site on an annual basis.

The 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 6 committees established to manage the 6 pillars of the RBA Code of Conduct, namely the Labour Working Committee, Ethics Working Committee, Health and Safety Working Committee, Environmental Working Committee, Supply Chain Management 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.

The Board holds the SWCs accountable for the operating sites’ sustainability-related performance. Sustainability performance is also considered in the assessment and evaluation of Directors and Senior Management, including those who are members of the SWCs.

Working Committee/ Group	Responsibilities
<b>Labour Working Committee</b>	Monitoring and ensuring the following aspects of labour rights are upheld: <ul style="list-style-type: none"> <li>• Freely chosen employment</li> <li>• Child labour avoidance</li> <li>• Working hours</li> <li>• Wages and benefits</li> <li>• Humane treatment</li> <li>• Non-discrimination and non-harassment</li> <li>• Freedom of association</li> </ul>
<b>Ethics Working Committee</b>	Overseeing the systems and tools in place to ensure: <ul style="list-style-type: none"> <li>• Privacy is upheld</li> <li>• Protection of identity and non-retaliation</li> <li>• Business integrity/appropriate disclosure of information is in place</li> <li>• Fair business conduct, including in advertising and competition</li> <li>• Intellectual property is protected and respected</li> </ul>
<b>Health and Safety Working Committee</b>	Overseeing the health and safety of the working environment: <ul style="list-style-type: none"> <li>• Chemical/Protective Personal Equipment (“PPE”) management</li> <li>• Hazard Identification, Risk Assessment and Risk Control</li> <li>• Emergency response testing</li> <li>• Permit/test report</li> <li>• Accident complaint investigation</li> <li>• Workplace inspection/ Audit</li> <li>• Machinery/work instruction</li> <li>• Exposure to radiation/X-ray monitoring</li> <li>• Health and Safety Management in accordance with ISO45001:2018 standard</li> </ul>

# SUSTAINABILITY REPORT

Working Committee/ Group	Responsibilities
<b>Environmental Working Committee</b>	<p>Monitoring and ensuring the following aspects of environmental management are upheld:</p> <ul style="list-style-type: none"> <li>• Management of chemical substances and chemical control</li> <li>• Waste management</li> <li>• Emergency response drills and procedures</li> <li>• Legal requirements, measurement and monitoring of waste and chemical substances</li> <li>• Environmental Management System, to ensure it is in accordance with ISO14001:2015 standard</li> </ul>
<b>Supply Chain Management Committee</b>	<p>Monitoring and ensuring the following aspects of supply chain management are managed:</p> <ul style="list-style-type: none"> <li>• Company CSR Commitment</li> <li>• Material Restrictions</li> <li>• Responsible sourcing of minerals</li> <li>• Supplier Responsibility</li> </ul>
<b>Management Systems Working Committee</b>	<p>Overseeing the systems and controls in place that support the tasks of the other committees:</p> <ul style="list-style-type: none"> <li>• Monitor updates in applicable laws, regulations and customer requirements, including requirements of the RBA Code of Conduct</li> <li>• Establish and periodically assess objectives, targets and improvement programmes for social and environmental performance</li> <li>• Communicate policies and practices at Unisem</li> <li>• Conduct self-assessments, including internal audits – Unisem’s RBA internal auditors (“Unisem’s RBA auditors”) conducts cross audits on the 6 working committees to ensure full compliance to the latest RBA version. These RBA internal auditors are selected from the respective 6 working committees.</li> </ul>
<b>Business Development Group</b>	<p>Implements the Group’s and site’s business strategy by:</p> <ul style="list-style-type: none"> <li>• Attracting new customers</li> <li>• Expanding business with existing customers</li> <li>• Achieving annual revenue and business growth plans and objectives</li> <li>• Managing Regional Sales, Marketing, Technical Program Management (“TPM”) as well as Customer Service organisations</li> <li>• Research and development (“R&amp;D”) programmes</li> </ul>

# SUSTAINABILITY REPORT

## OUR APPROACH TOWARDS SUSTAINABILITY

In the pursuit of Unisem's Vision and Mission, there are material aspects which we shall focus on to optimise the efficiency of our value creation process and these are discussed in Unisem's IAR'22. As a responsible business, we also address sustainability matters, mainly economic, environmental, or social aspects, on which our operations may have impact.

We prioritise our focus and resources to manage sustainability matters considering their priorities, which is determined via a materiality assessment process.

### 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.



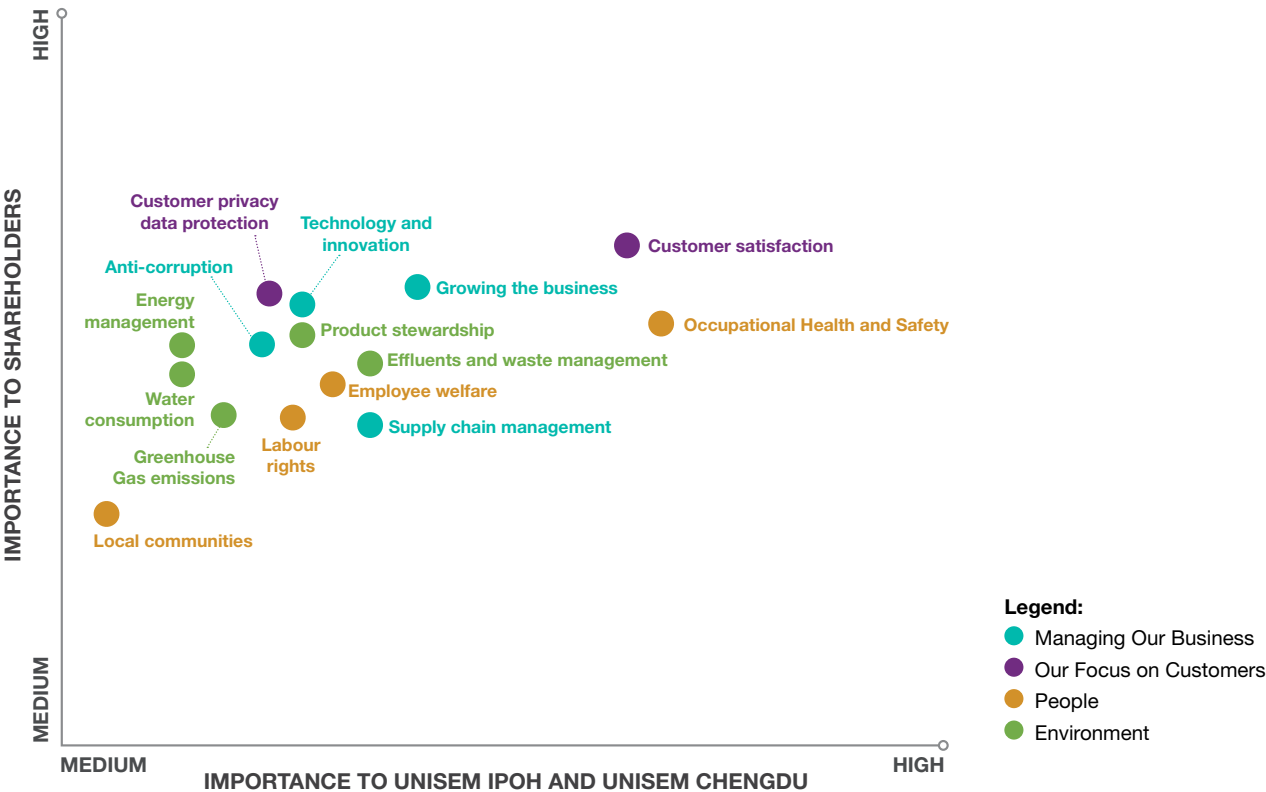
# SUSTAINABILITY REPORT

## SUSTAINABILITY AT UNISEM

Our ongoing engagement with stakeholders is important for us to understand our stakeholders. In addition to enabling us understand stakeholders to develop robust relationships, we are also able to understand stakeholders' views and concerns with respect to matters which may affect their decisions and assessments.

*For more information on Unisem's engagement with stakeholders, refer to IAR'22 - Creating Value for Stakeholders [Click here](#) or go to page 65 for Creating Value for Stakeholders*

The Group's materiality matrix remains similar to the previous year. In 2023, we will conduct the once-in-two-years special stakeholder engagement and review our materiality matrix.



Unisem Group's Materiality Matrix (FY2022)

# SUSTAINABILITY REPORT

## SUSTAINABILITY RISKS AND OPPORTUNITIES

Unisem’s management of sustainability matters is augmented by the Group’s Enterprise Risk Management (“ERM”) Framework which guides the systematic risk management processes of the Group. When carrying out the risk management processes, such as identification and assessment of risks, we take into account these sustainability matters to ensure relevant risks are identified and managed. Risks may be considered from various perspective including strategic, organisational structure, operational, processes, regulatory, people culture, technology, and reputation.

The integration of sustainability in our ERM Framework allows us to holistically manage Unisem’s sustainability risks as well as risks relevant to our value creation process.

For details of the Group’s ERM Framework and relevant corporate governance practices, refer to our *Statement of Risk Management and Internal Control* and *Corporate Governance Overview Statement*.

*Click [here](#) or go to page 49 for Statement on Risk Management and Internal Control  
Click [here](#) or go to page 27 for Corporate Governance Overview Statement*

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	Addressed in reporting section
<b>Top 6 most Material Sustainability Matters</b>					
Occupational Health and Safety	HC	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.	<ul style="list-style-type: none"> <li>Non-compliance</li> <li>Employee safety and health risk</li> <li>Pandemic and infectious disease (e.g. COVID-19)</li> </ul>	<p>How We Do Business, SR’22</p> <p>Our People, SR’22</p>
Customer Satisfaction	S & RC	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.	<ul style="list-style-type: none"> <li>Inadequate or ineffective engagement with customers</li> <li>Unable to delivery or keep up with customers’ demands or requirements</li> <li>Lack of trust in relationship with customers</li> </ul>	Our Focus on Customers, SR’22
Growing the Business	FC S & RC	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.	<ul style="list-style-type: none"> <li>Competition risk</li> <li>Unable to expand market presence</li> <li>Adverse economic conditions</li> </ul>	<p>Managing Our Business, SR’22</p> <p>Our Focus on Customers, SR’22</p> <p>Our People, SR’22</p>

# 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	Addressed in reporting section
<b>Top 6 most Material Sustainability Matters</b>					
Effluents and Waste Management	NC	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.	<ul style="list-style-type: none"> <li>• Non-compliance</li> <li>• Environmental disaster and pollution</li> </ul>	The Environment, SR'22
Technology and Innovation	MC IC	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.	<ul style="list-style-type: none"> <li>• Product and technology unable to keep up with trend</li> <li>• Unable to delivery or keep up with customers' demands or requirements</li> <li>• Inadequate investment in capability and R&amp;D</li> <li>• Loss of key skills, experience, or knowledge</li> </ul>	Managing Our Business, SR'22  Our People, SR'22
Employee Welfare	HC IC	B D	Employees are a key human capital of our business and are one of the 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.	<ul style="list-style-type: none"> <li>• Lack of professional and personal development for employees</li> <li>• Loss of key skills, experience, or knowledge</li> <li>• Employee compensation does not commensurate with statutory employee contribution</li> </ul>	Our People, SR'22

# 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	Addressed in reporting section
<b>Other Material Sustainability Matters</b>					
Product Stewardship	S & RC	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.	<ul style="list-style-type: none"> <li>• Non-compliance</li> </ul>	How We Do Business, SR'22
Customer Privacy and Data Protection	S & RC	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.	<ul style="list-style-type: none"> <li>• Non-compliance</li> <li>• Data breaches</li> <li>• Unauthorised access and use of information</li> <li>• Key information not up to date</li> <li>• Cyber security threats</li> </ul>	Our Focus on Customers, SR'22
Supply Chain Management	FC S & RC	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.	<ul style="list-style-type: none"> <li>• Non-compliance by supply chain partners</li> <li>• Subpar suppliers or supplies</li> <li>• Unable to deliver to customers on time</li> <li>• Disruptions in supply chain for direct materials</li> <li>• Impact on profit margin</li> </ul>	How We Do Business, SR'22
Labour Rights	HC	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.	<ul style="list-style-type: none"> <li>• Non-compliance</li> <li>• Labour disputes</li> </ul>	How We Do Business, SR'22 Our People, SR'22

# 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	Addressed in reporting section
<b>Other Material Sustainability Matters</b>					
Anti-Corruption	S & RC	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.	<ul style="list-style-type: none"> <li>• Non-compliance</li> <li>• Anti-corruption culture and policies not communicated effectively to employees and business associates</li> <li>• Corporate liability risk</li> </ul>	How We Do Business, SR'22
Energy Management	NC FC	A D	Ensuring efficient energy use is one way of protecting the environment. Effective energy management and planning also helps to optimise profit margin.	<ul style="list-style-type: none"> <li>• Power failure and disruption to operations</li> <li>• Impact on profit margin</li> </ul>	The Environment, SR'22
Water Consumption	NC	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.	<ul style="list-style-type: none"> <li>• Water shortage</li> <li>• Contamination of water used in production</li> </ul>	The Environment, SR'22
Greenhouse Gas Emissions	NC	A D	Internationally, countries are working towards reducing emissions to keep global temperature under control. As a responsible business, we have a role in these joint efforts.	<ul style="list-style-type: none"> <li>• Possibility of introduction of emission trading or tax scheme affecting profit margin</li> </ul>	The Environment, SR'22
Local Communities	S & RC	B D	Residential areas 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.	<ul style="list-style-type: none"> <li>• Noise affecting the local community (Unisem Ipoh)</li> </ul>	Our People, SR'22

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.

# SUSTAINABILITY REPORT

## 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

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

### Sustainability Performance Highlights

- 100% of Directors and employees received communication on anti-corruption
- 100% of Directors received training on ESG - environmental sustainability
- No fines, penalties, or settlements relating to corruption
- Target to audit 10 suppliers achieved - FY2022: 14 suppliers audited
- No significant environmental or social impacts identified in association with key direct material suppliers

### Relevant SDGs:



## ETHICAL AND RESPONSIBLE BUSINESS

In everything we do, we are guided by our commitment to delivering our corporate social responsibilities, complying with applicable laws and regulations, and meeting the requirements outlined in the RBA Code of Conduct.

### UNISEM'S CSR POLICY

Uphold human rights of workers, treat them with dignity and respect as understood by the international community.

Minimise adverse effects on the community, environment and natural resources

Safeguard health and safety of public in our manufacturing operations

Ensure employees are provided a safe and healthy working environment

Ensure our systems comply with applicable laws, regulations, and customer requirements

Support charity and community initiatives relevant to our stakeholders

Engage with supplies whose policies are in line with Unisem's CSR Policy

Click [here](#) to CSR Policy or visit our website at <https://www.unisemgroup.com/company-info/corporate-social-responsibility>



# SUSTAINABILITY REPORT

## HOW WE DO BUSINESS

### Code of Ethics (“COE”)

Unisem’s COE communicates to the Directors, employees and affiliates on how Unisem does business. The COE is aligned with the RBA Code of Conduct.

All employees and Directors are required to acknowledge and commit to the COE before joining the Group. The COE is communicated to employees annually, while business associates are expected to adhere to the COE when representing or performing work for Unisem.

Key topics addressed by the

- 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.

The COE is subject to annual review.

### Anti-Corruption and Bribery

Unisem has a Group-wide Anti-Bribery and Anti-Corruption (“ABAC”) Policy that sets out the Group’s zero-tolerance approach to bribery and corruption. The ABAC Policy is approved by the Board and overall compliance is the responsibility of the site COOs and General Managers. The ABAC Policy governs our Directors, Employees, and persons associated with the Group including agents, suppliers, contractors, and business partners.

We adopt a risk-based approach and performed a corruption risk assessment on both operating sites at Unisem Ipoh and Unisem Chengdu to allow efficient allocation of resources to manage corruption risks. The risk assessment is performed by the Ethics Working Committee. Identified corruption risks are further managed via the annual enterprise risk management process. Our operations from procurement, manufacturing, sales and marketing to finance are guided by stringent processes which incorporate elements to uphold business ethics and to prevent corruption.

Unisem ensures all stakeholders are aware of its anti-corruption stance. Our due diligence process for new suppliers include an assessment of corruption and bribery risks. Business associates assessed as high risk or those involved in high-risk business areas are periodically communicated on Unisem’s anti-corruption stance and business ethics expectations. Annual refresher training on anti-corruption is also provided to all Directors and employees. Our communication through the various channel, including emails, meetings, and our corporate website, are available in multi-languages - more commonly English, Bahasa Malaysia, and Chinese – depending on our audience.

# SUSTAINABILITY REPORT

## HOW WE DO BUSINESS

All Directors and employees have received communication and/ or training on anti-corruption via our eLMS (i.e. E-Learning program) during FY2022. The following table discloses the outcome of our anti-corruption communication:

	Unisem Ipoh		Unisem Chengdu	
	Number	Percentage	Number	Percentage
Board of Directors	12	100%	Not applicable	Not applicable
Senior Management and Management	89	100%	46	100%
Executive, Non-Executives, and Operators	3,268	100%	2,695	100%
<b>Total</b>	<b>3,369</b>	<b>100%</b>	<b>2,741</b>	<b>100%</b>

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.

The ABAC Policy is subject to annual review.

During FY2022, there were no reported incidents of corruption, non-compliance cases with the Group's anti-corruption policies, or fines or penalties.

*[Click here to ABAC Policy or visit our website at https://www.unisemgroup.com/company-info/corporate-social-responsibility](https://www.unisemgroup.com/company-info/corporate-social-responsibility)*

### Conflict of Interest

Conflict of interest may occur when Directors or employees have conflicting interests with the Group, when employees have a close personal relationship with our suppliers or customers, and many other circumstances. Our COE stipulates the principles governing the management of conflict of interests to safeguard Unisem's interests.

All Unisem employees and Directors are required to declare if they have any conflict of interests upon commencement of employment. Managers and above and personnel of identified functions are also required to submit annual declaration to ensure the objectivity of these key functions. The Human Resources Department oversees this process and reports to the site COO.

### Unisem's Whistle Blowing Channel

In addition to grievance channels overseen by the Human Resources Department to facilitate the mediation of workplace disputes or disagreements, Unisem has also established a whistle blowing mechanism via its Whistle Blowing, Ethics & Compliance Policy ("WBEC Policy") for internal and external stakeholders to report serious unethical or unlawful behaviour in confidence. Examples of issues that can be reported include serious violation of the COE, labour standards, human rights, safety and health, non-discrimination and equal opportunity, environmental management, business ethics and anti-corruption, and others.

The WBEC Policy provides guidance on how a report can be made and how it should be handled and resolved while ensuring protection to the whistleblower against retaliation.

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.

# SUSTAINABILITY REPORT

## HOW WE DO BUSINESS

A summary of the incidents and cases reported in the past 3 financial years is as follows:

Types of cases	No. of cases		
	FY2020	FY2021	FY2022
Workplace grievances from employees	3	1	2
Whistleblowing from employees	2	2	1
Whistleblowing from external parties	0	0	0

*Click [here](#) to WBEC Policy or visit our website at <https://www.unisemgroup.com/company-info/corporate-social-responsibility>*

All the above cases had been fully resolved.

### OUR RBA OBLIGATIONS

RBA is the world's largest industry coalition dedicated to corporate social responsibility in global supply chains and is adopted by the world's leading brands in the electronics, retails, 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, and ISO and SA Standards. The RBA standards are categorised according to the 6 pillars, namely Labor, Ethics, Safety and Health, Environment, Supply Chain, and Management Systems.

The RBA Code of Conduct is one of the key guidance documents for Unisem's policies and practices. Our RBA WCs which correspond to the 6 pillars of the RBA are responsible for managing issues relevant to the pillars, including monitoring and reviewing relevant initiatives and KPIs. Unisem's policies and business practices are also closely aligned with the RBA Code of Conduct.

During the year, the RBA VAP Interpretation Guidance was updated to Version 7.1. and 7.1.1. The updates focused on, amongst others, the role of supply chain management as a new key pillar and the integration of Management Systems in the 5 existing pillars. In line with these amendments, our internal policies and communication documents with suppliers were reviewed and updated.

### RBA performance

The Self-Assessment Questionnaire ("SAQ") is an RBA self-assessment tool which allows us to annually perform self-assessment and share the outcome to our 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.

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 Dec 2021	183.7 (Silver Status)	Low
	Completed in January 2022	93.4	Completed in Dec 2022	180.2 (Silver Status)	Low
Unisem Chengdu	Completed in January 2021	93.8	Completed in Nov 2019	177.1 (Silver status)	Low
	Completed in January 2022	94.6	Completed in Jun 2022	180.5 (Silver status)	Low

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

VPA audit findings and results are also available for viewing by key customers and potential customers.

# SUSTAINABILITY REPORT

## HOW WE DO BUSINESS

### Internal Audit

Unisem's independent internal audit function periodically performs audit on the Group's operation including compliance with the RBA standards as well as applicable laws and regulations, including business ethics, anti-corruption, labour practices and human rights, environmental compliance, and others.

Further discussions on the internal audit function are available in our **Audit and Risk Management Committee Report** and **Statement on Risk Management and Internal Control**.

### RBA in our Supply Chain

In 2022, the RBA VAP Interpretation Guidance was updated to include Supply Chain Management as a key pillar. This emphasises on the need for businesses to manage supply chains, communicating and instilling the principles of the RBA in the supply chain. In line with these amendments, Unisem further reviewed and updated its internal policies and communication documents with suppliers.

The application of RBA in our selection of suppliers is discussed in the Supply Chain Management section.

[Click here](#) or go to page 97 for Supply Chain Management

### PRODUCT STEWARDSHIP

Some semiconductor components may contain hazardous substances such as heavy metals, some of which may not be substituted. However, depending on the method of manufacturing and processing, the use and content level of toxic materials may be minimised, thus minimising the risk to consumers and damage to the environment. In addition, the materials that we use in the services that we provide are dependent on the specifications of our customers.

We have processes to ensure compliance with all applicable environmental laws, regulations, and standards governing the use of hazardous substances in our manufacturing processes. We perform assessment to determine any significant environmental and social risks arising from the materials we procure, as well as our supply chain partners, to examine 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. We do not use these substances in our production processes. 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
<b>RoHS Directive</b> - Restriction on the use of ten substances including lead	<ul style="list-style-type: none"><li>• We ensure compliance through annually conducted review and analysis, supported by documentations such as declaration letter, Certificate of Compliance and Safety Data Sheets.</li><li>• 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.</li><li>• Each batch of supplies received is accompanied by the relevant test reports and certificates.</li></ul>
<b>Business partner certification schemes</b> - Restriction on the use of hazardous substances including lead and lead compound	<ul style="list-style-type: none"><li>• Each Unisem site has obtained third party certification on the Sony Green Partner certification schemes.</li></ul>

# SUSTAINABILITY REPORT

## HOW WE DO BUSINESS

### SUPPLY CHAIN MANAGEMENT

#### Responsible Supply Chain Management

Unisem strives to build a strong, sustainable, and responsible supply chain that is aligned with its corporate responsibility value, including with regard to the latest updates on environmental and social impacts of the industry and business. This expectation of ours is also stipulated in our CSR Policy and Code of Ethics and made available in multiple languages namely English, Bahasa Malaysia and Chinese. These policies and documents are posted on Unisem's website.

We require key direct material suppliers and service providers to commit adherence to the RBA Code of Conduct via a Letter of Conformance. In addition, we also communicate our business ethics expectations by circulating a Business Ethics Letter to them annually. In FY2022, we engaged with our key direct material suppliers to acknowledge and sign off Unisem's Supplier Code of Conduct and align with Unisem's corporate responsibility principles across our supply chain.

#### 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.

*Click [here](https://www.unisemgroup.com/company-info/corporate-social-responsibility) to Policy on Conflict Minerals or visit our website at <https://www.unisemgroup.com/company-info/corporate-social-responsibility>*

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

Unisem has a Group Procurement Policy governing our procurement and tendering processes which are designed to ensure our supply chain is managed fairly and in alignment with our responsible supply chain policies. We also screen suppliers for any potential conflict of interest and safeguard our procurement process against collusion and price fixing, in addition to assessing their pricing, timeliness of delivery, and quality of products and services.

#### Building responsible supply chain via engagement

We engage closely with suppliers to ensure the integrity of our supply chain. We strive to gain in-depth understanding of our supply chain, including identifying 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.

Our engagement efforts include regular communication and updates on relevant policies and the RBA standards. We also have programmes to assess or audit key direct material suppliers to ensure their practices are responsible, especially environmentally and socially. Where necessary, we also hold sessions and discussions with suppliers to assess and address gaps towards meeting new regulations or requirements.

All new suppliers are screened via Unisem's due diligence process which considers environmental, social, and ethical aspects, from corruption and bribery to labour practices.

# SUSTAINABILITY REPORT

## HOW WE DO BUSINESS

### Environmental and Social Assessment in Supply Chain

All key direct material suppliers and service providers undergo holistic sustainability assessment via the RBA SAQ and VAP, as follows:

SAQ	VAP
<ul style="list-style-type: none"> <li>• self-assessment</li> <li>• part of Unisem’s due diligence for key direct material suppliers</li> <li>• conducted on all key direct material suppliers</li> <li>• aim to identify high-risk areas and potential gaps against RBA Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• physical audit based on RBA VAP Operations Manual</li> <li>• conducted on all key direct material suppliers</li> <li>• audit focus and frequency depend on conformance level in past audits and overall performance against RBA standards and Unisem policies and standards</li> </ul>

We perform these assessments together and in conjunction with our suppliers’ assessments and audits per our ISO14001-certified Environmental Management System. Suppliers will address their audit findings and provide correction action plans via the Corrective Action and Preventive (“CAPA”) template and Unisem’s audit team will follow-up and verify the implementation of the action plans before the audit findings can be considered resolved.

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. Our supplier audit strategy aims to cover 80% of the 25 suppliers in every two years. As of 31 December 2022, we have performed audits on all our 25 key suppliers at least once in the past two years.

Audit performed on the 25 key direct material suppliers				
Year	Target		Performance	
	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)
FY2020	10	80%	12	88%
FY2021	10	80%	12	96%
FY2022	10	80%	14	100%
FY2023	10	80%		

In 2022, lockdowns and movement restrictions eased in many countries, while the restriction remained largely in place in China. Depending on where our suppliers are located, we exercised caution and maintained virtual audits for selected suppliers. Supplier audits were conducted either physically or virtually during the year.



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A summary of the key direct material suppliers' key correction actions arising from audits performed in FY2022 is as follows.

RBA Category	Summary of key corrective actions
<b>Labour</b>	<ul style="list-style-type: none"> <li>• Removal of unnecessary personal information in the application form.</li> <li>• To maintain documentation as evidence of monitoring for compliance to 60 working hours per week and at least 1 day off per week.</li> <li>• To establish policy and procedures for freedom association, passports to be kept by workers themselves.</li> <li>• To review regularly existing company practices against revisions to the new RBA requirements.</li> <li>• To prepare employment contract accordingly to employee native language and clearly state the terms and conditions.</li> </ul>
<b>Occupational safety and health</b>	<ul style="list-style-type: none"> <li>• Carry out risk assessment of working conditions for pregnant women and nursing mothers and remove them from working conditions with high hazards.</li> <li>• Conduct periodic work inspections and enhance awareness on emergency exits and evacuation plan.</li> <li>• To update and include COVID-19 Pandemic ERT team in the ERT organisation chart and review regularly to compliance with government or authority regulations.</li> </ul>
<b>Management Systems</b>	<ul style="list-style-type: none"> <li>• To review and encourage the performance of RBA VAP Third Party Audits.</li> <li>• Establish policy and procedures for grievances or complaints channel and communicate to employees annually.</li> </ul>

The status of implementation of corrective actions by suppliers as on 31 December 2022 is summarised as follows.

Status of implementation of corrective actions as on 31 December 2022	Audit findings from FY2021 audits	Audit findings from FY2022 audits
Implemented and verified by Unisem	100%	88%

As at 31 December 2022, 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. However, some of the audit findings are still waiting for suppliers' corrective actions closure because the audits were carried out in Dec-2022. Our auditors will follow up and continue to monitor the implementation of the outstanding corrective actions.

# SUSTAINABILITY REPORT

## HOW WE DO BUSINESS

	FY2020	FY2021	FY2022
<b>Total number of shared key direct material suppliers</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Environmental impact</b>			
Number of suppliers assessed for environmental impacts*	25	25	25
Note: *assessed at least once in the past 3 years			
Number of suppliers identified as having significant actual and potential negative environmental impacts	0	0	0
Description of the significant and actual environmental impact identified	Not applicable	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*	0% (0 / 25)	0% (0 / 25)	0% (0 / 25)
Note: *does not include closed cases where agreed-upon improvements have been implemented and verified by Unisem's audit team			
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%	0%
<b>Social impact</b>			
Number of suppliers assessed for social impacts	25	25	25
Number of suppliers identified as having significant actual and potential negative social impacts	0	0	0
Description of the significant and actual environmental impact identified	Not applicable	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*	0% (0 / 25)	0% (0 / 25)	0% (0 / 25)
Note: *does not consider closed cases where agreed upon improvements have been implemented and verified by Unisem's audit team			
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%	0%

# SUSTAINABILITY REPORT

## MANAGING OUR BUSINESS

### 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 13.6% revenue growth
- Distributed economic value of RM404.8m in wages and salaries; RM11.5m in corporate tax; and RM96.8m in dividends
- Achieved FY2022 target for Technology Road Map
- Completed all 4 R&D projects in Technology Road Map

#### Relevant SDGs:



### BUSINESS PERFORMANCE

KPI	To achieve revenue growth		
	On-going growth of revenue		
Target			
Performance	FY2020*	FY2021	FY2022
	4.5%	20.0%	13.6%

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

The global demand for semiconductor supply chain services continues to be strong. For FY2022, we recorded a 13.6% growth in revenue. We also commenced the development of Phase 1 of our Gopeng Plant which can help double our production capacity in the future.

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 Integrated Annual Report FY2022.

[Click here](#) or go to page 4 for Chairman's Letter to Shareholders  
[Click here](#) or go to page 72 for Management Discussion & Analysis  
[Click here](#) or go to page 158 for Financial Statements

# SUSTAINABILITY REPORT

## MANAGING OUR BUSINESS

The economic value generated and distributed by Unisem during the financial year is summarised as follows:

	FY2020*	FY2021	FY2022
<b>Revenue</b>	RM1.31b	RM1.57b	RM1.78b
<b>Local Procurement</b> (Local: i.e. Malaysia for Unisem Ipoh and China for Unisem Chengdu)	RM113m	RM163.3m	RM191.2m
<b>Wages and salaries to employees</b>	RM315.3m	RM387.7m	RM404.8m
<b>Corporate tax paid</b>	RM11.5m	RM7.1m	RM11.5m
<b>Community Investments, Donations, and Non-Commercial Sponsorships</b>	RM42k	RM255k	RM102k
<b>Dividends paid</b>	RM58.2m	RM64.4m	RM96.8m
<b>R&amp;D</b>	RM6.8m	RM6.7m	RM9.0m
<b>Retained Earnings</b>	RM700.3m	RM852.6m	RM1,127.1m

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

### Our contribution to the local economy and society

We maintain a balanced presence and contribution to the local economy in various ways, such as procurement of goods and services, local employment, and corporate social responsibilities contributions to the local community. Where practical and economically viable, we procure locally to support local businesses in addition to minimising emissions associated with transportation.

Types of cases	Proportion of direct material spending on local suppliers (%)		
	FY2020	FY2021	FY2022
Unisem Ipoh	28.6%	23.6%	23.3%
Unisem Chengdu	28.3%	29.9%	39.2%
<b>Unisem Group</b>	28.5%	26.9%	32.5%

Note: \* in relation to direct material spending, "local" is defined as the country in which the respective operating site is located.

On top of local procurement, we also contribute to the local economy by providing employment opportunities. In Perak, Malaysia, Unisem is one of the largest private sector employers.

Types of cases	Proportion (%) of local* hires amongst employees	
	Senior Management	Non-Senior Management
Unisem Ipoh	71.4%	60.7%
Unisem Chengdu	40.0%	33.8%

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

# SUSTAINABILITY REPORT

## MANAGING OUR BUSINESS

### QUALITY AND LEAN OPERATIONS

Maintaining quality and lean operations is one of the most crucial elements for our Strategic Priority – Pursuit of Operational Excellence and Quality Products and Services. We invest extensively towards achieving high productivity, consistent, and high quality production capacity.

Our operations and processes conform with International Quality Management Systems requirements such as ISO 9001:2015 and TS 16949. All operation sites are subject to regular reviews and audits to ensure consistency in production quality and efficiency. In addition to ensuring compliance with defined standards. We also identify potential improvement areas to continuously enhance our processes.

We provide training to employees to enable them to run operations with optimum efficiency and quality. Employees are regularly trained to enhance their problem-solving capability and operational continuous improvement, including Plan-Do-Check-Act (PDCA) techniques, Design of Experiment, Technical Excellence, Poka Yoke, and Root Cause Analysis (RCA). All shopfloor employees are also required to undergo comprehensive training and certification per ISO and automotive standard requirements.

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. 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 concept and initiatives are practiced in all our operations since 2004. Unisem encourages ongoing improvement and we provide incentives to employees for participating in Kaizen, Technical Excellence projects and Lean Big Win Initiatives.

These initiatives which promotes strong employee engagement provide employees with a platform to grow and develop their innovative skills, in addition to facilitating an integrated work culture where employees are able to share ideas and develop together. We are also able to take the opportunity to identify talents and skills to support the sustainability of our human and intellectual capitals.

### PUSHING OUR TECHNOLOGICAL BOUNDARIES

To realise Unisem's Vision, we place great priority in investing in new technologies to support new products and services. Being equipped with new and advanced technologies also helps us sharpen our competitive edge and grow our business.

We have a Group Technology Road Map which sets out Unisem's R&D focus across different time horizons, reflecting our R&D strategy to support Unisem's strategic priorities. In addition to market and industry trends, the road map also considered the future plans and innovation needs of our customers.

In FY2022, we completed all 4 projects targeted for completion.

<b>KPI</b>	Progress of projects scheduled in Unisem Group's Technology Road Map
<b>Target</b>	Meeting the project completion timeline as scheduled
<b>Performance</b>	Completed all 4 projects targeted for completion in FY2022

# SUSTAINABILITY REPORT

## MANAGING OUR BUSINESS

Projects	Descriptions	Challenges	Target for Production Readiness	Progress
<b>Completed projects</b>				
<b>008004 Passive Components</b>	With the trend of package miniaturization, smaller passive components are required.	<ul style="list-style-type: none"> <li>High material cost i.e., passive &amp; solder paste</li> <li>New equipment is required</li> <li>Technical challenges are high risk of SMT defects e.g., tombstone, solder bridge</li> </ul>	Quarter 1 of 2022	Completed and in mass production.
<b>BGA Package in Unisem Ipoh</b>	As part of the Business Contingency Plan (BCP), Unisem Ipoh is now qualified as an alternate source to Unisem Chengdu for BGA Packages.	<ul style="list-style-type: none"> <li>New equipment e.g. Ball Mount Line is required.</li> <li>New material introduction e.g., solder balls.</li> </ul>	Quarter 2 of 2022	Completed and in mass production since April 2022.
<b>Super High Thermal DAF Tape</b>	To achieve a breakthrough challenges on our assembly design rule, which can accommodate a wider range of new product introductions and new products designs.	<ul style="list-style-type: none"> <li>New material introduction</li> <li>Material cost is high</li> </ul>	Quarter 3 of 2022	Completed internal assessment and reliability.
<b>Thin Substrate Handling System</b>	Design a system with jig/boat to resolve handling and warpage issues on the thinner substrate-based FC-LGA package during reflow.	<ul style="list-style-type: none"> <li>New equipment and tooling are required</li> </ul>	Quarter 4 of 2022	Completed and in preparation for pre-production.
<b>Existing projects</b>				
<b>Reversed SLP</b>	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.	<ul style="list-style-type: none"> <li>Not a traditional assembly LF material and process flow.</li> </ul>	Quarter 4 of 2023	Deferred due to customer priority changes for this program.
<b>3mils SLP Lead Frame</b>	Continue to evolve thinner package for RF market and continue growth the LF design rules.	<ul style="list-style-type: none"> <li>LF cost slightly higher</li> <li>Limited supplier can provide the capability</li> </ul>	Quarter 4 of 2023	Concept phase.

# SUSTAINABILITY REPORT

## MANAGING OUR BUSINESS

Projects	Descriptions	Challenges	Target for Production Readiness	Progress
<b>Existing projects</b>				
<b>Embedded Thick Cu Heat Slug LGA</b>	To enable high power device into laminate substrate based by utilising thick heat slug as the key dissipation of heat.	<ul style="list-style-type: none"> <li>• Frame cost slightly higher</li> <li>• Limited supplier can provide the capability</li> </ul>	Quarter 4 of 2023	Concept phase.
<b>MIS with Compartment EMI Shielding</b>	To innovate a new idea to have compartment EMI shielding with simpler and more cost-effective approach.	<ul style="list-style-type: none"> <li>• Frame cost slightly higher</li> <li>• New equipment is required</li> </ul>	Quarter 4 of 2023	Concept phase.
<b>New projects</b>				
<b>Power Stacked Module Packages</b>	New innovation for power module package that required thicker inductor, which is needed for high power management devices. Unfortunately, the mold thickness limits the inductor thickness increment. Therefore, this new package giving an idea for this limitation breakthrough.	<ul style="list-style-type: none"> <li>• Limited suppliers with capability</li> <li>• Adoption of a new package in the market</li> <li>• New equipment and tool is needed</li> </ul>	Quarter 3 of 2023	Engaging with US customers for development.
<b>Wettable Flank for SLP Automotive Products</b>	One of the key requirements for Automotive products in leadless SLP package. Improving of PCB board mount AOI capability as well as 2nd level board reliability.	<ul style="list-style-type: none"> <li>• Frame cost slightly higher</li> <li>• New equipment is required</li> </ul>	Quarter 3 of 2023	Paper works started.
<b>3L FC-MIS Package</b>	As an alternate package for LGA 4-5 layers, which MIS will give more competitive cost, better package thermal resistance, and electrical performance.	<ul style="list-style-type: none"> <li>• Limited suppliers with capability</li> <li>• Adoption of a new package in the market</li> </ul>	Quarter 4 of 2023	Engaging with Japanese customers for development.

The highlights of Unisem's technological achievements during the year are summarised below:

Key Projects and R&D Achievements during the Year:

1. Successfully design a system with jig/boat to resolve handling and warpage issue on the thinner substrate-based FC-LGA package during reflow.
2. Successfully achieve a breakthrough challenge on our design rule with Super High Thermal DAF Tape, which can accommodate a wider range of new product introductions and new product designs.
3. A total of four new processes and materials were qualified in 2022 to meet customer needs. To date, Unisem has obtained 31 patents up to date.
4. Successfully qualified Unisem Ipoh as an alternate source to Unisem Chengdu as part of the Business Contingency Plan. This capability enables us to offer BGA products to our customers and double up as an alternative qualified source besides Unisem Chengdu.



# SUSTAINABILITY REPORT

## MANAGING OUR BUSINESS

### R&D Expenditure

In FY2022, Unisem Group has invested RM9.0 million in R&D programmes, representing close to 1% of the Group's revenue.

Unisem Group	Unisem Group R&D expenditure		
	FY2020*	FY2021	FY2022
Unisem Group R&D expenditure (RM'000)	6,751	6,663	8,954
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

Unisem operates in a highly digitalised business environment and handles a range of confidential data from intellectual property, personal data, as well as customers' data. Safeguarding this information is important for Unisem to maintain customer trust and business continuity. On the other hand, cybersecurity threats and attacks nowadays are growing sophisticated by the day.

We have a series of internal controls, tools (anti-virus software, firewall, email filtering, etc.), policies and procedures to protect Unisem's IT systems and infrastructure. Our IT Support function oversees the implementation of these controls and continuously assess and upgrade relevant systems and controls to safeguard against cyber threats. Cyber security is assessed, managed, and monitored via Unisem's ERM process.

In FY2022, we undertook an initiative to engage external consultants to review and monitor the integrity and security of our IT systems, including performing assessments, enhancement, constant monitoring and pro-active detection of virus attack. We also undertake continuous efforts to enhance our firewall and anti-virus software.

During the financial year under review, there were no significant breaches or violation of our IT system.

# SUSTAINABILITY REPORT

## OUR FOCUS ON CUSTOMERS

### 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:



## SERVING OUR CUSTOMERS

### Customer Relationship Management

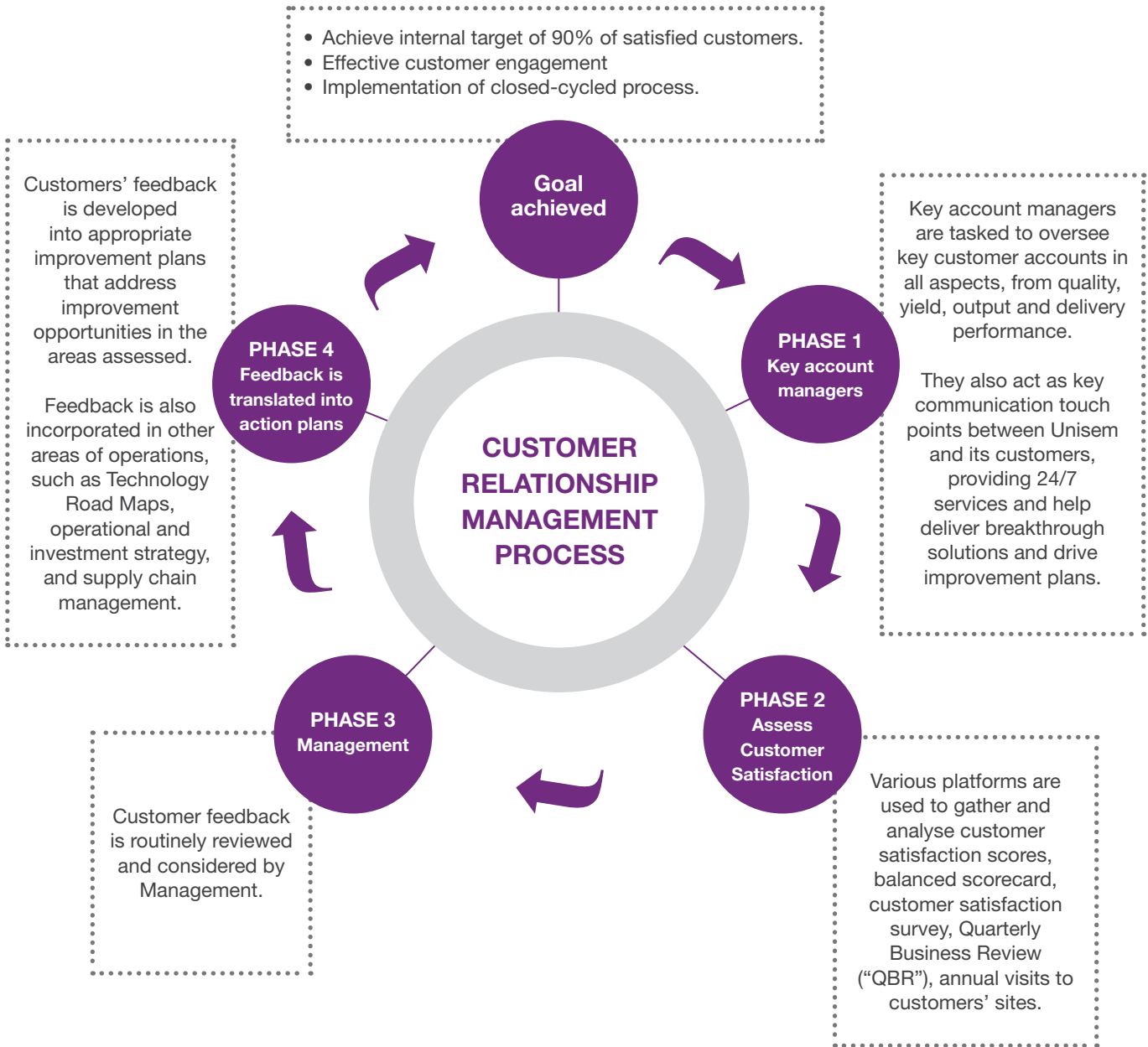
Unisem's dedicated customer account managers and teams provide focused, attentive support and advise for our key accounts. They support our strategic priority to develop long-term collaborative business partnerships by building stronger alignment of interest and capabilities between Unisem and its customers, as well as business associates in its supply chain. Unisem's customer management teams also provide 24/7 services to our customers around the world. Our customer management teams also receive regular and adequate professional and technical training to support our aim as one stop solution provider.

Unisem's established Customer Relationship Management process facilitates our understanding of customers' needs such as the specified yield and performance levels and allows us to provide advice and breakthrough solutions. Throughout our service, we regularly conduct meetings with customers to keep them updated with production progress and to obtain customer feedback on the quality of our services, through performance score cards. We take the feedback of our customers seriously and incorporate them in our continuous improvement process.

# SUSTAINABILITY REPORT

## OUR FOCUS ON CUSTOMERS

Our Customer Relationship Management process is summarised in the following diagram.



# SUSTAINABILITY REPORT

## OUR FOCUS ON CUSTOMERS

### Engagement and Collaboration with Customers

Unisem has established various channels and structured communications strategies to drive its customer engagement objectives. Customers satisfaction levels are assessed via formal balanced scorecards or Unisem’s internally developed customer satisfaction surveys which are benchmarked against our baseline KPIs.

The following table describes other key engagement activities we have with our customers.

Customer Engagement Platforms	Frequency	Details
Balanced scorecard	Quarterly	<p>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.</p> <p>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.</p>
Customer satisfaction survey	Yearly	<p>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.</p> <p>Unisem targeted to achieve a Customer Satisfaction score of 90% for FY2022.</p>
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 a score of 92%, exceeding our target of 90%. 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 Executive Committee.

KPI	Satisfaction of key customers		
	To achieve key customer satisfaction score of 90%		
Target			
Performance	FY2020	FY2021	FY2022
	85%	90%	92%

We take pride in the value that we deliver to our customers, which is recognised and acknowledge by customers through outstanding awards and best supplier appreciations, as follows:

- Qorvo Recognition Award 2021 for Unisem Ipoh;
- UMS Partner of the Year Award 2021 for Unisem Ipoh;
- Renesas Appreciation Award Unisem Ipoh;
- Spintrol Electronic Technology Best Potential Supplier 2022 for Unisem Chengdu;
- Big Moment Partner of the Year Award 2022 for Unisem Chengdu;
- Espressif Best Supplier 2022 for Unisem Chengdu;
- SCN Excellent Services Award 2022 for Unisem Chengdu; and
- FOS Excellent Supplier 2022 for Unisem Chengdu.

# SUSTAINABILITY REPORT

## OUR FOCUS ON CUSTOMERS

### PROTECTING OUR CUSTOMERS' PRIVACY AND DATA

Protecting customers' proprietary information, intellectual assets and data is a fundamental commitment to our customer relationship management. Unisem has specific "IT Acceptable Use Policy" to govern the responsible use of data including data access, transfer, and management. Employees are also regularly reminded on the importance of responsibly handling and protecting customers' data, as well as the consequences of breaches or violation.

Unisem's key internal controls governing customer privacy and data protection are summarised as follows:

#### 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.

During FY2022, there were no fines or complaints received from outside parties or regulatory bodies. We were also not aware of any cases of leaks, theft, or loss of customer data.

# SUSTAINABILITY REPORT

## OUR PEOPLE



## 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 maximise 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
- 3.71 employee satisfaction score in FY2022 against a target of 3.80
- No incidents of significant human rights or labour standards violations
- 70% employees having minimum 6 hours training against a target of 75%
- Kept injury frequency rate in target range at below 2.0 - FY2022: 1.03
- 27.2% and 64.9% annual turnover rate for Unisem Ipoh and Unisem Chengdu in FY2022 against targets of 25.0% and 45.0%, respectively
- 646 employees received long service awards in FY2022.

### Relevant SDGs:



# SUSTAINABILITY REPORT

## OUR PEOPLE

### UPHOLDING HUMAN RIGHTS AND LABOUR STANDARDS

We uphold the highest commitment to protecting human rights in all our operations, and this is clearly stipulated in our CSR Policy and COE. Unisem manages human rights risks in its operations and supply chain through risk identification, assessment, and management processes.

Our human rights and labour standards, which are also in line with the RBA Code of Conduct, are integrated in our human capital management principle of “We Care We Can”.



Labour practices and human rights at our operating sites, including supply chain and significant investment agreements and contracts (such as significant arrangements for the sourcing of key materials or manpower), are generally overseen by Labour Working Committees of the respective sites. Labour and human rights risk assessments and reviews are conducted at least annually by the Labour Working Committees. Internal controls and processes to manage human rights and labour standard risks are incorporated in Unisem’s business operations, especially our employment practices and those of our key suppliers. New and existing suppliers are screened through our due diligence and regular reviews to prevent our supply chain from causing adverse human rights impacts.

*See how we are assessed for labour practices and human rights. Click [here](#) or go to page 95 for Our RBA Obligations.  
See how we manage our supply chain. Click [here](#) or go to page 97 for Supply Chain Management.*



# SUSTAINABILITY REPORT

## OUR PEOPLE

FY2022		Permanent	Fixed-term contract
Unisem Ipoh	Male	1,146	16
	Female	1,285	910
	<b>Total</b>		3,357
Unisem Chengdu	Male	356	962
	Female	469	954
	<b>Total</b>		2,741

Percentage of permanent and contract-based employees		FY2020	FY2021	FY2022
Unisem Group	Permanent employees (full-time)	3,092	3,386	3,256
	Contract-based employees (full-time)	2,636	2,573	2,842

Approximately 28% of our workforce in Unisem Ipoh are contract-based employees and a majority of these employees are of foreign nationalities to whom we also provide accommodation. We place additional focus in this employee category with respect to human rights and labour standards assessments and reviews to ensure they treated without discrimination and accorded the same level of basic human rights as with all other employees. Regardless of nationality, all non-Executives and Operators at Unisem Ipoh are represented by an in-house union and they are covered by collective bargaining agreements which are reviewed by the union every three years.

We keep personnel responsible for managing manpower informed and trained on what is considered acceptable human rights and labour standards, such as through our new employees' orientation program and refresher courses on humane treatment and labour standards.

	FY2020	FY2021	FY2022
Total hours trained on labour standards and human rights issues	2,599	2,323	3,123
Percentage of employees trained on labour standards and human rights issues	100%	99.8%	100%

In addition to SAQ and VAP assessments performed on Unisem, independent internal audits are also conducted on our operations to identify gaps, if any.

Any violations or breaches of human rights or labour issues can be reported via the WBEC Policy.

*Click [here](https://www.unisemgroup.com/company-info/corporate-social-responsibility) to WBEC Policy or visit our website at <https://www.unisemgroup.com/company-info/corporate-social-responsibility>*

Based on the 3rd party assessments and audits performed during FY2022, 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 incidents of human rights violations or significant breaches of labour standards noted within the Group.

# SUSTAINABILITY REPORT

## OUR PEOPLE

### EQUAL TREATMENT AND OPPORTUNITIES

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. 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
<b>Board members</b>	0	0	3	2	5	2	8 (67%)	4 (33%)
	0 (0%)		5 (42%)		7 (58%)		12	
<b>Senior Management</b>	0	0	11	3	35	1	46 (92%)	4 (8%)
	0 (0%)		14 (28%)		36 (72%)		50	
<b>Management</b>	0	0	36	10	33	6	69 (81%)	16 (19%)
	0 (0%)		46 (54%)		39 (46%)		85	
<b>Executives</b>	119	5	296	280	49	19	464 (60%)	304 (40%)
	124 (16%)		576 (75%)		68 (9%)		768	
<b>Non-Executives</b>	478	152	836	285	58	6	1,372 (76%)	443 (24%)
	630 (34%)		1,121 (62%)		64 (4%)		1,815	
<b>Operators</b>	351	1,414	175	1,326	3	111	529 (16%)	2,851 (84%)
	1,765 (52%)		1,501 (45%)		114 (3%)		3,380	
<b>Total**</b>	948	1,571	1,354	1,904	178	143	2,480 (41%)	3,618 (59%)
	2,519		3,258		321		6,098	

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

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.

# SUSTAINABILITY REPORT

## OUR PEOPLE

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
<b>Unisem Ipoh</b>		
Senior Management and Management	0.70	1
Executives and Non-Executives	1.03	1
Operators	1.25	1
<b>Unisem Chengdu</b>		
Senior Management and Management	0.63	1
Executives and Non-Executives	0.97	1
Operators	1.06	1

### OCCUPATIONAL HEALTH AND SAFETY

Unisem's CSR Policy sets out our commitment towards providing a safe and healthy working environment. This commitment is further emphasised in our Safety and Health Policy that serves as a fundamental principle for our operations. We manage health and safety at our operations via the safety and health management system which incorporate elements of risk identification and assessment, control monitoring and review, and continuous improvement. All 3 facilities of Unisem Group are certified with ISO 45001:2018.

We also encourage employees to contribute to our safety and health management processes. This helps us to obtain the views of those directly affected or exposed to safety and health risks, while instilling awareness among employees on the prevention of injuries, ill health, or other occupational safety risks in their day-to-day work activities.

#### Our Occupational Safety and Health Management System

The Health and Safety Working Committee for each operating site is headed by the senior management of the respective Facility Departments and its members include other Management personnel and representatives of workers involved in the day-to-day, ground-level operations. Our Health and Safety Working Committees carry out their work in compliance with accredited international standards and are responsible for overseeing and monitoring the health and safety management at each site. The committees also take responsibility over safety and health-related risk assessment and management, compliance matters, audit and investigations, complaints and grievances management, as well as ensuring relevant health and safety action plans are implemented.

The Health and Safety Working Committee generally meets once a month. The committees report the respective site's safety performance to the SWC quarterly.

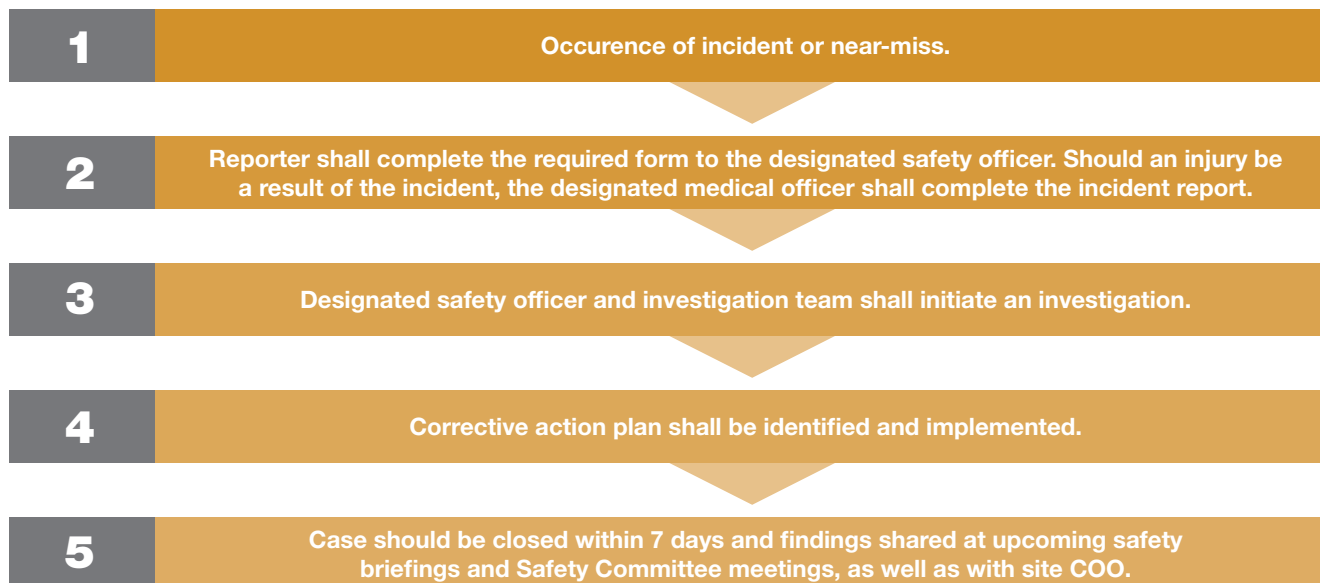
Adopting a risk-based approach, Hazard Identification, Risk Assessment and Risk Control ("HIRARC") reviews are conducted to identify hazards and risks at least once annually and as and when required. The HIRARC process considers past incidents, the competency of persons carrying out operational activities and persons performing monitoring, and existing controls, amongst others. The HIRARC process also seeks to explore if further process improvement in operations is necessary or possible, such as considering further automation to reduce human contact.

The site COOs are regularly informed on the works of the Health and Safety Working Committee, such as HIRARC review outcomes, progress of action plans, and management performance of risk indicators.

# SUSTAINABILITY REPORT

## OUR PEOPLE

### Incident Response and Reporting of Unsafe or Unhealthy Work Conditions



We have policies and procedures to guide 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 properly 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 they are satisfactorily resolved.

The Group does not retaliate against genuine responses and reporting of incidents that are made in accordance with established policies and procedures, including when employees remove themselves from work position to protect their own safety and health, and this is further stipulated in our COE and WBEC Policy.

Serious violations or breaches of the Group's safety and health policies and procedures can also be reported in accordance with WBEC Policy.

*Click [here](#) to WBEC Policy or visit our website at <https://www.unisemgroup.com/company-info/corporate-social-responsibility>*

### Employee Safety and Health Monitoring and Support

Unisem is supportive of promoting occupational and non-occupational health and safety awareness amongst its employees. We have healthcare benefit for our employees and our regular health services include health screenings, health and safety talks, and access to medical treatment from panel clinics.

# SUSTAINABILITY REPORT

## OUR PEOPLE

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 risks arising from our operations.

We provide face masks and antigen saliva self-test kits to all employees so they could test themselves on a weekly basis. The wearing of face masks and weekly testing have proven to be effective in controlling and screening COVID-19 employees from entering our premises thereby ensuring the safety of our employees, work environment and employee dormitories. This practice was also extended to all resident customers despite the relaxation of COVID-19 protocol by government authorities.

All visitors are required to perform antigen self-test and PCR test where appropriate before entering into Unisem's premises.

### Safety and Health Trainings

Regular and ongoing training is a key element of our safety and health management system. We also place additional efforts in ensuring employees who are exposed to higher safety and health risks receive adequate training to prevent, avoid, and manage hazards at work. 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.

Annual safety and health training programmes are reviewed and developed by the respective Facility Departments, considering the HIRARC assessments, incident reports, and that the training 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:

- Emergency preparedness and respond for flood and earthquake
- Fire ERT training
- Chemical spillage, storage and handling
- Confined space
- Machinery safety
- First aid
- Emergency preparedness and respond for gas leak
- ISO 45001: 2018 Awareness
- Ergonomic and material handling
- Fire evacuation drill
- Forklift handling
- X-R safety precaution

In FY2022, we increased more on-site training sessions in view of the relaxation of COVID-19 controls and protocols, which has helped contribute positively to a reduction in work-related accidents.

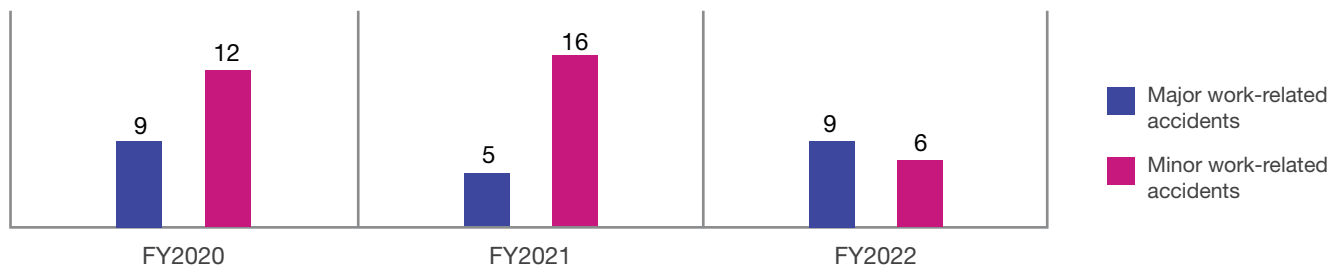
# SUSTAINABILITY REPORT

## OUR PEOPLE

### Performance on Workplace Safety

The Group's major and minor work-related accidents during FY2022 are summarised 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.

All recordable cases were looked into to identify the cause of incident and guide the development and implementation of further action plans, including enhancement to safety controls, maintenance of facilities, as well as continuous training. 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.

We are pleased to report no recorded cases with high consequence work-related injury\* during the reporting period.

In addition, we are also pleased to report that there were no cases of hearing impairment reported during the year, as opposed to 4 mild or moderate temporary hearing impairment cases in FY2021. We believe that this was due to the effective implementation of proper use of hearing PPE, regular hearing checks and tests on employees working in the relevant facilities.

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)

### Injury Frequency Rate

Unisem continued to maintain its injury frequency rate within its target range of below 2.00 accidents per million hours worked, at 1.03 for FY2022. There were no fatalities arising from occupational health and safety incidents.

KPI	Injury frequency rate for industrial accidents		
	Group Target	Injury frequency rate for industrial accidents below 2.00 accidents per million hours worked*	
Performance	FY2020 1.51	FY2021 1.44	FY2022 1.03

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")

# SUSTAINABILITY REPORT

## OUR PEOPLE

	FY 2020	FY 2021	FY 2022
Fatality rate	0	0	0
Major Occupational Accidents	9	5	9
Minor Occupational Accidents	12	16	6
<b>Total Recordable Work-Related Injuries</b>	<b>21</b>	<b>21</b>	<b>15</b>

### COMMUNICATIONS AND ENGAGEMENTS WITH EMPLOYEES

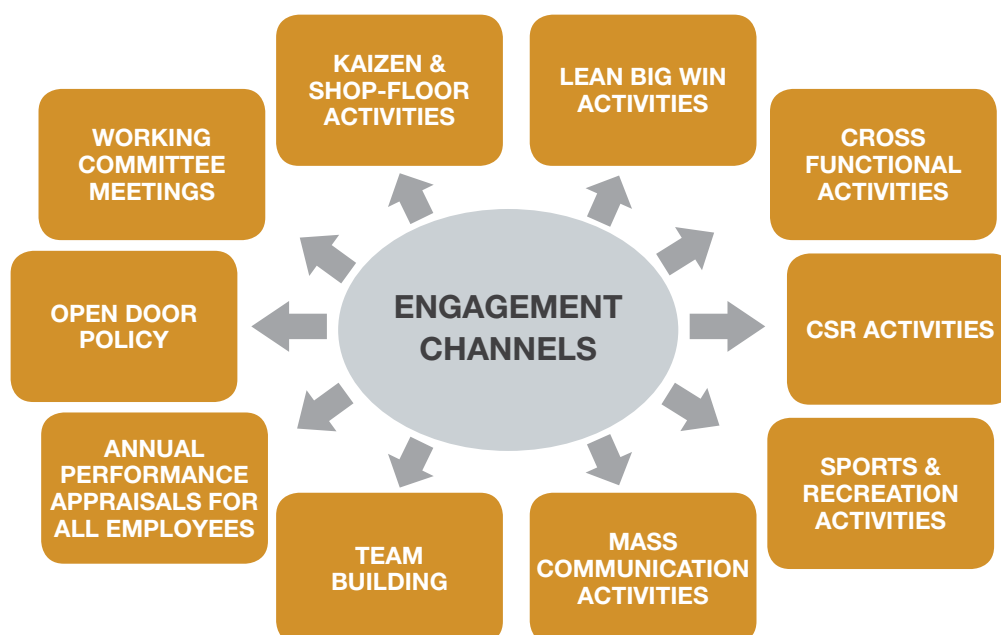
Employees represent a key component of Unisem’s human capital and are also a key stakeholder who share similar interest and dependence with Unisem. Upholding our belief and mindset of “We Care, We Can”, we seek to develop a win-win relationship with our employees where we align our interests as much as possible and communicate our objectives and strategies (including in relation to sustainability).

We have various engagement channels serving different objectives, including encouraging employees’ participation in driving our strategic priority of pursuing operational excellence, continuous improvement, serving as a feedback channel to understand employees and the difficulties they face at work, building team coordination and spirit, as well as facilitating better integration between the Group’s various functions. The outcome and key issues arising from employee engagements are also considered in business decision making.

Prior to the implementation of any significant operational changes that could substantially affect our employees, we also inform our employees within appropriate timeframe. Where necessary and appropriate, we also consult our employees in the event of significant decisions.

In addition to our commitment to safeguard the fundamental rights our employees in the aspects of human rights, labour standards, and occupational safety and health, we support our employees through efforts which help to enhance their livelihood, as well as personal and professional development.

A summary of Unisem’s key employee engagement activities is as follows:





# SUSTAINABILITY REPORT

## OUR PEOPLE

### Grievance Mechanisms

An internal grievance reporting mechanism is maintained and overseen by our Human Resources Department to enable employees to channel their grievances and obtain appropriate response, explanation, or resolution. The grievance mechanism is intended to provide appropriate channels for employees to highlight workplace disputes and disagreement, with an aim to achieve mutual understanding of the interest between the business and employees.

Serious misconduct or breaches of the laws and regulations, such as misappropriation of funds or data, bribery, or kickback arrangements, shall be reported via the whistleblowing mechanism.

*Click [here](https://www.unisemgroup.com/company-info/corporate-social-responsibility) to WBEC Policy or visit our website at <https://www.unisemgroup.com/company-info/corporate-social-responsibility>*

### EMPLOYEE WELFARE

We strive to take good care of our employees through building a conducive working environment that promotes career satisfaction, fair remuneration, work-life balance, and personal and professional development. Through our employee engagement channels, we can better understand employees' needs and this also allows us to develop initiatives towards building a mutually supportive and beneficial relationship with employees.

At all operating sites, we have services, facilities, and amenities to create a conducive and comfortable working environment, such as car parks with universal access to cater to the needs of people with disabilities, mother's room, and adequate resting areas including areas dedicated for female employees. We also have sports, and recreation programs and facilities for employees to achieve quality work-life balance and to maintain physically active.

To support our strategies to attract and retain talents, we also offer competitive compensation and employee benefits which are benchmarked against industry practices and market conditions. Employees are provided with insurance and other benefits on top of medical insurance and social security insurance as required by law.

In FY2022, we remained cautious in organising employee activities, especially in China. Some recreational activities were held during the year apart from a Hostel Room Cleanliness Competition at Unisem Ipoh.

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
<ul style="list-style-type: none"> <li>social insurance</li> <li>housing funds</li> <li>annual, sick, marriage, funeral, maternity and paternity leave</li> </ul>	<ul style="list-style-type: none"> <li>minimum wages order</li> <li>contribution to the employees' provident fund, in line with local regulations</li> <li>contribution to employees' social security</li> <li>provision of annual leave and other leaves</li> </ul>	<ul style="list-style-type: none"> <li>social insurance</li> <li>commercial insurance</li> </ul>	<ul style="list-style-type: none"> <li>personal accident insurance coverage</li> <li>child delivery subsidies</li> <li>medical benefits for outpatient, specialist and hospitalisation</li> </ul>

# SUSTAINABILITY REPORT

## OUR PEOPLE

### FACILITIES AND PRIVILEGES

#### Unisem Ipoh

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• surau</li> <li>• 24-hour canteen</li> <li>• mini mart operated by Koperasi Pekerja-Pekerja Unisem (M) Berhad</li> <li>• gated parking space</li> <li>• library</li> <li>• in-house clinic with full-time industrial nurses</li> <li>• dedicated lactation room for breastfeeding mothers</li> </ul> | <ul style="list-style-type: none"> <li>• hostel for operators who do not have homes in Ipoh</li> <li>• dedicated parking spaces for our special needs employees (those with disabilities) and pregnant women</li> <li>• dedicated rest area for female workers</li> <li>• 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</li> </ul> |
|--|--|

#### Unisem Chengdu

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• gated parking space</li> <li>• dedicated lactation room for breastfeeding mothers</li> <li>• hostel for operators who do not have homes in Chengdu</li> </ul> | <ul style="list-style-type: none"> <li>• dedicated parking spaces for our special needs employees (those with disabilities) and pregnant women</li> <li>• dedicated rest area for female workers</li> </ul> |
|--|---|

### EMPLOYEE DEVELOPMENT

Unisem carries out employee development and training programs to ensure employees are adequately equipped with relevant skills and knowledge to perform their roles and responsibilities. In addition, we also focus on developing new talents and enhancing the skills of our employees to drive innovation and sharpen our competitive edge to support Unisem's long-term objectives. We are also committed to providing opportunities and support for the personal and professional development of employees.

Employees' training needs are identified by the respective Training Departments of Unisem Ipoh and Unisem Chengdu and the relevant heads of departments. They also consider the employees' career and development aspirations which are mainly discussed through the annual employee performance appraisal sessions. The employees' training schedule is reviewed annually.

The Training Departments of Unisem Ipoh and Unisem Chengdu, respectively, are 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 FY2022, 69.8% of Unisem's employees achieved a minimum of 6 hours of training.

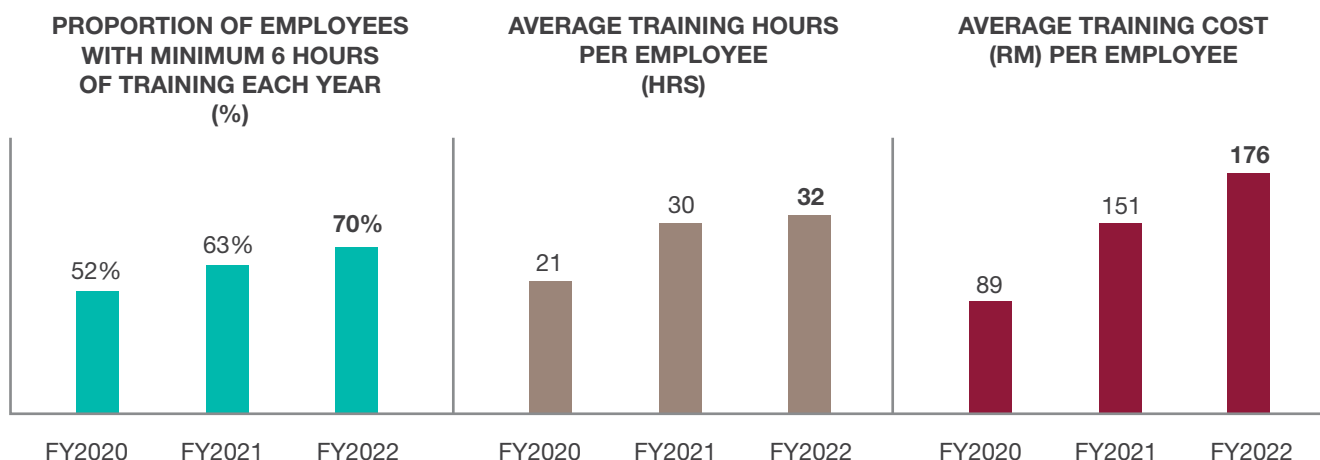
	FY2020	FY2021	FY2022
<b>Percentage of employees achieving minimum 6 training hours*</b>	52.4%	62.9%	69.8%

Note:

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

# SUSTAINABILITY REPORT

## OUR PEOPLE



Overall, we managed to clock a total of 197,880 training hours, breakdown as follows:

	Unisem Ipoh and Unisem Chengdu		
	FY2020	FY2021	FY2022
<b>Average training hour per employee - by employee category</b>			
Senior Management and Management	3.77	3.31	10.71
Executives	15.81	18.65	30.67
Non-Executives	16.82	22.60	25.42
Operators	24.56	37.63	37.50
<b>Average training hour per employee - by gender</b>			
Male	23.62	35.22	35.19
Female	18.79	26.95	30.57
<b>Total training hours</b>	<b>117,624</b>	<b>174,981</b>	<b>197,880</b>
<b>Total man-hours worked</b>	<b>13,949,589</b>	<b>14,595,798</b>	<b>14,604,120</b>

### Training programmes and topics

Depending on the objectives of our training programmes, our training programmes may be technical or non-technical and promotes the development of interpersonal skills, team skills, and leadership skills aligned with the functional competencies, professional needs, operational job requirements, as well as industry demands relevant to our business and operations. Management and Supervisory level personnel are further trained on their management, leadership, and supervisory competencies to enhance their capabilities in managing people and teams, addressing complex and diverse people issues at the workplace.

We have also expanded our training programmes on environmental and social topics, such as carbon emissions, human rights and labour practices, and ethics as these topics become increasingly important worldwide.

# SUSTAINABILITY REPORT

## OUR PEOPLE

The following table summarises the types of training programmes we provided to employees in FY2022.

Types of Training Programmes	Description of Training
<b>New Employee Program</b>	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.
<b>Quality Courses</b>	Focusing on the need to build quality and reliable products and subsequently on-time delivery to customers.
<b>Technical Courses</b>	Keeping abreast with the latest, state-of-the-art equipment and methodologies.
<b>Employee rights and remuneration strategies</b>	Ensuring relevant personnel are well-informed on the amendments to the Employment Act 1955 and the associated rights of employees, and talent retention strategies through remuneration packages.
<b>Safety and Health</b>	Complying with legal and occupational regulation and workplace safety and health.
<b>Environmental and climate change</b>	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 and carbon reporting.
<b>Ethics, Anti-Corruption &amp; Disciplinary</b>	Educating employees on our COE, anti-corruption and disciplinary measures.
<b>Soft Skills - Motivational/ Leadership/ Supervisory</b>	Development of leadership skills and personal effectiveness of our staff to better manage the complex and diverse people management challenges.
<b>Statistical - Design of Experiment, Statistical Process Control, Statistical Method etc</b>	Performing statistical techniques and analysis to promote engineering excellence in process and product development for engineering staff.
<b>IT Courses - Network Security, Programming</b>	Continuous enhancement of IT security platforms and systems.
<b>Specific Requirements (e.g. RBA / TS16949 / ISO14001 / ISO45001 / SST / X-Ray etc.)</b>	Catering to the needs of customers, regulatory agency/government and international standards. Includes updates pertaining to RBA Code of Conduct and updated requirements.

# SUSTAINABILITY REPORT

## OUR PEOPLE

### MEASURING EMPLOYEES' SATISFACTION

#### Employee Climate Survey ("Survey")

We carry out formal Employee Climate Survey every year in Unisem Ipoh and Unisem Chengdu. The Survey provides a safe and confidential channel for employees to provide their feedback and employee satisfaction on matters pertaining to Management's leadership, job satisfaction, career development, and top-down communication. Employees are also encouraged to provide feedback and suggestion on how they think Unisem can improve.

Unisem's overall employee satisfaction score, as derived from our FY2022 Survey, was recorded at 3.71. The results from the employee satisfaction survey were studied and analysed and shared with the COO and Management teams in the respective sites. Plans were brainstormed and drawn up to address the top 3 areas - canteen food and services, compensations and benefits and sports and recreation requiring improvements in 2023.

KPI	Employee Climate Survey		
	To achieve employee satisfaction score of > 3.80 out of 5.0		
	FY2020	FY2021*	FY2022*
Target			
Performance	3.44	3.71	3.71

\* In FY2022, we made adjustment to our calculation approach to enable a more accurate presentation.

#### New Hire and Retention

We continued to face challenges with labour shortages and greater competition for workers in the industry, especially amongst younger workers who commonly have higher mobility across industries and location. We responded with similarly aggressive hiring approaches, as well as intensified retention efforts through more competitive benefits and driving employee satisfaction.

For FY2022, 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	788 (53.0%)	138 (8.6%)	2 (0.7%)	234 (20.1%)	694 (31.6%)	928 (27.6%)
Unisem Chengdu	1,363 (131.9%)	563 (33.9%)	2 (4.3%)	955 (72.5%)	973 (68.4%)	1,928 (70.3%)
Turnover Headcount (Turnover Rate)*						
Unisem Ipoh	647 (43.5%)	235 (14.7%)	32 (11.7%)	204 (17.6%)	710 (32.3%)	914 (27.2%)
Unisem Chengdu	1,309 (126.7%)	465 (28.0%)	4 (8.5%)	966 (73.3%)	812 (57.1%)	1,778 (64.9%)

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.

# SUSTAINABILITY REPORT

## OUR PEOPLE

3-year Turnover Rate	FY 2020	FY 2021	FY 2022
Unisem Ipoh	819 (23.6%)	889 (26.4%)	914 (27.2%)
Unisem Chengdu	1,129 (51.2%)	1,855 (74.7%)	1,778 (64.9%)

KPI		Annual turnover rates		
Target*	Unisem Ipoh	Annual turnover rate below 25%		
	Unisem Chengdu	Annual turnover rate below 45%		
Performance		FY2020	FY2021	FY2022
	Unisem Ipoh	23.6%	26.4%	27.2%
	Unisem Chengdu	51.2%	74.7%	64.9%

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

In Unisem Ipoh, we observed a marginal increase in turnover, mainly coming from the engineering and non-executive employee category, due to aggressive expansion of multinational, tier-one electronic companies located in the northern region of Malaysia.

On the other hand, Unisem Chengdu has experience a slight reduction in turnover compared to the previous year. This reduction is attributed to adjustment to the rewards and compensation and benefits structure for engineering and non-executive category. The high turnover phenomenon is more prevalent in the engineering and non-Executive category. Our retention of key talents and skilled professionals, such as engineers and technicians, remained satisfactory and will continue to be one of our key priorities relating to human capital management.

We are committed to becoming a preferred employer, especially for long-term employment. We give our long service awards to acknowledge the service and hard work of our employees upon their 5th, 10th, 15th, 20th, 25th, and 30th years of service. In FY2022, 646 employees received Unisem's long service awards. 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 also consider the wider local economy and communities within the area, state, and country as our "local community" in broad terms.

The following objective guides our local community engagement approach and framework:

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.

In Unisem Ipoh, we have designated personnel to serve as contact point, as well as grievance channels, which are accessible by the local community to raise any concerns.

# SUSTAINABILITY REPORT

## OUR PEOPLE

### Youth development

We continued to carry out trainee programmes in Unisem Ipoh with the support of partnering local universities and polytechnic institutions and that allows us to continuously engage young talents and nurture their interest in our industry. Our trainee programmes may range from 3 to 6 months in various functions such as Assembly, Final Test, Quality Assurance, Engineering, Maintenance, Finance, Management Information Systems and Human Resources, exposing trainees with real life hands-on experiences and enriching their career prospects. During the year, our internship programme in Unisem Ipoh provided opportunities for 60 trainees and we have also identified 9 talents and subsequently offered employment to them.

### Contribution to Society

Unisem Group continues to deliver its corporate social responsibility (“CSR”) and provided support to the society and community, particularly those who are vulnerable and in need. Our CSR contribution generally takes various forms including giving of money or goods and providing our support via volunteerism.

Our community and social contribution programme emphasise on the promotion of education, safety and health, civic activities, and sports and recreations. This focus is annually reviewed to align with the changing needs of the community and society, and it also considers the engagement outcome of our community engagements. We always bear in mind our motto of “WE CARE, WE CAN” and support those in need.

In Unisem Ipoh, we have an ongoing initiative where the needs for daily necessities by the local community is listed on a dedicated board in our office. Our employees will deposit at the dedicated charity “WE CARE, WE CAN” corner any relevant items they want to contribute and these items will be donated to the respective beneficiaries from the local community.

In addition, we made donations or goods to various charitable organisations serving vulnerable communities in need such as orphanages, homes for people with disabilities, homes for the elders, schools, and public services. We also tried to help the flood victims whose livelihoods were threatened by serious floods caused by heavy rain in various locations in Malaysia.

During the year, we supported at least 3 schools, 7 orphanages, 2 centres for people with disabilities, 2 elder care centres, made 3 separate contributions to flood victims, and other contributions include donations to public services, donations to a charitable meal centre for the poor, provided financial support to employees who faced difficulties after losing their family members, and others. The Group also made RM26,000 for education funds whose purpose is to support the children in interior, rural areas. During the year FY2022, the Group made a total of RM102,050 in CSR donations and contributions.



# SUSTAINABILITY REPORT

## THE ENVIRONMENT

### 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**

- Missed our target of 5% reduction in GHG emission and energy intensity - FY2022: 3.4% reduction
- Exceeded our target of 5% reduction in water consumption intensity at 56% reduction
- Recycled 52% of hazardous waste compared to a target of 52%
- Compliant with air emission laws and regulations
- Compliant with effluents and wastewater discharge regulations

#### **Relevant SDGs:**



#### **OUR ENVIRONMENTAL MANAGEMENT APPROACH**

Unisem's Environmental Policy sets out the Group's stance towards conservation of natural resources including energy, reducing environmental pollution of all forms, reducing and proper handling and disposing of hazardous substances, recycling and reuse initiatives. All of our operating sites are fully certified with ISO14001:2015 and are in line with the RBA Code of Conduct. Our sites are subjected to independent audits and regular assessments, such as the SAQ, VAP, customer audits as well as internal audits.

At each operating site, the Environmental Working Committee is responsible for overseeing and reviewing the management of environmental matters including compliance with environmental laws, regulations, codes and standards, as well as Unisem's commitments. Environmental performance is further reviewed by the SWCs and reported to the Board through the Sustainability Committee on an annual basis.

*See how we are assessed for environmental impacts. Click [here](#) or go to page 95 for Our RBA Obligations.*

Under Unisem's Environmental Management Policy, all key supply chain partners are required to comply with RBA Code of Conduct. The Supply Chain SWC is given the mandate to ensure suppliers are in full compliance with the regulatory requirements in the country where they operate as well as material restrictions by conducting supplier audits.

*See how we manage our supply chain. Click [here](#) or go to page 97 for Supply Chain Management.*

Any violations or breaches can be reported via the WBEC Policy. There were no significant cases of non-compliance with environmental laws or regulations or fines reported in FY2022.

# SUSTAINABILITY REPORT

## THE ENVIRONMENT

### Unisem Group's Environmental Roadmap

Unisem's environmental strategies and goals are set out in its Environmental Roadmap. When setting our environmental strategies and priorities, we consider the global trend and available technologies, the input of stakeholders such as customers and regulators, and we also engage environmental consultants to provide expertise, knowledge, and competency in setting our environmental management strategies and priorities.

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.

During the year, we have engaged an environmental consultant and updated our Environmental Roadmap to chart our direction and environmental initiatives for the next few years up to 2025. Notable highlights include:

- stepped-up targets to reduce energy intensity, GHG intensity, and water consumption intensity;
- targeting Green Building Certification for our new plants;
- stepped-up target for non-hazardous waste recycling rate; and
- benchmarking selected targets against the baseline of FY2020 being the base year of our current roadmap.

# SUSTAINABILITY REPORT

## THE ENVIRONMENT

		Unisem Environmental Roadmap (5-year Plan)					
Initiatives	Programs	2021	2022	2023	2024	2025	
Climate Change	Energy saving program (Scope 2 emission)	LED Lighting Conversion Target: cumulative 90% conversion (area)	LED Lighting Conversion. Target: cumulative 100% conversion (area)	N/A	N/A	N/A	
		N/A	Assessment for Green Building Certification in Malaysia - Simpang Pulai Plant	Obtain Green Building Certification in Malaysia - Gopeng Plant	Obtain Green Building Certification in Malaysia - Simpang Pulai Plant	N/A	
		Dryer transformation project	Dryer transformation project	N/A	N/A	N/A	
		N/A	Reduction in energy intensity by 5% against 2020 baseline	Reduction in energy intensity by 5% against 2020 baseline	Reduction in energy intensity by 10% against 2020 baseline	Reduction in energy intensity by 10% against 2020 baseline	
		Reduction in GHG intensity by 10% against 2011 baseline	Reduction in GHG intensity by 5% against 2020 baseline	Reduction in GHG intensity by 5% against 2020 baseline	Reduction in GHG intensity by 10% against 2020 baseline	Reduction in GHG intensity by 10% against 2020 baseline	
		N/A	Installation of UPPC System controller/ Assessment of chilled water management system	Assessment of chilled water management system	Installation of chilled water management system	Installation of chilled water management system	
		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

# SUSTAINABILITY REPORT

## THE ENVIRONMENT

Initiatives	Programs	Unisem Environmental Roadmap (5-year Plan)				
		2021	2022	2023	2024	2025
Water Management	3 R Programs - Reuse, Reduce & Recycle	Water reuse in Reverse Osmosis System	Water reuse in Reverse Osmosis System	Water reuse in Reverse Osmosis System	Water reuse in Reverse Osmosis System	Water reuse in Reverse Osmosis System
		N/A	Reduction in water consumption intensity by 5% against 2020 baseline	Reduction in water consumption intensity by 5% against 2020 baseline	Reduction in water consumption intensity by 10% against 2020 baseline	Reduction in water consumption intensity by 10% against 2020 baseline
Industrial Waste Reduction	3 R Programs - Reuse, Reduce & Recycle	Hazardous Waste recycling 51%	Hazardous Waste recycling 52%	Hazardous Waste recycling 52%	Hazardous Waste recycling 52%	Hazardous Waste recycling 53%
		Non-Hazardous Waste recycling 52%	Non-Hazardous Waste recycling 55%	Non-Hazardous Waste recycling 55%	Non-Hazardous Waste recycling 60%	Non-Hazardous Waste recycling 60%
	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, 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 & ISO45001 legal compliance register	ISO14001 & ISO45001 awareness and legal compliance register	ISO14001 & ISO45001 legal compliance register	ISO14001 & ISO45001 awareness and legal compliance register	ISO14001 & ISO45001 legal compliance register
		N/A	Internal auditors training	N/A	Internal auditors training	N/A
		EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement	EASI list training / Product Stewardship Green Requirement

# SUSTAINABILITY REPORT

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Unisem Environmental Roadmap (5-year Plan)						
Initiatives	Programs	2021	2022	2023	2024	2025
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	ISO14001 & ISO45001 Certification	ISO14001 & ISO45001 Certification	ISO14001 & ISO45001 Certification	ISO14001 & ISO45001 Certification
		Sony Green Partner	Sony Green Partner	Sony Green Partner	Sony Green Partner	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

Unisem's acknowledges its role in joining responsible corporations worldwide to combat climate change. We are committed to promoting energy savings, improving energy efficiency and minimising greenhouse gas ("GHG") emissions.

Energy management is one of our identified focus areas to reduce our impact on emissions. Electricity is our main energy source and annual electricity cost can contribute to 10-15% of the Group's overall operating costs. It is also a major source of the Group's GHG emissions. In this regard, pursuing energy efficiency is our core strategy.

This year, we completed our initiative to convert lighting systems at our operating sites to LED lighting systems which have much higher efficiency. We also carry out regular maintenance and invest in upgrading of equipment 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.

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

Annual energy consumption*	FY 2020 (GJ)	FY 2021 (GJ)	FY 2022 (GJ)
<b>Energy source</b>			
Diesel	78	184	1,304
Petrol	1,623	1,525	1,921
Natural Gas	23,684	21,538	24,165
Purchased Electricity	645,149	700,145	747,731
<b>Total Energy Consumed</b>	<b>670,534</b>	<b>723,392</b>	<b>775,121</b>
<b>Breakdown by operating site:</b>			
Unisem Ipoh	393,539	413,459	441,972
Unisem Chengdu	276,995	309,933	333,149

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.

	FY 2020	FY 2021	FY 2022
<b>Energy intensity (MJ/unit produced*)</b>	87	76	84
<b>Reduction against FY2020**</b>	baseline	12.3% reduction	3.4% reduction

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.

\*\* FY2020 is selected as a base year being also the base year for the 5-year Environmental Roadmap for FY2021-2025.

In FY2022, the Group's total energy consumption increased by 7.2% compared to FY2021 attributed to the higher sale volume. The energy intensity increased to 84MJ per unit produced, mainly because of the high product mix proportion compared to the previous year. As a result, Unisem missed its 5% reduction target this year.

### GHG Emissions and GHG Emission Intensity

Unisem reports its Direct (Scope 1) and Indirect (Scope 2) GHG emissions which are derived from energy and electricity consumption, which includes GHG emissions such as CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. 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.

# SUSTAINABILITY REPORT

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	('000 tCO <sub>2</sub> e)	FY 2020	FY 2021	FY 2022
<b>Direct (Scope 1) GHG emissions</b>				
Unisem Ipoh		0.1	0.1	0.1
Unisem Chengdu		2.0	1.2	1.7
<b>Total Direct (Scope 1) GHG emissions</b>		<b>2.1</b>	<b>1.3</b>	<b>1.8</b>
<b>Indirect (Scope 2) GHG emissions</b>				
Unisem Ipoh		73.2	76.9	82.1
Unisem Chengdu		51.5	58.7	62.7
<b>Total Indirect (Scope 2) GHG emissions</b>		<b>124.7</b>	<b>135.6</b>	<b>144.8</b>
<b>Direct and Indirect (Scope 1 and Scope 2) GHG emissions</b>				
Unisem Ipoh		73.3	77.0	82.2
Unisem Chengdu		53.5	59.9	64.4
<b>Total Direct and Indirect (Scope 1 and Scope 2) GHG emissions</b>		<b>126.8</b>	<b>136.9</b>	<b>146.6</b>

We define GHG emission intensity as the emission for each unit of product produced, i.e. tCO<sub>2</sub>e/ unit produced\*.

We also monitor GHG emission intensity which is defined as the GHG emission for each unit of product produced, i.e. tCO<sub>2</sub>e/ unit produced\*, as follows. For FY2022, we have a target to achieve a 5% reduction in GHG emission intensity compared to the base year of FY2020.

	FY 2020	FY 2021	FY 2022
<b>GHG emission intensity (tCO<sub>2</sub>e/unit produced*)</b>	0.016	0.014	0.016
<b>Reduction against FY2020**</b>	baseline	12.8% reduction	3.4% reduction

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.

\*\* FY2020 is selected as a base year being also the base year for the 5-year Environmental Roadmap for FY2021-2025.

Overall GHG emissions increased 7% compared to the previous year due to higher utilisation and production activities. Nonetheless, GHG emissions intensity recorded a slight increase as production during the year involved more products requiring more sophisticated production methods and higher amount of electricity. Against the base year of FY 2020, the overall reduction of emissions intensity is recorded at 3.4%.

That said, the Group is exploring options to reduce reliance on fossil-based power. Currently, we are looking into areas where we can take advantage of solar power generation at our operating sites. In addition, our plant expansion projects will also incorporate energy efficiency and emissions efficiency considerations as we continue to drive our production towards a more sustainable model.



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### 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.

The Group is currently in the midst of working toward addressing Other Indirect (Scope 3) GHG emissions activities for our Sustainability Report for FY2023.

### Other Air Emissions

We monitor and manage other air emissions, majority of which may be harmful or may cause pollution, as governed by applicable laws, regulations, and the RBA Code of Conduct. 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. Our air quality performance is also subject to annual independent review and verification by third-party contractors.

KPI & Target	Compliance with air emission laws and regulations		
	FY 2020	FY 2021	FY 2022
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	Compliance with air emission laws and regulations		
			FY 2020	FY 2021	FY 2022
<b>Unisem Ipoh (based on Malaysian laws, regulations, and guidelines)</b>					
Nitric acid	mg/m <sup>3</sup>	30.00	1.49	1.29	0.60
Sulphuric acid	mg/m <sup>3</sup>	5	0	0	0
Lead	mg/m <sup>3</sup>	1	Insignificant	Insignificant	Insignificant
Hydrochloric acid	mg/m <sup>3</sup>	5.00	0	1.30	1.10
Hydrofluoric acid	mg/m <sup>3</sup>	5.00	0	0.45	0
Hydrogen sulphide	mg/m <sup>3</sup>	1	Insignificant	Insignificant	Insignificant
Chlorine	mg/m <sup>3</sup>	5	Insignificant	Insignificant	Insignificant
Oxides of nitrogen	mg/m <sup>3</sup>	30	0	0	0
Sulphur dioxide	mg/m <sup>3</sup>	30	Insignificant	Insignificant	Insignificant
Solid particles	mg/m <sup>3</sup>	5.00	2.75	0.5	0
Particulate Matter	mg/m <sup>3</sup>	150.0	16.2	19.0	19.1

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Types of air pollutant	Unit	Local Regulations and/or Standards	FY 2020	FY 2021	FY 2022
<b>Unisem Chengdu (based on Chinese laws, regulations, and guidelines)</b>					
<b>Volatile Organic Compounds (VOCs)</b>	mg/m <sup>3</sup>	60.0	2.6	0.5	1.3
<b>Sulphur oxides (Sox)</b>	mg/m <sup>3</sup>	45.0	3.7	1.4	1.2
<b>Sulphur dioxide (SO<sub>2</sub>)</b>	mg/m <sup>3</sup>	50.0	11.2	0	6.6
<b>Nitrous oxides (Nox)</b>	mg/m <sup>3</sup>	150.0	45.3	26.8	24.6
<b>Hydrogen fluoride (HF)</b>	mg/m <sup>3</sup>	9.0	0.4	0.5	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

We address waste management through seeking to optimise the use of materials, minimising waste generation, and minimising the disposal of waste to landfill. Effective waste management is also crucial to protect workplace safety and health, especially if hazardous waste is involved. Our waste management initiatives supports our strategic priority of pursuing operational excellence through cost optimisation as well as minimising environmental impacts.

The types of waste generated in our operations include the following:

<b>Hazardous waste</b>	<p>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.</p> <p>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.</p>
<b>Non-hazardous waste</b>	<p>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.</p>

Our operational processes incorporate controls which facilitate effective handling, segregation, storage, and management of waste. When engaging waste contractors, we also consider their ability to perform high recovery or recycling rates.

The Facility Department of each operating sites oversees daily waste management activities and ensures complying with laws, regulations, and applicable policies and procedures. The Facility Department also keeps records of how waste is managed, how much is recycled, sold for reuse, or disposed. Waste management monitoring and data collection is standardised in Unisem Ipoh and Unisem Chengdu.

Our waste contractors are also assessed to ensure their compliance. In addition to SAQ and VAP, internal audits are also conducted on our operations to assess the adequacy and effectiveness of Unisem’s environmental management systems and reported to the Board.

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### Hazardous Waste and Recycling

We have policies and procedures for the safe handling and disposal of hazardous waste in accordance with applicable laws, regulations, and industry codes and standards. We ensure all relevant employees received proper training to handle and manage hazardous waste, including using appropriate PPEs where applicable and storing waste at dedicated locations before disposal. Hazardous waste is disposed of by licenced waste contractors and all licenced waste contractors are stringently assessed and reviewed from time to time.

E-waste comprises approximately 38% and 20% of the hazardous waste generated at Unisem Ipoh and Unisem Chengdu respectively. Meanwhile, e-waste is also an ideal source to recover valuable materials such as aluminium, gold, silver, and copper. E-waste is sold to and collected by licenced contractors who process and recycle them offsite. Unisem's licenced e-waste contractors provide reports to us on the actual recovery rates for each batch of e-waste collected and processed.

In FY2022, our average e-waste recovery rates for both Unisem Ipoh and Unisem Chengdu are 100%.

	Percentage of e-waste recovered		
	FY 2020	FY 2021	FY 2022
Unisem Ipoh	78.7	100.0	100.0
Unisem Chengdu	92.5	100.0	100.0

We met our target for recycling rate of total hazardous waste generated in FY2022 and will be working closely with our waste disposal vendors to make further improvement of our recycling rate in the following year.

KPI	Recycling rate of hazardous waste generated*		
Target	To achieve 52% recycling rate of total hazardous waste generated		
Performance	FY2020 40%	FY2021 41%	FY2022 52%

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 in our operations are paper, cardboard, and plastics, most of which can be recycled or reused as new form of raw materials. In our processes, we perform active waste sorting and separation to enable better recoverability and recyclability. Generally, recyclable or recoverable waste will be handed to waste contractors who perform recovery offsite and report to us the actual recovery rate of every batch of waste handled and processed. 54% of non-hazardous waste generated is recovered (i.e. reused or recycled) in FY2022.

This year, we saved 21,211 units or 21.21T of paper reels arising from our collaboration with vendors to switch to plastic reels from paper reels. The plastic reels are reusable and sent back to vendors for their reuse. In addition, we identify waste optimisation and reduction initiatives where applicable and promote employees' awareness on waste generation, including having recycling bins for general paper, recyclable plastics, and tin cans in our premises.

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### Summary of how waste is handled

The following table summarises how we handled our waste, whether they are subsequently recovered or disposed of.

	FY 2020**		FY 2021		FY 2022		
	Waste Generated (MT*)	Waste Generated (MT*)	Waste Diverted from Disposal (MT*)	Waste Directed to Disposal (MT*)	Waste Generated (MT*)	Waste Diverted from Disposal (MT*)	Waste Directed to Disposal (MT*)
<b>Unisem Ipoh</b>							
<b>Hazardous waste</b>							
E-waste	119	125	125	0	151	151	0
Other hazardous waste	116	149	2	147	246	112	134
<b>Total hazardous waste</b>	<b>235</b>	<b>274</b>	<b>127</b>	<b>147</b>	<b>397</b>	<b>263</b>	<b>134</b>
<b>Non-hazardous waste</b>							
<b>Total non-hazardous waste</b>	<b>632</b>	<b>679</b>	<b>319</b>	<b>360</b>	<b>656</b>	<b>270</b>	<b>386</b>
<b>Total waste generated</b>	<b>867</b>	<b>953</b>	<b>446</b>	<b>507</b>	<b>1,053</b>	<b>533</b>	<b>520</b>
<b>Unisem Chengdu</b>							
<b>Hazardous waste</b>							
E-waste	45	55	55	0	52	52	0
Other hazardous waste	113	181	25	156	207	27	180
<b>Total hazardous waste</b>	<b>158</b>	<b>236</b>	<b>80</b>	<b>156</b>	<b>259</b>	<b>79</b>	<b>180</b>
<b>Non-hazardous waste</b>							
<b>Total non-hazardous waste</b>	<b>575</b>	<b>488</b>	<b>406</b>	<b>82</b>	<b>642</b>	<b>432</b>	<b>210</b>
<b>Total waste generated</b>	<b>733</b>	<b>724</b>	<b>486</b>	<b>238</b>	<b>901</b>	<b>511</b>	<b>390</b>
<b>Unisem Ipoh and Unisem Chengdu</b>							
<b>Total hazardous waste</b>	<b>393</b>	<b>510</b>	<b>207</b>	<b>303</b>	<b>656</b>	<b>342</b>	<b>314</b>
<b>Total Non-hazardous waste</b>	<b>1,207</b>	<b>1,167</b>	<b>725</b>	<b>442</b>	<b>1,298</b>	<b>702</b>	<b>596</b>
<b>Total waste generated</b>	<b>1,600</b>	<b>1,677</b>	<b>932</b>	<b>745</b>	<b>1,954</b>	<b>1,044</b>	<b>910</b>

Note:

\* 1 MT = 1,000 kg

\*\* We began collecting data on waste disposal method by our operations in FY2021

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FY2022				
Unisem Ipoh and Unisem Chengdu	Diverted from Disposal* (MT)^		Directed to Disposal** (MT)^	
<b>Hazardous waste</b>	Preparation for reuse	27	Incineration	158
	Recycling	315	Landfilling	155
	Other recovery options	0	Other disposal operations (chemical treatment)	1
	<b>Total</b>	<b>342</b>	<b>Total</b>	<b>314</b>
<b>Non-hazardous waste</b>	Preparation for reuse	22	Incineration	0
	Recycling	680	Landfilling	596
	Other recovery options	0	Other disposal operations	0
	<b>Total</b>	<b>702</b>	<b>Total</b>	<b>596</b>
<b>Total</b>	<b>1,044</b>		<b>910</b>	

Note:

\* All waste diverted from disposal are handled and managed by vendors offsite

\*\* All waste is disposed by vendors offsite

^ 1 MT = 1,000 kg

### WATER USE AND EFFLUENT DISCHARGED

Unisem's operations are water-intensive process, requiring consistent water supply for various purposes that are crucial to our assembly and test operations. For instance, Process Chilled Water ("PCW") which is used for cooling, Ultra-Pure Water ("UPW") which is used for cleaning in wet-processing processes, and Deionised Water ("DI") for cleaning and rinsing semiconductor products and components. We also use water in our offices and general maintenance of operating sites such as general cleaning, domestic consumption, and others.

Both our Unisem Ipoh and Unisem Chengdu are not located in water stress areas and we rely on municipal water as the main source of water. 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.

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

		FY 2020	FY 2021	FY 2022
Unisem Ipoh	<b>Water Withdrawal by source (thousand m<sup>3</sup>)</b>			
	* <sup>^</sup> Third-party water: Municipal water	1,819	1,625	2,024
	<b>Water Discharge by destination (thousand m<sup>3</sup>)</b>			
	<sup>^</sup> Third-party water: Municipal drainage	726	730	1,416
	<b>Water Consumption (thousand m<sup>3</sup>)</b>	1,093	895	608
Unisem Chengdu	<b>Water Withdrawal by source (thousand m<sup>3</sup>)</b>			
	<sup>^^</sup> Third-party water: Municipal water	1,243	1,469	1,650
	<b>Water Discharge by destination (thousand m<sup>3</sup>)</b>			
	<sup>^^</sup> Third-party water: Industrial treatment plant	821	1,169	1,465
	<b>Water Consumption (thousand m<sup>3</sup>)</b>	422	300	185
Unisem Ipoh and Unisem Chengdu	<b>Water Withdrawal by source (thousand m<sup>3</sup>)</b>			
	Third-party	3,062	3,094	3,674
	<b>Water Discharge by destination (thousand m<sup>3</sup>)</b>			
	Third-party	1,547	1,899	2,881
	<b>Water Consumption (thousand m<sup>3</sup>)</b>	1,515	1,195	793

Note:

\* Classification based on GRI 303: Water and Effluents 2018

<sup>^</sup> Freshwater ( $\leq 1,000$  mg/L Total Dissolved Solids) classified based on GRI 303: Water and Effluents 2018

<sup>^^</sup> Other water ( $> 1,000$  mg/L Total Dissolved Solids) classified based on GRI 303: Water and Effluents 2018

### Water Reuse and Recycling Initiatives

We use water responsibly, considering a balance between operational efficiency, cost efficiency, our water impact, and allocation of available resources. We identify opportunities to reduce, recycle, or reuse water in our operations on an ongoing basis.

Both our operating sites in Unisem Ipoh and Unisem Chengdu are equipped with complex rinse water collection systems and dedicated drainage system that allows us to reuse lightly contaminated UPW for other industrial purposes and irrigation. The lightly contaminated UPW does not contain any hazardous substance and is completely safe. In addition, our production facility in Unisem Chengdu is fitted with a reverse osmosis system which processes water for reuse in production.

On average, we recycled and reuse 5% of water withdrawn in Unisem Ipoh and 8% in Unisem Chengdu. That is approximately 149,197 mega litres of water.

	Proportion of water recycled over water withdrawn (%)		
	FY 2020	FY 2021	FY 2022
Unisem Ipoh	3%	3%	5%
Unisem Chengdu	9%	9%	8%

# SUSTAINABILITY REPORT

## THE ENVIRONMENT

### Water consumption intensity

This year, we have included a metric to assess our operational efficiency, i.e. measuring our water consumption intensity. We also targeted a 10% reduction in water consumption intensity by 2025 and a target of 5% reduction in FY2022, against a baseline of FY2020. In FY2022, we exceeded our target with a 56% reduction in water consumption compared to FY2020.

	FY 2020	FY 2021	FY 2022
<b>Water consumption Intensity (m<sup>3</sup>/unit produced*)</b>	0.20	0.13	0.09
<b>Reduction against FY2020**</b>	baseline	36% reduction	56% reduction

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.

\*\* FY2020 is selected as a base year being also the base year for the 5-year Environmental Roadmap for FY2021-2025.

### Effluent quality

#### Wastewater

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

Our wastewater generally contains chemicals, metals, and organic and inorganic compounds. It may also contain significant harmful contents including 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.

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.

The Facility Department of each operating sites oversees the management of effluent, including daily monitoring of effluent quality to ensure compliance with relevant laws and regulations. Qualified employees who are certified by local authorities and received proper training are tasked to manage and maintain our on-site wastewater treatment facilities. Our wastewater treatment facilities are also subject to regular maintenance and checks by professional service providers.

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<sup>2+</sup> concentration, Ni<sup>2+</sup> concentration, and ammonia concentration. Independent checks on effluent quality are also performed periodically by externally accredited laboratories or government-appointed third parties.

KPI & Target	Compliance with effluents and wastewater discharge regulations:		
	<ul style="list-style-type: none"> <li>Standard B under EQA (Industrial Effluents) Regulation 2009</li> <li>Integrated Wastewater Discharge Standard (GB8978-1996)</li> </ul>		
Performance	FY 2020	FY 2021	FY 2022
Unisem Ipoh	Compliant	Compliant	Compliant
Unisem Chengdu	Compliant	Compliant	Compliant



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### 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	2022 Target	Progress as of 31 December 2022	Reduction Achieved in FY2022
<b>LED Lighting Conversion</b>	Conventional lighting is progressively converted to a more energy-efficient alternative i.e., LED lighting.	Cumulative 90% conversion (area)	Completed 97% conversion	Electricity: 1,415,896 kwh GHG Emission: 1,039.67CO <sub>2</sub>
<b>Installation of Ultra Performance Plant Controller ("UPPC") system i.e., P1 UPPC and P2 UPPC</b>	The control system allows the optimisation of energy use in plant chillers.	Completion in 2022	Completed	Electricity: 2,022,168kwh GHG Emission: 1,484.848CO <sub>2</sub>
<b>Conversion to Electrical Forklifts*</b>	Conversion of all diesel-powered forklifts to electricity powered.	Completion in 2022	Completed	Diesel: 960 Litre GHG Emission: 2.569CO <sub>2</sub>
<b>Upgrade Air Conditioning system*</b>	Upgrading software and hardware for air conditioning systems to improve system efficiency and reduce energy consumption	Completion in 2022	Completed	Electricity: 753,636kwh GHG Emission: 553.384CO <sub>2</sub>
<b>Compressed air optimization*</b>	Reduce compressed air delivery and distribution network energy loss for production building	Completion in 2022	Completed	Electricity: 217,161kwh GHG Emission: 159.458CO <sub>2</sub>
<b>Solar Street Light Conversion*</b>	Street light and car park conventional light is progressively converted into a solar street light	Cumulative 30% conversion (area)	Completed 30% conversion	Electricity: 5,616kwh GHG Emission: 3.681CO <sub>2</sub>
<b>RO System Adjustment*</b>	Adjustment of RO system by softening resin and UF regeneration frequency to reduce regenerated water consumption	Completion in 2022	Completed	Water: 15,000m <sup>3</sup>
<b>Total</b>				Electricity: 4,414,477 kwh GHG Emission: 3,243.611CO <sub>2</sub> Water: 15,000m <sup>3</sup> Diesel: 960 Litre

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

# SUSTAINABILITY REPORT

## THE ENVIRONMENT

### 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 residential areas 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 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 Level (dBA)	Day			Night				
	Regulated limit	FY2020 Average	FY2021 Average	FY2022 Average	Regulated limit	FY2020 Average	FY2021 Average	FY2022 Average
Unisem Ipoh	75	60	66	66	75	56	65	65
Unisem Chengdu	65	60	55	58	55	52	45	50

# SUSTAINABILITY REPORT

## OTHER SUSTAINABILITY DATA AND REFERENCES

Parental Leave	FY 2020	FY 2021	FY 2022
<b>Unisem – Ipoh and Chengdu</b>			
<b>Total number of employees that were entitled to parental leave - by gender</b>			
Male	2,245	2,065	2,165
Female	2,303	1,942	2,076
<b>Total number of employees that took parental leave - by gender</b>			
Male	114	87	96
Female	129	123	70
<b>Total number of employees that returned to work in the reporting period after parental leave ended - by gender</b>			
Male	112	87	96
Female	107	99	68
<b>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</b>			
Male	133	108	80
Female	107	91	87
<b>Return to work rates of employees that took parental leave - by gender</b>			
Male	98%	100%	100%
Female	83%	80%	97%
<b>Retention rates of employees that took parental leave and were still employed 12 months after their return to work - by gender</b>			
Male	87%	96%	92%
Female	71%	85%	88%

# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	REFERENCE SECTION AND COMMENTS	PAGE	
<b>GRI 102:</b>	<b>ORGANIZATIONAL PROFILE</b>			
<b>General Disclosures 2016</b>	102-1	Name of the organisation	<ul style="list-style-type: none"> <li>IAR22: Who We Are/Where We Operate</li> <li>SR22: About this Sustainability Report</li> </ul>	8 80
	102-2	Activities, brands, products, and services	<ul style="list-style-type: none"> <li>IAR22: Who We Are/Where We Operate</li> </ul>	8
	102-3	Location of headquarters	<ul style="list-style-type: none"> <li>IAR22: Who We Are/Where We Operate</li> <li>SR22: About this Sustainability Report</li> </ul>	8 80
	102-4	Location of operations	<ul style="list-style-type: none"> <li>IAR22: Who We Are/Where We Operate</li> <li>SR22: About this Sustainability Report</li> </ul>	8 80
	102-5	Ownership and legal form	<ul style="list-style-type: none"> <li>IAR22: Who We Are/Where We Operate</li> <li>IAR22: Shareholders' Statistics</li> </ul>	8 233
	102-6	Markets served	<ul style="list-style-type: none"> <li>IAR22: Who We Are/Where We Operate</li> </ul>	8
	102-7	Scale of the organisation	<ul style="list-style-type: none"> <li>IAR22: Who We Are/Where We Operate</li> <li>SR22: Our People: Equal Treatment and Opportunities</li> </ul>	8 114
	102-8	Information on employees and other workers	<ul style="list-style-type: none"> <li>SR22: Our People: Equal Treatment and Opportunities</li> </ul>	114
	102-9	Supply chain	<ul style="list-style-type: none"> <li>SR22: How We Do Business: Supply Chain Management</li> </ul>	97
	102-10	Significant changes to the organisation and its supply chain	<ul style="list-style-type: none"> <li>SR22: About this Sustainability Report</li> </ul>	80
	102-11	Precautionary Principle or approach	<ul style="list-style-type: none"> <li>SR22: The Environment</li> </ul>	127
	102-12	External initiatives	<ul style="list-style-type: none"> <li>SR22: About this Sustainability Report</li> </ul>	80
	102-13	Membership of associations	<ul style="list-style-type: none"> <li>SR22: About this Sustainability Report</li> </ul>	80
	<b>STRATEGY</b>			
	102-14	Statement from senior decision-maker	<ul style="list-style-type: none"> <li>IAR22: Chairman's Letter to the Shareholders</li> <li>IAR22: Our Performance: Management Discussion &amp; Analysis</li> </ul>	4 72
	102-15	Key impacts, risks, and opportunities	<ul style="list-style-type: none"> <li>IAR22: The Strategy and Focus Areas</li> </ul>	54
	<b>ETHICS AND INTEGRITY</b>			
	102-16	Values, principles, standards, and norms of behavior	<ul style="list-style-type: none"> <li>IAR22: Creating Value for Stakeholders</li> <li>SR22: How We Do Business: Code of Ethics</li> <li>SR22: How We Do Business: Anti-Corruption and Bribery</li> </ul>	65 93 93
	102-17	Mechanisms for advice and concerns about ethics	<ul style="list-style-type: none"> <li>SR22: How We Do Business: Anti-Corruption and Bribery</li> </ul>	93

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<b>GRI 102: General Disclosures 2016</b>	<b>GOVERNANCE</b>			
	102-18	Governance structure	<ul style="list-style-type: none"> <li>• IAR22: Profile of Board of Directors</li> <li>• IAR22: Profile of Senior Management</li> <li>• IAR22: Corporate Governance Overview Statement</li> <li>• SR22: Governance for Sustainability</li> </ul>	20 25 27 83
	102-19	Delegating authority	<ul style="list-style-type: none"> <li>• SR22: Governance for Sustainability</li> </ul>	83
	102-20	Executive-level responsibility for economic, environmental, and social topics	<ul style="list-style-type: none"> <li>• SR22: Governance for Sustainability</li> </ul>	83
	102-21	Consulting stakeholders on economic, environmental, and social topics	<ul style="list-style-type: none"> <li>• SR22: Unisem's Materiality Assessment Process</li> </ul>	86
	102-22	Composition of the highest governance body and its committees	<ul style="list-style-type: none"> <li>• IAR22: Corporate Governance Overview Statement</li> </ul>	27
	102-23	Chair of the highest governance body	<ul style="list-style-type: none"> <li>• IAR22: Corporate Governance Overview Statement</li> </ul>	27
	102-24	Nominating and selecting the highest governance body	<ul style="list-style-type: none"> <li>• IAR22: Corporate Governance Overview Statement</li> </ul>	27
	102-25	Conflicts of interest	<ul style="list-style-type: none"> <li>• IAR22: Corporate Governance Overview Statement</li> <li>• SR22: How We Do Business: Conflict of Interest</li> </ul>	27 94
	102-26	Role of highest governance body in setting purpose, values, and strategy	<ul style="list-style-type: none"> <li>• IAR22 : Creating Value for Stakeholders</li> <li>• SR22: Governance for Sustainability</li> </ul>	65 83
	102-27	Collective knowledge of highest governance body	<ul style="list-style-type: none"> <li>• IAR22: Corporate Governance Overview Statement</li> </ul>	27
	102-28	Evaluating the highest governance body's performance	<ul style="list-style-type: none"> <li>• IAR22: Corporate Governance Overview Statement</li> <li>• SR22: Governance for Sustainability</li> </ul>	27 83
	102-29	Identifying and managing economic, environmental, and social impacts	<ul style="list-style-type: none"> <li>• SR22: Governance for Sustainability</li> <li>• SR22: Sustainability Risks and Opportunities</li> </ul>	83 88
	102-30	Effectiveness of risk management processes	<ul style="list-style-type: none"> <li>• IAR22: Corporate Governance Overview Statement</li> </ul>	27
	102-31	Review of economic, environmental, and social topics	<ul style="list-style-type: none"> <li>• SR22: Governance for Sustainability</li> </ul>	83
	102-32	Highest governance body's role in sustainability reporting	<ul style="list-style-type: none"> <li>• SR22: Unisem's Materiality Assessment Process</li> </ul>	86

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	102-42	Identifying and selecting stakeholders	• IAR22 : Creating Value for Stakeholders 65
	102-43	Approach to stakeholder engagement	• IAR22 : Creating Value for Stakeholders 65
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<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	• SR22: Our People: New Hire and Retention 124
<b>GRI 402: Labor/ Management Relations 2016</b>	402-1	Minimum notice periods regarding operational changes	• SR22: Our People: Communications and Engagements with Employees 119
<b>GRI 404: Training and Education 2016</b>	404-1	Average hours of training per year per employee	• SR22: Our People: Employee Development 121
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<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1	Diversity of governance bodies and employees	• SR22: Our People: Equal Treatment and Opportunities 114
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<b>GRI 419: Socioeconomic Compliance 2016</b>	419-1	Non-compliance with laws and regulations in the social and economic area	• SR22: Managing Our Business 101
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<b>GRI 414: Supplier Social Assessment 2016</b>	414-1	New suppliers that were screened using social criteria	• SR22: How We Do Business: Supply Chain Management 97
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<b>EFFLUENTS AND WASTE MANAGEMENT</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	• SR22: The Environment: Managing Waste and Effluents	135
	103-2	The management approach and its components	• SR22: The Environment: Managing Waste and Effluents	135
	103-3	Evaluation of the management approach	• SR22: The Environment: Managing Waste and Effluents	135
<b>GRI 306: Waste 2020</b>	306-1	Waste generation and significant waste-related impacts	• SR22: The Environment: Managing Waste and Effluents	135
	306-2	Management of significant waste-related impacts	• SR22: The Environment: Managing Waste and Effluents	135
	306-3	Waste generated	• SR22: The Environment: Managing Waste and Effluents	135
	306-4	Waste diverted from disposal	• SR22: The Environment: Managing Waste and Effluents	135
	306-5	Waste directed to disposal	• SR22: The Environment: Managing Waste and Effluents	135

# SUSTAINABILITY REPORT

## GRI CONTENT INDEX (CONT'D)

GRI STANDARD	DISCLOSURE	REFERENCE SECTION AND COMMENTS	PAGE
<b>TOPIC-SPECIFIC DISCLOSURES: MATERIAL SUSTAINABILITY MATTER</b>			
<b>WATER CONSUMPTION</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	• SR22: The Environment: Water Use and Effluent Discharged 138
	103-2	The management approach and its components	• SR22: The Environment: Water Use and Effluent Discharged 138
	103-3	Evaluation of the management approach	• SR22: The Environment: Water Use and Effluent Discharged 138
<b>GRI 303: Water and Effluents 2018</b>	303-1	Interactions with water as a shared resource	• SR22: The Environment: Water Use and Effluent Discharged 138
	303-2	Management of water discharge-related impacts	• SR22: The Environment: Water Use and Effluent Discharged 138
	303-3	Water withdrawal	• SR22: The Environment: Water Use and Effluent Discharged 138
	303-4	Water discharge	• SR22: The Environment: Water Use and Effluent Discharged 138
	303-5	Water consumption	• SR22: The Environment: Water Use and Effluent Discharged 138
<b>GRI 306: Waste 2020</b>	306-2	Management of significant waste-related impacts	• SR22: The Environment: Managing Waste and Effluents 135
			• SR22: The Environment: Water Use and Effluent Discharged 138



# SUSTAINABILITY REPORT

## SASB ALIGNMENT INDEX

General	Accounting Metric	SASB Code	Content Reference
Activity metric	Total production	TC-SC-000.A	Total number of units produced in FY2022 is 9,246,554. 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.
Activity metric	Percentage of production from owned facilities	TC-SC-000.B	100% of the units produced are from facilities owned by Unisem Group.

Topic	Accounting Metric	SASB Code	Summary
Greenhouse Gas Emissions	(1) Gross global Scope 1 emissions and (2) Amount of total emissions from perfluorinated compounds	TC-SC-110a.1	(1) Gross global Scope 1 (Direct) emissions amounted to 1,773 tons of CO <sub>2</sub> equivalent. (2) n/a, we do not use a significant amount of perfluorinated compounds.
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	TC-SC-110a.2	Unisem Group's Scope 1 emissions are relatively low amongst its total Scope 1 and 2 emissions, i.e. less than 2%, and majority of emissions are derived from energy use, particularly purchased electricity. The Group aims to reduce overall Scope 1 and 2 emissions by targeting to reduce emissions intensity via reduction in energy intensity. We have targets to reduce energy intensity and emissions intensity by 10% against the FY2020 baseline.  The Group is also exploring alternative sources of energy including renewable sources to potentially reduce emissions arising from fossil-based energy.
Energy Management in Manufacturing	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	TC-SC-130a.1	(1) Total energy consumption by the Group is 775,121 GJ. (2) Total grid electricity purchased amounted to 747,731 GJ, i.e. 96.5% of total energy consumption. (3) Total renewable energy consumption is 0GJ, i.e. 0% of total energy consumption.
Water Management	(1) Total water withdrawn, (2) Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	TC-SC-140a.1	(1) Total water withdrawn by the Group is 3,674K m <sup>3</sup> (2) Total water consumed by the Group is 793K m <sup>3</sup>  Unisem Group has facilities located in two locations, i.e. Ipoh, Malaysia and Chengdu, PRC. Both locations are not High or Extremely High Baseline Water Stress regions.

# SUSTAINABILITY REPORT

## SASB ALIGNMENT INDEX (CONT'D)

Topic	Accounting Metric	SASB Code	Summary
Waste Management	Amount of hazardous waste from manufacturing, percentage recycled	TC-SC-150a.1	The Group generated 656MT of hazardous waste from its production activities. 52% of this hazardous waste from manufacturing was recycled. Approximately 59% of this recycled hazardous waste was e-waste, which was handled by third-party contractors compliant with applicable local laws and regulations.
Employee Health & Safety	Description of efforts to assess, monitor, and reduce exposure of employees to human health hazards	TC-SC-320a.1	Unisem Group assesses, monitor, and reduce exposure of employees to human health hazards via its occupational safety and health management system, which includes: <ul style="list-style-type: none"> <li>(a) Governance structure – Health and Safety Working Committee to oversee safety and health identification, assessment, management, and reporting processes;</li> <li>(b) Risk-based approach – HIRARC reviews to identify hazards and risks</li> <li>(c) SOPs incorporating health and safety internal controls</li> <li>(d) Incident response and risk management procedures</li> <li>(e) Training and awareness</li> </ul>
	Total amount of monetary losses as a result of legal proceedings associated with employee health and safety violations	TC-SC-320a.2	There were no legal proceedings associated with employee health and safety violations reported during FY2022, i.e. there were no associated monetary losses.
Recruiting & Managing a Global & Skilled Workforce	Percentage of employees that are (1) foreign nationals and (2) located offshore	TC-SC-330a.1	(1) Unisem Group discloses the following data by location, i.e. Unisem Ipoh and Unisem Chengdu. 27.3% of Unisem Ipoh's employees are foreign nationals. 0.4% of Unisem Chengdu's employees are foreign nationals. In Unisem Ipoh, ongoing efforts are undertaken to attract local employees to reduce reliance on foreign workers and to develop local talent pool. (2) 55.1% and 44.9% of the Group's employees are employed in Malaysia and China, respectively.

# SUSTAINABILITY REPORT

## SASB ALIGNMENT INDEX (CONT'D)

Topic	Accounting Metric	SASB Code	Summary
Product Lifecycle Management	Percentage of products by revenue that contain IEC 62474 declarable substances	TC-SC-410a.1	Unisem Group complies with RoHS Directive on restriction on the use of ten substances including lead.
	Processor energy efficiency at a system-level for: (1) servers, (2) desktops, and (3) laptops	TC-SC-410a.2	Unisem Group does not produce end products or consumer products and hence this metric is not applicable.
Materials Sourcing	Description of the management of risks associated with the use of critical materials	TC-SC-440a.1	Unisem Group has a Group Policy on Conflict Minerals which prohibit the use of conflict minerals including tantalum, tin, tungsten, and gold from conflict areas. Due diligence processes are in place to facilitate the responsible sourcing of conflict-free minerals in the Group's production and supply chain. Further, the Group adheres to the RBA Code of Conduct and its requires suppliers to adhere to the same.
Intellectual Property Protection & Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	TC-SC-520a.1	There were no legal proceedings associated with anti-competitive behaviour regulations reported during FY2022, i.e. there were no associated monetary losses.



# FINANCIAL STATEMENTS

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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, 2022.

## PRINCIPAL ACTIVITIES

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

The information on the name, principal place of business and 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	243,411	194,868
Profit for the year from discontinued operations	141,950	-
Profit for the year attributable to owners of the Company	385,361	194,868

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the gain on disposal of non-current assets classified as held for sale relating to discontinued operations (for the Group) and reversal of loss allowance on financial assets measured at amortised cost (for the Company) as disclosed in Notes 11 and 18 respectively.

## 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 RM32,261,582 proposed in respect of the previous financial year and dealt with in the previous year's directors' report, was paid on April 8, 2022.

A first 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 August 25, 2022.

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 23, 2022.

On February 23, 2023, 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, 2022 and will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2023.

## 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.

# DIRECTORS' REPORT

## ISSUE OF SHARES AND DEBENTURES

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

## 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.

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' REPORT

## 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  
 Y.Bhg. Dato' Wong Guang Seng  
 Mr. Ang Chye Hock  
 Mdm. Lim Siew Eng  
 Mr. Xiao Zhiyi  
 Mr. Cui Weibing  
 Mr. Ju Feng  
 Ms. Wei Xiaoli  
 Puan Nelleita binti Omar (appointed on February 25, 2022)  
 Ms. Teh Muy Ch'ng (appointed on December 9, 2022)

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are listed below (excluding directors who are also directors of the Company):

Michael Hannan Mc Kerreghan (resigned on June 30, 2022)  
 Allan Casildo Toriaga (resigned on June 30, 2022)  
 Gilbert Lawrence Chiu  
 Gadis Aditya Siregar (appointed on July 1, 2022)

## 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 31.12.2022
	BALANCE AS OF 1.1.2022	ACQUIRED	DISPOSED OF	TRANSFERRED	
<b>Shares in the Company</b>					
<b>Registered in the name of directors</b>					
Mr. John Chia Sin Tet	124,652,250	60,000	-	16,390,000	141,102,250
Mr. Alexander Chia Jhet-Wern	4,100,000	12,100,000	(8,000,000)	-	8,200,000
Mr. Francis Chia Mong Tet	-	-	-	1,000,000	1,000,000
<b>Indirect interests by virtue of shares held by companies in which a director has interests</b>					
Mr. John Chia Sin Tet	304,290,226	99,547,830	(47,106,700)	(17,390,000)	339,341,356
Mr. Francis Chia Mong Tet	5,940,960	4,340,000	(1,800,000)	-	8,480,960



# DIRECTORS' REPORT

## DIRECTORS' INTERESTS (CONT'D)

	NUMBER OF CALL OPTIONS**				BALANCE AS OF 31.12.2022
	BALANCE AS OF 1.1.2022	ACQUIRED	EXERCISED	TRANSFERRED	
<b>Call Options in the Shares of the Company</b>					
<b>Registered in the name of directors</b>					
Mr. John Chia Sin Tet	68,000,000	-	(68,000,000)	-	-
Mr. Alexander Chia Jhet-Wern	12,000,000	-	(12,000,000)	-	-
<b>Indirect interests by virtue of Call options held by companies in which a director has interests</b>					
Mr. John Chia Sin Tet	31,097,586	-	(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' 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.

# DIRECTORS' REPORT

## DIRECTORS' REMUNERATION

	RM'000
Directors of the Company	
Executive:	
Fees	620
Other emoluments	6,340
Defined contribution plans	757
	7,717
Non-executive fees	827
	8,544
Directors of the subsidiaries	
Other emoluments	1,597

The estimated monetary value of benefits-in-kind received and receivable by the directors other than in cash from the Group and from the Company amounted to approximately RM109,000.

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 RM52,000.

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

## HOLDING COMPANIES

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

# DIRECTORS' REPORT

## 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, 2022 are as follows:

	THE GROUP RM'000	THE COMPANY RM'000
Audit fee	588	285
Assurance fee other than audit	21	3
Other non-assurance fee	55	55

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, 2023

# 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, 2022, 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 169 to 230.

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, 2022, 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UNISEM (M) BERHAD (INCORPORATED IN MALAYSIA)

<b>Key Audit Matter</b>	<b>How the matter was addressed in the audit</b>
<p><b>Capitalisation of expenses as property, plant and equipment</b></p> <p>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, 2022 amounted to RM550 million, as disclosed under Note 12 to the financial statements, out of which RM536 million pertaining to UM’s and UC’s capital investments.</p> <p>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 <i>Property, Plant and Equipment</i> and MFRS 123/IAS 23 <i>Borrowing Costs</i>.</p>	<p>Our audit procedures, amongst others, include the following:</p> <ol style="list-style-type: none"><li>1. Tested the design and implementation of key controls surrounding the review and approval of capitalisation process.</li><li>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.</li><li>3. Evaluated costs capitalised met the recognition criteria set out in MFRS 116/IAS 16.</li><li>4. Evaluated whether any borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset were capitalised in accordance with the requirements of MFRS 123/IAS 23.</li><li>5. Physically verified a sample of additions during the financial year.</li></ol>

## 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 integrated 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UNISEM (M) BERHAD (INCORPORATED IN MALAYSIA)

## Responsibilities of the Directors for the Financial Statements (Cont'd)

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

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UNISEM (M) BERHAD (INCORPORATED IN MALAYSIA)

## **Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

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, 2023

# STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2022

	NOTE	THE GROUP		THE COMPANY	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Continuing Operations</b>					
Revenue		1,781,838	1,568,923	740,921	639,129
Investment income	8	10,183	10,876	13,942	15,276
Other gains and losses		(2,540)	(2,516)	2,703	3,547
Other operating income		23,092	21,362	14,307	12,042
Changes in inventories of finished goods and work-in-progress		(20,228)	14,731	(11,447)	10,294
Raw materials and consumables used		(612,690)	(544,957)	(220,401)	(201,525)
Depreciation of property, plant and equipment	12	(204,674)	(193,229)	(80,724)	(78,773)
Net reversal of loss allowance on financial assets measured at amortised cost		429	-	75,328	-
Net reversal of impairment/ (Impairment) loss in subsidiaries	14	-	-	9,666	(4,408)
Employee benefit expenses		(396,212)	(379,718)	(174,806)	(171,039)
Directors' remuneration	6	(8,544)	(7,935)	(8,544)	(7,935)
Amortisation of prepaid interests in leased land	13	(269)	(307)	(81)	(44)
Finance costs	7	(5,746)	(2,827)	(4,668)	(1,848)
Other operating expenses		(284,959)	(261,775)	(150,187)	(136,036)
Profit before tax		279,680	222,628	206,009	78,680
Taxation	9(a)	(36,269)	(24,385)	(11,141)	(522)
Profit for the year from continuing operations	5	243,411	198,243	194,868	78,158
<b>Discontinued Operations</b>					
Profit/(Loss) for the year from discontinued operations	11	141,950	(468)	-	-
<b>Profit for the year attributable to owners of the Company</b>					
		385,361	197,775	194,868	78,158
<b>Earnings per share</b>					
From continuing and discontinued operations: Basic and diluted (sen)	10	23.89	12.32		
From continuing operations: Basic and diluted (sen)	10	15.09	12.35		

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, 2022

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Profit for the year</b>	<b>385,361</b>	<b>197,775</b>	<b>194,868</b>	<b>78,158</b>
<b>Other comprehensive (loss)/income</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translating foreign operations	(38,286)	51,172	-	-
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>347,075</b>	<b>248,947</b>	<b>194,868</b>	<b>78,158</b>

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

# STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022

	NOTE	THE GROUP		THE COMPANY	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	1,949,547	1,637,477	647,946	576,422
Prepaid interests in leased land	13	16,323	16,798	9,153	3,342
Investments in subsidiaries	14	-	-	499,778	500,078
Intangible assets	15	-	-	-	-
Amount owing by subsidiaries	18	-	-	91,043	73,729
<b>Total non-current assets</b>		<b>1,965,870</b>	<b>1,654,275</b>	<b>1,247,920</b>	<b>1,153,571</b>
<b>Current assets</b>					
Inventories	16	269,980	260,492	147,045	138,896
Trade receivables	17	214,429	186,094	95,738	85,038
Other receivables, deposits and prepaid expenses	17	11,770	14,361	3,730	10,930
Amount owing by subsidiaries	18	-	-	101,972	97,691
Tax recoverable	9(b)	716	2,711	-	-
Cash and cash equivalents	19	556,044	655,959	381,944	434,735
		<b>1,052,939</b>	<b>1,119,617</b>	<b>730,429</b>	<b>767,290</b>
Non-current assets classified as held for sale	20	-	9,069	-	-
<b>Total current assets</b>		<b>1,052,939</b>	<b>1,128,686</b>	<b>730,429</b>	<b>767,290</b>
<b>Total assets</b>		<b>3,018,809</b>	<b>2,782,961</b>	<b>1,978,349</b>	<b>1,920,861</b>

# STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022

	NOTE	THE GROUP		THE COMPANY	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	21(a)	1,036,677	1,036,677	1,036,677	1,036,677
Reserves	22	1,379,729	1,129,441	678,650	580,567
<b>Total equity</b>		<b>2,416,406</b>	<b>2,166,118</b>	<b>1,715,327</b>	<b>1,617,244</b>
<b>Non-current liabilities</b>					
Borrowings	23	33,019	56,241	33,019	56,241
Deferred income	24	52,454	39,552	-	-
Deferred tax liabilities	9(c)	63,133	57,290	-	-
<b>Total non-current liabilities</b>		<b>148,606</b>	<b>153,083</b>	<b>33,019</b>	<b>56,241</b>
<b>Current liabilities</b>					
Trade payables	25	81,361	96,855	33,243	51,895
Other payables and accrued expenses	25	197,850	247,574	69,425	81,077
Amount owing to subsidiaries	18	-	-	33,231	26,351
Amount owing to other related companies	18	140	80	-	-
Borrowings	23	163,458	118,684	92,453	87,486
Provision for taxation	9(b)	10,988	567	1,651	567
<b>Total current liabilities</b>		<b>453,797</b>	<b>463,760</b>	<b>230,003</b>	<b>247,376</b>
<b>Total liabilities</b>		<b>602,403</b>	<b>616,843</b>	<b>263,022</b>	<b>303,617</b>
<b>Total equity and liabilities</b>		<b>3,018,809</b>	<b>2,782,961</b>	<b>1,978,349</b>	<b>1,920,861</b>

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

THE GROUP	NOTE	NON-DISTRIBUTABLE RESERVES					TOTAL RM'000
		SHARE CAPITAL RM'000	TREASURY SHARES RM'000	CAPITAL RESERVE RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	DISTRIBUTABLE RESERVE RETAINED EARNINGS RM'000	
<b>Balance as of January 1, 2021</b>		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)	-
<b>Balance as of December 31, 2021</b>		1,036,677	-	63,228	213,600	852,613	2,166,118
Profit for the year		-	-	-	-	385,361	385,361
Other comprehensive income for the year, net of income tax		-	-	-	(38,286)	-	(38,286)
Total comprehensive income for the year		-	-	-	(38,286)	385,361	347,075
Dividends	26	-	-	-	-	(96,785)	(96,785)
Transfer to statutory reserve fund		-	-	14,063	-	(14,063)	-
Capital reduction to non-controlling interest		-	-	(2)	-	-	(2)
<b>Balance as of December 31, 2022</b>		1,036,677	-	77,289	175,314	1,127,126	2,416,406

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

THE COMPANY	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	DISTRIBUTABLE		TOTAL RM'000
				RESERVE RETAINED EARNINGS RM'000	EARNINGS RM'000	
<b>Balance as of January 1, 2021</b>		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)
<b>Balance as of December 31, 2021</b>		<b>1,036,677</b>	<b>-</b>	<b>580,567</b>		<b>1,617,244</b>
Profit and total comprehensive income for the year		-	-	194,868		194,868
Dividends	26	-	-	(96,785)		(96,785)
<b>Balance as of December 31, 2022</b>		<b>1,036,677</b>	<b>-</b>	<b>678,650</b>		<b>1,715,327</b>

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	NOTE	THE GROUP	
		2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
Profit for the year		385,361	197,775
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		204,674	193,229
Taxation		28,909	24,385
Unrealised loss on foreign exchange		13,282	5,945
Finance costs		5,747	2,828
Write down of inventories to net realisable values		921	669
Amortisation of prepaid interests in leased land		269	307
Property, plant and equipment written off		24	104
Gain on disposal of non-current assets classified as held for sale		(131,778)	-
Investment income		(10,183)	(10,876)
Amortisation of deferred income		(4,594)	(3,388)
Reversal of tax penalty		(3,974)	-
Gain on disposal of property, plant and equipment		(1,358)	(1,484)
Reversal of loss allowances on financial assets measured at amortised cost		(429)	-
		<b>486,871</b>	<b>409,494</b>
Movements in working capital:			
Increase in:			
Inventories		(13,543)	(80,204)
Trade receivables		(34,249)	(13,457)
Other receivables, deposits and prepaid expenses		(14,564)	(3,125)
(Decrease)/Increase in:			
Trade payables		(13,524)	22,932
Other payables and accrued expenses		(1,552)	(627)
Amount owing to related companies		60	(47)
Cash Generated From Operations		<b>409,499</b>	<b>334,966</b>
Income tax refunded		6,486	9,754
Income tax paid		(11,527)	(7,137)
Net Cash From Operating Activities		<b>404,458</b>	<b>337,583</b>

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	NOTE	THE GROUP	
		2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Proceed from disposal of non-current assets classified as held for sale		141,354	-
Investment income received		12,070	8,868
Proceeds from disposal of property, plant and equipment		2,214	1,672
Additions to property, plant and equipment	19	(595,183)	(483,460)
Net Cash Used In Investing Activities		(439,545)	(472,920)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Proceeds from revolving credits	19	76,261	21,665
Proceeds from deferred income	24	18,970	17,114
Dividends paid		(96,785)	(64,388)
Repayment of term loans	19	(56,342)	(56,813)
Finance costs paid		(5,149)	(2,850)
Proceeds from issuance of shares	21(a)	-	160,559
Proceeds from disposal of treasury shares		-	48,204
Repayment to related companies	19	-	(2,011)
Net Cash (Used In)/From Financing Activities		(63,045)	121,480
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(98,132)</b>	<b>(13,857)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>655,959</b>	<b>664,095</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1,783)	5,721
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>556,044</b>	<b>655,959</b>

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	NOTE	THE COMPANY	
		2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
Profit for the year		194,868	78,158
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		80,724	78,773
Taxation		11,141	522
Unrealised loss on foreign exchange		8,508	94
Finance costs		4,668	1,848
Impairment loss on investment in subsidiaries		1,338	4,408
Loss allowances on financial assets measured at amortised cost		271	-
Amortisation of prepaid interests in leased land		81	44
Property, plant and equipment written off		8	-
Reversal of loss allowances on financial assets measured at amortised cost		(75,599)	-
Investment income		(13,942)	(15,276)
Reversal of impairment loss on investment in subsidiaries		(11,004)	-
Gain on disposal of property, plant and equipment		(1,298)	(1,463)
		<b>199,764</b>	<b>147,108</b>
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		(8,149)	(34,764)
Trade receivables		(12,752)	(4,632)
Other receivables, deposits and prepaid expenses		5,341	(6,157)
Increase/(Decrease) in:			
Trade payables		(17,554)	11,916
Other payables and accrued expenses		810	(4,669)
Cash Generated From Operations		<b>167,460</b>	<b>108,802</b>
Income tax paid		<b>(10,057)</b>	<b>(4,451)</b>
Net Cash From Operating Activities		<b>157,403</b>	<b>104,351</b>



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	NOTE	THE COMPANY	
		2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Repayment from/(Advances to) subsidiaries - net		51,892	(101,689)
Investment income received		11,472	8,074
Proceeds from capital reduction in a subsidiary		11,004	-
Proceeds from disposal of property, plant and equipment		2,140	1,651
Additions to property, plant and equipment	19	(165,286)	(194,340)
Net Cash Used In Investing Activities		(88,778)	(286,304)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Advances from subsidiaries	19	5,439	823
Proceeds from revolving credits	19	2,280	21,665
Dividends paid		(96,785)	(64,388)
Repayment of term loan	19	(25,144)	(21,199)
Finance costs paid		(4,483)	(1,870)
Proceeds from issuance of shares	21(a)	-	160,559
Proceeds from disposal of treasury shares		-	48,204
Repayment to related companies	19	-	(2,011)
Net Cash (Used In)/From Financing Activities		(118,693)	141,783
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(50,068)	(40,170)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		434,735	475,557
Effect of exchange rate changes on the balance of cash held in foreign currencies		(2,723)	(652)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	19	381,944	434,735

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, principal place of business and 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 Pulau Jaya 9, Kawasan Perindustrian Pulau 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 28 February 2023.

## 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, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

# NOTES TO THE 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:

MFRS 17	Insurance Contracts <sup>1</sup>
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 <sup>1</sup>
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to MFRS 17	Insurance Contracts <sup>1</sup>
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative information <sup>1</sup>
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to MFRS 101	Disclosure of Accounting Policies <sup>1</sup>
Amendments to MFRS 101	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to MFRS 108	Definition of Accounting Estimates <sup>1</sup>
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

<sup>3</sup> 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### **Subsidiaries and Basis of Consolidation (cont'd)**

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 represents 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### Leases (cont'd)

#### *The Group as a lessor*

Leases for which the Group is a lessor is 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 consolidated 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### **Borrowing Costs**

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

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

### **Government Grants**

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

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to 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.



# NOTES TO THE FINANCIAL STATEMENTS

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

### Taxation (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 deferred tax 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 their 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 deferred tax 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 current tax 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 2.25%
Plant and machinery	10%
Electrical installation	10%
Office equipment	10% to 20%
Air-conditioners	10% to 20%
Motor vehicles	20%
Furniture and fittings	10% to 20%
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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### Impairment of Assets (cont'd)

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

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

### Inventories

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

### Non-current Assets Classified as Held for Sale

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

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### Financial Instruments (cont'd)

#### (a) *Financial Assets*

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### (i) *Classification of financial assets*

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at amortised cost.

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at fair value through other comprehensive income ("FVTOCI").

By default, all other financial assets are measured subsequently at 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

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

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

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

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

Financial assets of the Group and of the Company measured subsequently at amortised cost are short-term 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

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

###### (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.

##### (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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

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

###### (a) Significant increase in credit risk

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

### Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

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

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

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

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

###### (b) Definition of default

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

###### (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.



# NOTES TO THE FINANCIAL STATEMENTS

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

### Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

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

###### (e) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period; for financial guarantee contracts, the exposure includes the amount drawn down as at the end of the reporting period, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### Financial Instruments (cont'd)

#### (a) Financial Assets (cont'd)

##### (iv) Derecognition of financial assets (cont'd)

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.

#### (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 of the Group and of the Company 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### Financial Instruments (cont'd)

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

##### (iv) *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial liabilities. These foreign exchange gains and losses are recognised in the statements of profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

##### (v) *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statements of profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in the statements of profit or loss as the modification gain or loss.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 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.

### 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 following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's and the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(a) Cash equivalents

The Group and the Company place short-term deposits with licensed banks at different maturity periods. In the process of applying the Group's and the Company'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.

(b) Control over a subsidiary placed under members' voluntary liquidation

PT Unisem ("PTU") was placed under member's voluntary liquidation on October 3, 2022 and an external liquidator was then appointed to assist management of the Group to manage the liquidation process. Management of the Group has exercised its judgement to conclude that, despite the commencement of liquidation and the appointment of the external liquidator, the Group continues to control PTU.

The Group retains its control over PTU by managing its daily cash flows and maintaining its monthly management accounts. Through the continuous involvement in the daily financial matters of PTU by the Group, management of the Group concluded that it possesses the ability to exercise control over PTU and is able to vary the amounts returned from winding up PTU ultimately. As a result, management continues to consolidate PTU's financial statements for the year with the financial statements of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

#### *Key sources of estimation uncertainty*

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

(a) Impairment of property, plant and equipment

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

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

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

(b) Estimated useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the carrying amount of property, plant and equipment.

(c) Income taxes

The Group is subject to income taxes of several jurisdictions. Judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences, unutilised reinvestment allowances and unabsorbed capital allowances can be utilised. This involves the use of judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

#### Key sources of estimation uncertainty (cont'd)

(c) Income taxes (cont'd)

As of December 31, 2022, the carrying amounts of tax recoverable, provision for taxation and deferred tax liabilities are as follows:

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax recoverable	716	2,711	-	-
Provision for taxation	10,988	567	1,651	567
Deferred tax liabilities (after off-setting)	63,133	57,290	-	-

(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.

(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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 here does not include any amounts for this discontinued plant. The details of the discontinued operations are disclosed in Note 11.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SEGMENT INFORMATION (CONT'D)

### Geographical segment (cont'd)

THE GROUP	ASIA		EUROPE		UNITED STATES OF AMERICA		CONSOLIDATED	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Geographical segments by location of customers</b>								
<b>Statement of Profit or Loss</b>								
<b>Revenue</b>								
External sales from continuing operations	556,444	575,195	172,979	158,034	1,052,415	835,694	1,781,838	1,568,923
<b>Results</b>								
Segment results from continuing operations	89,153	83,157	27,293	26,455	158,441	104,749	274,887	214,361
Non-reportable segments							356	218
Finance costs							(5,746)	(2,827)
Investment income							10,183	10,876
Profit before tax from continuing operations							279,680	222,628
Taxation							(36,269)	(24,385)
Profit for the year from continuing operations							243,411	198,243
Profit/(Loss) for the year from discontinued operations							141,950	(468)
Profit for the year							385,361	197,775

### Information about major customers

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

	2022 RM'000	2021 RM'000
Segment of United States of America	401,961	315,356

Revenue of approximately RM365,323,000 (2021: Nil) which contributed approximately 20% (2021: Nil) of the total revenue of the Group is derived from one (1) external customer under the segment of United States of America during the financial year.



# NOTES TO THE FINANCIAL STATEMENTS

## 5. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Foreign exchange:				
Realised gain	9,385	1,932	9,913	2,178
Unrealised loss	(13,283)	(5,932)	(8,508)	(94)
Rental income	2,332	1,743	3,045	2,478
Gain on disposal of property, plant and equipment	1,358	1,484	1,298	1,463
Grant income received	974	2,708	-	-
Employee benefit expenses:				
Defined contribution plans	(39,450)	(35,972)	(11,685)	(11,421)
Research and development expenses	(8,954)	(6,663)	(6,747)	(5,380)
Rental of short-term assets	(1,724)	(1,547)	(390)	(371)
Auditors' remuneration:				
By Deloitte PLT and its member firms:				
- Audit fee	(577)	(560)	(285)	(270)
- Assurance fee other than audit	(21)	(20)	(3)	(3)
- Other non-assurance fee	(55)	(3)	(55)	(3)
By Non-Deloitte member firms:				
- Audit fee	(11)	(10)	-	-
Property, plant and equipment written off	(24)	(104)	(8)	-

## 6. DIRECTORS' REMUNERATION

	THE GROUP AND THE COMPANY	
	2022 RM'000	2021 RM'000
<b>Continuing Operations</b>		
Directors of the Company		
Executive:		
Fees	620	620
Other emoluments	6,340	5,876
Defined contribution plans	757	706
	7,717	7,202
Non-executive fees	827	733
	8,544	7,935

The estimated monetary value of benefits-in-kind received and receivable by the directors other than in cash from the Group and from the Company amounted to approximately RM109,000 (2021: RM52,000).

The remuneration of directors of the subsidiaries from continuing operations during the year is included under employee benefit expenses amounted to RM1,340,000 (2021: RM1,217,000). The remuneration of directors of the subsidiaries from discontinuing operations is disclosed in Note 11.

# NOTES TO THE FINANCIAL STATEMENTS

## 7. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Continuing Operations</b>				
Interest on:				
Revolving credits	2,751	372	2,323	372
Term loans	2,497	2,010	2,048	1,207
Bank charges and commissions	498	445	297	269
Total interest expense for financial liabilities that are not designated as at FVTPL	5,746	2,827	4,668	1,848

## 8. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Continuing Operations</b>				
Interest income from:				
Short-term deposits	10,183	10,876	9,601	10,090
Financial assets measured at amortised cost (Note 18)	-	-	4,341	5,186
Total interest income earned on financial assets that are not designated as at FVTPL	10,183	10,876	13,942	15,276

## 9. TAXATION

### (a) Taxation recognised in profit or loss

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Continuing Operations</b>				
Tax expense comprises:				
Current tax in respect of the financial year:				
Malaysian	(11,003)	(5,421)	(10,980)	(5,386)
Foreign	(10,512)	(1,947)	-	-
Deferred tax relating to origination and reversal of temporary differences	(14,593)	(17,831)	-	4,050
Adjustments recognised in the current year in relation to the taxes of prior years				
- income tax	(161)	15	(161)	15
- deferred tax	-	799	-	799
Total taxation of continuing operations	(36,269)	(24,385)	(11,141)	(522)

# NOTES TO THE FINANCIAL STATEMENTS

## 9. TAXATION (CONT'D)

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

Malaysian income tax is calculated at the statutory tax rate of 24% for the year of assessment 2022 (2021: 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Continuing Operations</b>				
Profit before tax	279,680	222,628	206,009	78,680
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2021: 24%)	(67,123)	(53,431)	(49,442)	(18,883)
Effect of reduced tax rate for a foreign subsidiary operating in promoted area	14,897	14,152	-	-
Income taxable at differential tax rate	500	-	500	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,646)	62	-	-
Tax effects of:				
Income that is exempted from taxation	370	287	22,071	1,321
Unabsorbed reinvestment allowances recognised as deferred tax assets	10,800	18,116	10,800	18,116
Utilised of unabsorbed investment allowances previously not recognised as deferred tax assets	8,721	-	8,721	-
Expenses that are not deductible in determining taxable profit	(1,333)	(1,743)	(3,630)	(1,890)
Unabsorbed reinvestment allowances and capital allowances and unutilised tax losses not recognised as deferred tax assets	(294)	(2,642)	-	-
	(36,108)	(25,199)	(10,980)	(1,336)
Adjustments recognised in the current year in relation to the taxes of prior years				
- income tax	(161)	15	(161)	15
- deferred tax	-	799	-	799
Taxation recognised in the statements of profit or loss	(36,269)	(24,385)	(11,141)	(522)

# NOTES TO THE FINANCIAL STATEMENTS

## 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	
	2022 RM'000	2021 RM'000
Years of Assessment:		
2011	-	3,764
2016	81	76
2017	109	-
2018	426	-
Contingent tax expense pending outcome of court cases (included in tax recoverable of the Group)	616	3,840
Add : Translation reserve	-	121
Less : Amount recognised as tax expense upon early adoption of IC Int. 23 in prior years	-	(3,885)
	<b>616</b>	<b>76</b>

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

#### Year of Assessment 2011 (YA 2011)

PT Unisem has received full refund of tax penalty on corporate income tax and withholding tax of RM3,477,000 and RM497,000 respectively during the current financial year.

#### 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 of RM81,000 to PT Unisem and full payment has been made during the year. PT Unisem has filed an objection to the Tax Office on the revised additional tax assessment and the Tax Office has rejected the objection.

As at the date of this audit report, PT Unisem is considering to submit an appeal to the Tax Court.

#### Year of Assessment 2017 (YA 2017)

On November 24, 2022, the Director General of Tax has issued a revised additional tax assessment for YA 2017 of RM109,000 to PT Unisem and full payment has been made during the year. 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 status of the objection.

#### Year of Assessment 2018 (YA 2018)

On October 5, 2022, the Director General of Tax has issued a revised additional tax assessment for YA 2018 to PT Unisem for an amount of RM426,000 and full payment has been made during the year. 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 status of the objection.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2022	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
<b>Deferred tax assets</b>				
Unabsorbed reinvestment allowances	74,125	2,840	-	76,965
Unabsorbed capital allowances and unutilised tax losses	15,663	6,450	-	22,113
Deferred income	4,794	2,189	(190)	6,793
Provisions	1,565	252	(40)	1,777
	<b>96,147</b>	<b>11,731</b>	<b>(230)</b>	<b>107,648</b>
Offsetting				(107,648)
Deferred tax assets (after offsetting)				-
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(153,437)	(18,964)	1,620	(170,781)
Offsetting				107,648
Deferred tax liabilities (after offsetting)				(63,133)

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
<b>Deferred tax assets</b>				
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
	<b>78,683</b>	<b>17,203</b>	<b>261</b>	<b>96,147</b>
Offsetting				(96,147)
Deferred tax assets (after offsetting)				-
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(116,572)	(34,235)	(2,630)	(153,437)
Offsetting				96,147
Deferred tax liabilities (after offsetting)				(57,290)

# NOTES TO THE FINANCIAL STATEMENTS

## 9. TAXATION (CONT'D)

### (c) Deferred Tax Balances (cont'd)

THE COMPANY 2022	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	AT END OF YEAR RM'000
<b>Deferred tax assets</b>			
Unabsorbed reinvestment allowances	74,125	2,840	76,965
Provision	450	(58)	392
	<b>74,575</b>	<b>2,782</b>	<b>77,357</b>
Offsetting			(77,357)
Deferred tax assets (after offsetting)			-
<b>Deferred tax liabilities</b>			
Property, plant and equipment	(74,575)	(2,782)	(77,357)
Offsetting			77,357
Deferred tax liabilities (after offsetting)			-

THE COMPANY 2021	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	AT END OF YEAR RM'000
<b>Deferred tax assets</b>			
Unabsorbed reinvestment allowances	60,745	13,380	74,125
Provision	-	450	450
	<b>60,745</b>	<b>13,830</b>	<b>74,575</b>
Offsetting			(74,575)
Deferred tax assets (after offsetting)			-
<b>Deferred tax liabilities</b>			
Property, plant and equipment	(65,594)	(8,981)	(74,575)
Offsetting			74,575
Deferred tax liabilities (after offsetting)			-

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unabsorbed reinvestment allowances	25,721	31,249	639	8,272
Unabsorbed investment tax allowances	24,617	24,617	-	-
Unabsorbed capital allowances and unutilised tax losses	1,165	750	-	-
	<b>51,503</b>	<b>56,616</b>	<b>639</b>	<b>8,272</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unabsorbed reinvestment allowances:				
2025	110,164	181,572	110,164	181,572
2031	270,030	257,487	165,522	161,749
2032	44,998	-	44,998	-
Unutilised tax losses:				
2028	779	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 as follows:

	THE GROUP	
	2022 RM'000	2021 RM'000
Profit/(Loss) for the year attributable to owners of the Company:		
From continuing operations	243,411	198,243
From discontinued operations	141,950	(468)
	385,361	197,775

	2022	2021
	SHARES	SHARES
Number of ordinary shares in issue as of January 1 ('000)	1,613,078	778,719
Effect of bonus issue as of January 1 ('000)	-	778,719
	1,613,078	1,557,438
Weighted average number of ordinary shares in issue ('000)	-	19,319
Weighted average number of treasury shares in issue ('000)	-	4,380
Effect of bonus issue ('000)	-	23,699
	1,613,078	1,604,836

	2022	2021
	(sen)	(sen)
Basic and diluted earnings/(loss) per share:		
From continuing operations (sen)	15.09	12.35
From discontinued operations (sen)	8.80	(0.03)
From continuing and discontinued operations (sen)	23.89	12.32

# NOTES TO THE FINANCIAL STATEMENTS

## 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	
	2022 RM'000	2021 RM'000
<b><i>Profit/(Loss) for the year from discontinued operations</i></b>		
Revenue	-	-
Other operating income	6,272	99
Other gains or losses	129,810	856
Directors' remuneration	(257)	(559)
Expenses	(1,235)	(864)
Profit/(Loss) before tax	134,590	(468)
Tax credit	7,360	-
Profit/(Loss) for the year attributable to owners of the Company	141,950	(468)

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

	THE GROUP	
	2022 RM'000	2021 RM'000
Net cash used in operating activities	(124,054)	(1,591)
Net cash from investing activities	130,356	-
Net cash used in financing activities	-	-
Net cash inflows/(outflows)	6,302	(1,591)

The leasehold land and building of PT Unisem had been reclassified as non-current assets classified as held for sale arising from discontinued operations in the prior years as disclosed in Note 20.

Included in other gains or losses from discontinued operations of RM131,778,000 related to gain on disposal of non-current assets classified as held for sale.



# NOTES TO THE FINANCIAL STATEMENTS

## 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
<b>Cost</b>										
As of January 1, 2021	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
Additions	151,448	258,951	909	2,335	283	339	1,510	6,609	127,900	550,284
Translation reserve	(9,450)	(45,705)	-	(387)	(142)	(20)	(157)	(2,149)	(4,987)	(62,997)
Disposals	-	(28,727)	-	(13)	-	(208)	-	(102)	-	(29,050)
Write offs	-	(722)	-	(619)	-	-	(4)	(5)	-	(1,350)
Transfers	52,037	66,725	-	-	-	-	3,780	1,225	(123,767)	-
As of December 31, 2022	497,540	3,748,014	21,655	69,810	19,300	3,898	18,175	82,255	134,056	4,594,703
<b>Accumulated depreciation and impairment losses</b>										
As of January 1, 2021	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
Charge for the year	6,707	187,853	665	3,047	740	221	903	4,538	-	204,674
Translation reserve	(1,526)	(26,585)	-	(347)	(128)	(9)	(107)	(1,635)	-	(30,337)
Disposals	-	(27,895)	-	(1)	-	(206)	-	(92)	-	(28,194)
Write offs	-	(715)	-	(602)	-	-	(5)	(4)	-	(1,326)
As of December 31, 2022	91,266	2,390,500	17,520	57,918	14,146	3,031	10,317	60,458	-	2,645,156
<b>Carrying amounts</b>										
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
As of December 31, 2022	406,274	1,357,514	4,135	11,892	5,154	867	7,858	21,797	134,056	1,949,547

# 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
<b>Cost</b>									
As of January 1, 2021	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
Additions	480	79,597	846	2,110	283	-	855	68,927	153,098
Disposals	-	(26,266)	-	(13)	-	-	-	-	(26,279)
Write offs	-	(547)	-	(534)	-	-	(3)	-	(1,084)
Transfers	-	-	-	-	-	-	3,780	(3,780)	-
As of December 31, 2022	104,391	1,647,145	19,530	53,236	14,364	3,129	11,952	74,485	1,928,232
<b>Accumulated depreciation and impairment losses</b>									
As of January 1, 2021	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
Charge for the year	2,075	73,974	480	2,844	740	131	480	-	80,724
Disposals	-	(25,436)	-	(1)	-	-	-	-	(25,437)
Write offs	-	(547)	-	(526)	-	-	(3)	-	(1,076)
As of December 31, 2022	37,748	1,163,696	16,567	43,999	9,703	2,678	5,895	-	1,280,286
<b>Carrying amounts</b>									
As of December 31, 2021	68,238	478,656	2,597	9,991	5,118	582	1,902	9,338	576,422
As of December 31, 2022	66,643	483,449	2,963	9,237	4,661	451	6,057	74,485	647,946

# NOTES TO THE FINANCIAL STATEMENTS

## 13. PREPAID INTERESTS IN LEASED LAND

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost:				
At beginning of year	22,427	21,777	4,354	4,354
Additions	-	-	5,892	-
Translation reserve	(301)	650	-	-
At end of year	22,126	22,427	10,246	4,354
Less: Amortisation				
At beginning of year	5,629	5,137	1,012	968
Charge for the year	269	307	81	44
Translation reserve	(95)	185	-	-
At end of year	5,803	5,629	1,093	1,012
Net	16,323	16,798	9,153	3,342

## 14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2022 RM'000	2021 RM'000
<b>Unquoted shares, at cost</b>		
At beginning of year	755,193	750,785
Deemed contribution arising from waiver of debts owing by a subsidiary (Note 18)	1,038	4,408
Capital reduction	(11,004)	-
Write offs	(300)	-
At end of year	744,927	755,193
<b>Accumulated impairment losses</b>		
At beginning of year	255,115	250,707
Additions	1,338	4,408
Reversal	(11,004)	-
Write offs	(300)	-
At end of year	245,149	255,115
<b>Carrying amounts</b>	<b>499,778</b>	<b>500,078</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

NAME OF COMPANIES	PRINCIPAL PLACE OF BUSINESS AND PLACE OF INCORPORATION	PROPORTION OF OWNERSHIP INTEREST/ VOTING RIGHTS HELD BY THE COMPANY		PRINCIPAL ACTIVITIES
		2022 %	2021 %	
<b>Direct subsidiaries</b>				
Unisem (Ipoh) Sdn. Bhd. <sup>#</sup>	Malaysia	-	100.00	Struck off on November 18, 2022.
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 <sup>@</sup>	Republic of Mauritius	99.98	99.98	Investment holding and the provision of management services.
Unisem Chengdu International Import & Export Co., Ltd. <sup>^#</sup>	People's Republic of China	100.00	100.00	Marketing of semiconductor devices and provision of related services.
<b>Subsidiaries of Unisem (Mauritius) Holdings Limited:</b>				
PT. Unisem <sup>@</sup>	Indonesia	99.98	99.98	Under Members' Voluntary Liquidation on October 3, 2022.
Unisem International (Hong Kong) Limited <sup>^#</sup>	Hong Kong	99.98	99.98	Contracting entity for the provision of assembly and test services.
Unisem (Sunnyvale), Inc. <sup>@</sup>	United States of America	99.98	99.98	Marketing and other support services.

<sup>#</sup> Dormant during the financial year.

<sup>^</sup> The financial statements of these companies were examined by auditors other than the auditors of the Company.

<sup>@</sup> No statutory audit required.

\* The financial statements of these companies were examined by member firms of the auditors of the Company.

### **Capital reduction of a subsidiary**

During the financial year, the Company received an amount of USD2,499,000 (equivalent to RM11,004,000) pursuant to a capital reduction exercise from a direct subsidiary. The same amount was taken into accounts as reversal of impairment loss on investment in the subsidiaries during the year.

### **Impairment review of investments in subsidiaries**

The Company has recognised a total impairment loss of RM1,338,000 (2021: RM4,408,000) comprising RM1,038,000 (2021: RM4,408,000) 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 as well as RM300,000 (2021: Nil) for its investment in Unisem (Ipoh) Sdn Bhd when the subsidiary was struck off during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 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
<b>Cost</b>				
As of January 1, 2021	16,890	19,966	949	37,805
Translation reserve	-	524	34	558
As of December 31, 2021	16,890	20,490	983	38,363
Translation reserve	-	863	56	919
As of December 31, 2022	16,890	21,353	1,039	39,282
<b>Accumulated amortisation and impairment losses</b>				
As of January 1, 2021	16,890	19,966	949	37,805
Translation reserve	-	524	34	558
As of December 31, 2021	16,890	20,490	983	38,363
Translation reserve	-	863	56	919
As of December 31, 2022	16,890	21,353	1,039	39,282
<b>Carrying amounts</b>				
As of December 31, 2021 and 2022	-	-	-	-

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Raw materials	177,684	147,387	88,270	71,100
Factory supplies	67,162	67,260	50,282	47,856
Work-in-progress	19,016	39,536	7,866	19,554
Finished goods	6,118	6,309	627	386
	269,980	260,492	147,045	138,896

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 RM1,450,380,000 (2021: RM1,299,422,000) and RM613,285,000 (2021: RM554,026,000) respectively.

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

	THE GROUP	
	2022 RM'000	2021 RM'000
Continuing operations	921	669

# NOTES TO THE FINANCIAL STATEMENTS

## 17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade receivables	214,429	186,500	95,738	85,038
Less: Loss allowance				
At beginning of year	(406)	(393)	-	-
No longer required	429	-	-	-
Translation reserve	(23)	(13)	-	-
At end of year	-	(406)	-	-
	<b>214,429</b>	<b>186,094</b>	<b>95,738</b>	<b>85,038</b>

Trade receivables comprise amounts receivable for sale of goods and services rendered. The credit terms granted range from 30 to 60 days (2021: 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables	5,706	4,874	665	8,832
Deposits	1,497	1,352	451	446
Prepaid expenses	4,567	8,135	2,614	1,652
	<b>11,770</b>	<b>14,361</b>	<b>3,730</b>	<b>10,930</b>

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

The currency profile of other receivables is as follows:

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
US Dollar	3,120	664	96	-
Chinese Renminbi	1,991	1,284	-	-
Ringgit Malaysia	595	2,926	569	8,832
	<b>5,706</b>	<b>4,874</b>	<b>665</b>	<b>8,832</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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% (2021: 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 (2021: trade transactions with credit term granted of 30 days).

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

	THE COMPANY	
	2022 RM'000	2021 RM'000
Amount due within 12 months	101,972	175,228
Less: Loss allowance:		
At beginning of year	(77,537)	(77,537)
Additions	(271)	-
Reversal	75,599	-
Write offs	2,209	-
At end of year	-	(77,537)
	101,972	97,691
Amount due after 12 months	91,043	73,729
	193,015	171,420

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 RM271,000 (2021: Nil) for the amount owing by subsidiaries when based on the current financial position of the respective subsidiaries and forecasts of their future economic conditions. The Company also recognised a reversal of loss allowance of RM75,599,000 during the financial year for the amount owing by one of its foreign subsidiaries due to the settlement of the amount owing by the said subsidiary to the Company from the excess funds received from the disposal of the subsidiary's non-current assets classified as held for sale as disclosed in Note 20.

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

	THE COMPANY	
	2022 RM'000	2021 RM'000
US Dollar	178,227	229,766
Ringgit Malaysia	14,788	19,191
	193,015	248,957

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

	THE COMPANY	
	2022 RM'000	2021 RM'000
<b>Subsidiaries</b>		
Loan granted	194,854	97,549
Purchase of prepaid interests in leased land	5,892	-
Interest received/receivable on loan granted (Note 8)	4,341	5,186
Marketing support fee paid/payable	1,448	1,252
Waiver of debts (Note 14)	1,038	4,408
Purchase of property, plant and equipment	1,012	-
Rental income	834	834
Management fees received/receivable	576	576
Marketing support fees received/receivable	107	114

	THE GROUP	
	2022 RM'000	2021 RM'000
<b>Other related companies</b>		
Trade purchases	1,662	847

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

The remuneration of key management personnel during the year is as follows:

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Short-term employee benefit	8,200	7,612	1,910	1,907

## 19. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash on hand and at banks	197,643	236,477	30,147	78,283
Short-term deposits with licensed banks	358,401	419,482	351,797	356,452
	556,044	655,959	381,944	434,735



# NOTES TO THE FINANCIAL STATEMENTS

## 19. CASH AND CASH EQUIVALENTS (CONT'D)

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

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Ringgit Malaysia	276,261	382,295	273,147	368,097
US Dollar	240,185	258,870	108,797	66,638
Chinese Renminbi	36,220	14,426	-	-
Indonesian Rupiah	3,378	368	-	-
	<b>556,044</b>	<b>655,959</b>	<b>381,944</b>	<b>434,735</b>

The average effective interest rates per annum are as follows:

	2022 %	2021 %
<b>Short-term deposits</b>		
The Group	1.18 - 3.90	0.50 - 2.20
The Company	2.10 - 3.90	2.00 - 2.20
<b>Bank current accounts</b>		
The Group	0.01 - 2.65	0.03 - 1.65
The Company	0.01 - 2.65	0.03 - 1.65

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

	2022 DAYS	2021 DAYS
<b>Short-term deposits</b>		
The Group	4 - 180	20 - 180
The Company	4 - 180	30 - 180

### Additions to property, plant and equipment

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

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Additions during the year	550,284	571,080	153,098	197,512
Outstanding balances	(94,610)	(139,509)	(19,482)	(31,670)
Cash payment in respect of additions in:				
Current year	455,674	431,571	133,616	165,842
Prior year	139,509	51,889	31,670	28,498
	<b>595,183</b>	<b>483,460</b>	<b>165,286</b>	<b>194,340</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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	BALANCE AS OF JANUARY 1 RM'000	FINANCING CASH FLOWS <sup>(1)</sup> RM'000	NON-CASH CHANGES - EFFECT OF EXCHANGE RATE CHANGES RM'000	BALANCE AS OF DECEMBER 31 RM'000
<b>2022</b>				
Term loans	112,435	(56,342)	3,341	59,434
Revolving credits	62,490	76,261	(1,708)	137,043
<b>2021</b>				
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 COMPANY	BALANCE AS OF JANUARY 1 RM'000	FINANCING CASH FLOWS <sup>(1)</sup> RM'000	NON-CASH CHANGES - EFFECT OF EXCHANGE RATE CHANGES RM'000	BALANCE AS OF DECEMBER 31 RM'000
<b>2022</b>				
Term loan	81,237	(25,144)	3,341	59,434
Revolving credits	62,490	2,280	1,268	66,038
Amount owing to subsidiaries	26,351	5,439	1,441	33,231
<b>2021</b>				
Term loan	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)	-	-

<sup>(1)</sup> The cash flows from bank borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statements of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

THE GROUP	BUILDING RM'000	LEASEHOLD LAND RM'000	TOTAL RM'000
<b>Cost:</b>			
As of January 1, 2021	81,199	7,277	88,476
Translation reserve	2,896	260	3,156
As of December 31, 2021	84,095	7,537	91,632
Translation reserve	4,705	421	5,126
Disposal	(88,800)	(7,958)	(96,758)
As of December 31, 2022	-	-	-
<b>Accumulated depreciation/amortisation:</b>			
As of January 1, 2021	72,879	6,840	79,719
Translation reserve	2,599	245	2,844
As of December 31, 2021	75,478	7,085	82,563
Translation reserve	4,223	396	4,619
Disposal	(79,701)	(7,481)	(87,182)
As of December 31, 2022	-	-	-
<b>Carrying amount</b>			
As of December 31, 2021	8,617	452	9,069
As of December 31, 2022	-	-	-

During the financial year, the Group has disposed the non-current assets classified as held for sale for a consideration of Rupiah equivalent to USD34,000,000 (approximately to RM141,354,000) and recognised a gain on disposal of RM131,778,000 in the profit for the year from discontinued operations as disclosed in Note 11.

## 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
<b>Issued and fully paid:</b>						
As of January 1, 2021	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 and 2022	1,613,078	-	1,613,078	1,036,677	-	1,036,677

# NOTES TO THE FINANCIAL STATEMENTS

## 21. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

### (b) Treasury Shares

Treasury shares related to ordinary shares of the Company that were 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 were suspended.

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

## 22. RESERVES

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Non-distributable reserves:</b>				
Foreign currency translation reserve	175,314	213,600	-	-
Capital reserve	77,289	63,228	-	-
<b>Distributable reserve:</b>				
Retained earnings	1,127,126	852,613	678,650	580,567
	<b>1,379,729</b>	<b>1,129,441</b>	<b>678,650</b>	<b>580,567</b>

### 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, 2022 is available for distribution as single-tier dividends to the shareholders of the Company.

## 23. BORROWINGS

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unsecured:				
Term loans	59,434	112,435	59,434	81,237
Revolving credits	137,043	62,490	66,038	62,490
	<b>196,477</b>	<b>174,925</b>	<b>125,472</b>	<b>143,727</b>
Less: Amount due within 12 months (shown under current liabilities)	<b>(163,458)</b>	<b>(118,684)</b>	<b>(92,453)</b>	<b>(87,486)</b>
Non-current portion	<b>33,019</b>	<b>56,241</b>	<b>33,019</b>	<b>56,241</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 23. BORROWINGS (CONT'D)

The non-current portion is repayable as follows:

	THE GROUP AND THE COMPANY	
	2022 RM'000	2021 RM'000
Financial years ending December 31:		
2023	-	24,996
2024	26,415	24,996
2025	6,604	6,249
	<b>33,019</b>	<b>56,241</b>

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

The Company has unsecured term loan facilities of USD30,000,000 (2021: USD30,000,000) with one (2021: one) local bank which is repayable over five (2021: five) years commencing from 2020. The Company also has unsecured revolving credits facilities of USD15,000,000 and RM33,000,000 (2021: USD35,000,000 and RM33,000,000) and bank guarantee facility of RM10,000,000 (2021: RM10,000,000) with two (2021: four) local banks.

The Board of Directors of the Company has also accepted unsecured term loan facility of USD35,000,000 and unsecured revolving credits facility of USD40,000,000 from a local bank and the Company is currently in the midst of finalising the facility agreement for these facilities as at the end of the financial year.

The subsidiaries have the following banking facilities:

- i) USD30,000,000 (2021: USD30,000,000) Islamic term loan facility with one (2021: one) local bank which is repayable over five (2021: five) years commencing year 2019. This term loan facility is guaranteed by the Company and has been fully repaid during the financial year;
- ii) RMB400,000,000 (2021: Nil) and USD30,000,000 (2021: Nil) unsecured working capital loans from two (2021: Nil) foreign banks which are repayable one year from drawdown;
- iii) RMB50,000,000 (2021: Nil) unsecured bank guarantee facilities from one (2021: Nil) foreign bank; and
- iv) RM2,700,000 (2021: RM2,700,000) Islamic overdraft and bank guarantee facilities with two (2021: 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% (2021: 1.10% - 1.30%) per annum plus LIBOR
Revolving credits	- 0.60% - 0.75% (2021: 0.60% - 0.75%) per annum plus LIBOR or 1.00% (2021: Nil) per annum plus SOFR

### The Company

Term loans	- 1.10% (2021: 1.10%) per annum plus LIBOR
Revolving credits	- 0.60% - 0.75% (2021: 0.60% - 0.75%) per annum plus LIBOR

# NOTES TO THE FINANCIAL STATEMENTS

## 24. DEFERRED INCOME

	THE GROUP	
	2022 RM'000	2021 RM'000
At beginning of year	39,552	24,011
Additions	18,970	17,114
Amortisation	(4,594)	(3,388)
Translation reserve	(1,474)	1,815
At end of year	52,454	39,552

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 RM5,828,000 (2021: RM4,188,000).

## 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 (2021: 30 to 60 days).

The currency profile of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
US Dollar	79,741	93,855	31,959	49,325
Ringgit Malaysia	1,281	2,570	1,281	2,570
Chinese Renminbi	336	430	-	-
Singapore Dollar	3	-	3	-
	81,361	96,855	33,243	51,895

Other payables and accrued expenses consist of:

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other payables	138,047	187,739	45,261	56,278
Accrued expenses	59,803	59,835	24,164	24,799
	197,850	247,574	69,425	81,077

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 (2021: 30 to 60 days).

Included in accrued expenses of the Group and of the Company are provision of annual leave approximately of RM1,794,000 and RM1,634,000 (2021: RM2,043,000 and RM1,875,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Chinese Renminbi	75,107	63,983	-	-
US Dollar	74,038	130,693	25,007	36,047
Ringgit Malaysia	47,228	50,554	43,241	43,784
Singapore Dollar	1,389	1,420	1,177	1,241
Euro	78	819	-	-
Indonesian Rupiah	-	90	-	-
Japanese Yen	-	5	-	5
Others	10	10	-	-
	<b>197,850</b>	<b>247,574</b>	<b>69,425</b>	<b>81,077</b>

## 26. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2022 RM'000	2021 RM'000
1st interim dividend for 2022 of 2.0 sen per share, tax-exempt (2021: 2.0 sen per share, tax-exempt)	32,262	16,130
2nd interim dividend for 2022 of 2.0 sen per share, tax-exempt (2021: 2.0 sen per share, tax-exempt)	32,262	32,262
3rd interim dividend for 2021 of 2.0 sen per share, tax-exempt (2020: 2.0 sen per share, tax-exempt)	32,261	15,996
	<b>96,785</b>	<b>64,388</b>

On February 23, 2023, 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, 2022 and will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2023.

# NOTES TO THE FINANCIAL STATEMENTS

## 27. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

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

#### (a) Market risk

##### (i) Foreign currency risk management

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

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

The carrying amounts of the foreign currency denominated monetary assets and monetary 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 respectively.

##### 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% (2021: 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% (2021: 0.2%) change in foreign currency rates.

A positive number below indicates an increase in profit after tax of the Group and of the Company for both financial years where Ringgit Malaysia weakens 0.2% (2021: 0.2%) against the relevant foreign currencies. For a 0.2% (2021: 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	
	2022 RM'000	2021 RM'000
<b>The Group</b>		
US Dollar impact	163*	70*
<b>The Company</b>		
US Dollar impact	255*	192*

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

The sensitivity rate represents management's assessment of the possible fluctuation in the exchange rates of the relevant foreign currencies in the next 12 months.



# NOTES TO THE FINANCIAL STATEMENTS

## 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 3.00% (2021: 0.50%) 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit or loss	3,692	929	5,160	808

The decrease in annual effective interest rates by 3.00% (2021: 0.50%) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Neither past due nor impaired	208,421	183,936	92,598	83,609
Past due but not impaired:				
1 - 60 days	5,337	2,008	2,530	1,279
61 - 120 days	671	150	610	150
	6,008	2,158	3,140	1,429
Past due and impaired:				
Above 120 days	-	406	-	-
	214,429	186,500	95,738	85,038

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	
	2022 RM'000	2021 RM'000
Corporate guarantees provided to banks for a subsidiary's facilities	-	31,198

#### (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 RM348,984,000 and RM33,000,000 (2021: RM117,820,000 and RM116,320,000) respectively at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

## 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
<b>As of December 31, 2022</b>			
Trade payables, other payables and accrued expenses	277,417	-	-
Amount owing to other related companies	140	-	-
Borrowings	166,220	34,303	-
<b>As of December 31, 2021</b>			
Trade payables, other payables and accrued expenses	342,386	-	-
Amount owing to other related companies	80	-	-
Borrowings	119,749	57,039	-
THE COMPANY	ON DEMAND OR WITHIN 1 YEAR RM'000	1 TO 5 YEARS RM'000	OVER 5 YEARS RM'000
<b>As of December 31, 2022</b>			
Trade payables, other payables and accrued expenses	101,034	-	-
Amount owing to subsidiaries	33,231	-	-
Borrowings	95,215	34,303	-
<b>As of December 31, 2021</b>			
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	-	-

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

# NOTES TO THE FINANCIAL STATEMENTS

## 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	
	2022	2021	2022	2021
Total borrowings (RM'000)	196,477	174,925	125,472	143,727
Total equity attributable to owners of the Company (RM'000)	2,416,406	2,166,118	1,715,327	1,617,244
Gearing ratio (times)	0.08	0.08	0.07	0.09

#### *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 *Share-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 Assets*.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management objectives and policies (cont'd)

#### (d) Capital risk (cont'd)

##### *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 value of long-term financial asset, which is classified as Level 2 in the fair value hierarchy, has 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 value and carrying value 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 arrangements and approximate their carrying amounts.

## 28. COMMITMENTS

As of December 31, 2022, the Group and the Company have the following commitments in respect of property, plant and equipment:

	THE GROUP		THE COMPANY	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Approved and contracted for	254,088	301,042	223,923	51,249

## 29. CONTINGENT LIABILITY

	THE GROUP AND THE COMPANY	
	2022 RM'000	2021 RM'000
Withholding tax payable	22,013	20,830

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, 2022 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, 2023

# 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  
**PETALING JAYA, SELANGOR DARUL EHSAN**  
this 28th day of February, 2023

Before me,

**COMMISSIONER FOR OATHS**

# SHAREHOLDERS' STATISTICS

AS AT 28 FEBRUARY 2023

## 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
456	Less than 100	5,044	0.00
1,766	100 to 1,000	1,162,430	0.07
4,059	1,001 to 10,000	17,819,772	1.10
1,213	10,001 to 100,000	36,266,473	2.25
263	100,001 to less than 5% of issued Shares	482,482,619	29.91
4	5% and above of issued Shares	1,075,342,772	66.66
<b>7,761</b>		<b>1,613,079,110</b>	<b>100.00</b>

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

NAME OF SHAREHOLDERS	NO. OF SHARES HELD			
	DIRECT INTEREST	%	INDIRECT INTEREST	%
Huatian Technology (Malaysia) Sdn Bhd	675,258,922	41.86	-	-
Huatian Technology (Hongkong) Industrial Development Co., Limited	-	-	675,258,922	41.86 <sup>(a)</sup>
Tianshui Huatian Technology Co., Ltd.	-	-	675,258,922	41.86 <sup>(b)</sup>
Jayvest Holdings Sdn Bhd	176,575,000	10.95	14,328,600	0.89 <sup>(c)</sup>
John Chia Sin Tet	142,008,850	8.80	339,916,356	21.07 <sup>(d)</sup>
The Estate of Soo Yut Kuan	-	-	190,903,600	11.83 <sup>(e)</sup>

### Notes:

- Deemed interest through Huatian Technology (Malaysia) Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
- 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.
- Deemed interest through SCQ Industries Sdn Bhd. pursuant to Section 8 of the Companies Act 2016.
- 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(1)(c) of the Companies Act 2016.
- Deemed interest through Jayvest Holdings Sdn Bhd and SCQ Industries Sdn Bhd pursuant to Section 8 of the Companies Act 2016.



# SHAREHOLDERS' STATISTICS

AS AT 28 FEBRUARY 2023

#### 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	675,258,922	41.86
2. Jayvest Holdings Sdn Bhd	176,575,000	10.95
3. John Chia Sin Tet	142,008,850	8.80
4. Cimsec Nominees (Tempatan) Sdn Bhd CIMB For John Chia Sin Tet (PB)	81,500,000	5.05
5. Maybank Nominees (Tempatan) Sdn Bhd Maybank Private Wealth Management For John Chia Sin Tet (12022457) (444096)	54,000,000	3.35
6. Lembaga Tabung Haji	44,288,800	2.75
7. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	40,159,100	2.49
8. Citigroup Nominees (Asing) Sdn Bhd Exempt AN For Citibank New York (Norges Bank 22)	29,385,600	1.82
9. Citigroup Nominees (Asing) Sdn Bhd CBNY For Norges Bank (FI 17)	26,542,700	1.65
10. Citigroup Nominees (Asing) Sdn Bhd Exempt AN For Citibank New York (Norges Bank 19)	19,333,683	1.20
11. SCQ Industries Berhad	14,328,600	0.89
12. Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Prulink Equity Focus Fund	13,551,000	0.84
13. Pertubuhan Keselamatan Sosial	9,888,300	0.61
14. Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN For AIA Bhd.	9,164,200	0.57
15. Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Yen Woon @ Low Sau Chee (PB)	8,951,300	0.55
16. Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Prulink Equity Fund	8,294,800	0.51
17. Amanahraya Trustees Berhad Public Islamic Select Enterprises Fund	8,236,700	0.51
18. Alexander Chia Jhet-Wern	8,000,000	0.50
19. Cimsec Nominees (Tempatan) Sdn Bhd CIMB For Yen Woon @ Low Sau Chee (PB)	6,422,500	0.40
20. CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teoh Ewe Jin (MY4599)	5,450,000	0.34
21. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teoh Ewe Jin	5,450,000	0.34

# SHAREHOLDERS' STATISTICS

AS AT 28 FEBRUARY 2023

#### 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	%
22. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For John Chia Sin Tet (01-00825-000)	5,272,856	0.33
23. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Balanced Fund	5,200,000	0.32
24. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AHAM AM)	5,017,600	0.31
25. Amanahraya Trustees Berhad ASN Umbrella For ASN Equity 3	4,628,000	0.29
26. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	4,411,900	0.27
27. CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN For DBS Bank Ltd (SFS-PB)	4,200,000	0.26
28. Lembaga Tabung Angkatan Tentera	4,080,500	0.25
29. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Francis Chia Mong Tet	4,000,000	0.25
30. RHB Capital Nominees (Tempatan) Sdn Bhd Teoh Ewe Jin	3,794,300	0.24
	<b>1,427,395,211</b>	<b>88.49</b>

# STATEMENT OF DIRECTORS' INTEREST

AS AT 28 FEBRUARY 2023

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

NAME OF DIRECTORS	NO. OF SHARES HELD			
	DIRECT INTEREST	%	INDIRECT INTEREST	%
John Chia Sin Tet	142,008,850	8.80	339,916,356	21.07 <sup>(a)</sup>
Francis Chia Mong Tet	1,000,000	0.06	8,580,960	0.53 <sup>(b)</sup>
Alexander Chia Jhet-Wern	8,200,000	0.51	-	-
Dato' Gregory Wong Guang Seng	-	-	-	-
Ang Chye Hock	-	-	-	-
Lim Siew Eng	-	-	-	-
Xiao Zhiyi	-	-	-	-
Cui Weibing	-	-	-	-
Ju Feng	-	-	-	-
Wei Xiaoli	-	-	-	-
Nelleita binti Omar	-	-	-	-
Teh Muy Ch'ng	-	-	-	-

### 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 2022

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 2022 (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	-	<b>2,171</b>
	Factory building Phase I	Factory	-	130,000 sq ft	March 1992	30	<b>9,093</b>
	Factory building Phase II	Factory	-	110,000 sq ft	August 1996	26	<b>7,654</b>
	Factory building Phase III	Factory	-	330,000 sq ft	September 2000	22	<b>39,698</b>
	Factory building wafer bumping	Factory	-	22,000 sq ft	August 2005	17	<b>1,835</b>
PN 289781 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Industrial land	Vacant	99 years leasehold expiring 2100	115,500 sq m	October 2000	-	<b>5,855</b>
PT 19130 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Residential land	Hostel	99 years leasehold expiring 2104	20,429 sq m	June 2005	-	<b>1,127</b>
	Residential	Hostel	-	50,000 sq ft	June 2012	10	<b>8,363</b>
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	-	<b>3,185</b>
	Industrial land	Factory	49 years leasehold expiring 2057	9.002 hectare	September 2007	-	<b>3,985</b>
	Factory building	Factory	-	366,000 sq ft	December 2005	17	<b>64,558</b>
	Factory building	Factory	-	254,000 sq ft	December 2012	10	<b>75,946</b>
	Factory building	Factory	-	517,000 sq ft	December 2022	0	<b>199,127</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 34th Annual General Meeting (“34th AGM”) of the Company will be conducted entirely through live streaming from the broadcast venue at Tricor Business Centre, Gemilang Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on 28 April 2023, Friday 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 2022 and the Reports of the Directors and the Auditors thereon.
2. To approve the payment of Directors’ fees amounting to RM1,446,666 for the financial year ended 31 December 2022, an increase of RM93,333 from RM1,353,333 for the financial year ended 31 December 2021. **Ordinary Resolution 1**
3. To re-elect the following Directors who retire pursuant to Regulation 115 of the Constitution of the Company:-
  - (i) Mr Alexander Chia Jhet-Wern **Ordinary Resolution 2**
  - (ii) Mdm Lim Siew Eng **Ordinary Resolution 3**
  - (iii) Mr Ju Feng **Ordinary Resolution 4**
4. To re-elect the following Director who retires pursuant to Regulation 118 of the Constitution of the Company:-
  - (i) Mdm Teh Muy Ch’ng **Ordinary Resolution 5**
5. To appoint Deloitte PLT as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration **Ordinary Resolution 6**

**As Special Business:**

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

6. **Authority To Allot Shares And Waiver of Pre-Emptive Rights Over New Ordinary Shares In The Company Under Section 85(1) Of The Companies Act, 2016 Read Together With Regulation 67 Of The Constitution Of The Company**

“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 AND THAT such approval shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

**Ordinary Resolution 7**

AND THAT in connection with the above, pursuant to Section 85(1) of the Companies Act, 2016 read together with Regulation 67 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights over all new ordinary shares arising from issuance of new ordinary shares pursuant to Sections 75 and 76 of the Companies Act, 2016, such new ordinary shares when issued, to rank pari passu with the existing ordinary shares in the Company.”

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 2023  
Kuala Lumpur

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

1. The 34th AGM of the Company will be conducted entirely through live streaming and online remote voting using 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>. 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 34th AGM via RPV. Please follow the Procedures for RPV in the Administrative Guide for the 34th AGM to participate remotely via RPV.
2. A member entitled to participate via RPV at the 34th AGM is entitled to appoint not more than two (2) proxies 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 2023 are entitled to participate via RPV at the 34th AGM of the Company to be held on 28 April 2023.
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 34th 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.

# NOTICE OF ANNUAL GENERAL MEETING

## 11. Explanatory Note on Special Business

### **Ordinary Resolution 7**

*The proposed Ordinary Resolution 7 is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act, 2016 (“Act”) and a waiver of pre-emptive rights over new ordinary shares (“Shares”) in the Company under Section 85(1) of the Act read together with Regulation 67 of the Constitution of the Company.*

*The proposed Ordinary Resolution 7, 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 33rd Annual General Meeting held on 28 April 2022, obtained its shareholders’ approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. 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 7 is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act. At this juncture, there is no decision to issue new shares.*

*Pursuant to Section 85(1) of the Act read together with Regulation 67 of the Constitution of the Company, shareholders have pre-emptive rights to be offered any new Shares in the Company which rank equally to the existing issued Shares in the Company or other convertible securities. Please refer to Section 85(1) of the Act and Regulation 67 of the Constitution of the Company set out below.*

*In order for the Directors of the Company to issue any new Shares under Sections 75 and 76 of the Act free of pre-emptive rights, such pre-emptive rights must be waived. The proposed Ordinary Resolution 7, if passed, will exclude your pre-emptive rights over all new Shares arising from issuance of new Shares pursuant to Sections 75 and 76 of the Act.*

*Section 85(1) of the Act set out as follows:*

*“85. Pre-emptive rights to new shares (1) Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.”*

*Regulation 67 of the Constitution of the Company set out as follows:*

*“67. Offer of new shares or securities to existing members*

*Subject to any direction to the contrary that may be given by the company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the directors may dispose of those shares or securities in such manner as they think most beneficial to the company. The directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the directors, be conveniently offered under this Regulation.”*

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## DIRECTORS WHO ARE SEEKING RE-ELECTION AT THE 34TH 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 Alexander Chia Jhet-Wern, Mdm Lim Siew Eng, Mr Ju Feng and Mdm Teh Muy Ch’ng (“Retiring Directors”). Y.Bhg. Dato’ Wong Guang Seng retires by rotation and will not be seeking re-election.

The details of the Retiring Directors are set out in their respective profiles on pages 20 to 23 of this Integrated Annual Report. The details of their interest in the securities of the Company are set out in the Statement of Directors’ Interest on page 236 of this Integrated Annual Report.

Prior to making its recommendation to the shareholders, the Board together with the Nomination Committee had assessed the Retiring Directors considering 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 and Contribution of the Director - Based on the results of the Directors’ Self and Peer Assessment from the 2022 Board effectiveness evaluation (BEE) exercise, the Retiring Directors met the performance criteria required of an effective and high-performance Board. Mdm Teh Muy Ch’ng joined the Board on 9 December 2022 and was not included in the 2022 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 criteria as set out in the Fit & Proper Policy of the Company) to be re-elected as Directors of the Company.
- (c) Current Composition of the Board -
  - Mr Alexander Chia Jhet-Wern as an executive director brings the experience in the semiconductor industry.
  - Mdm Lim Siew Eng and Mdm Teh Muy Ch’ng as Independent Directors brings the objectivity to the Board and vast experience in the field of corporate finance and consultancy.
  - Mr Ju Feng and 3 other non-executive non-independent directors, represent the interest of Tianshui Huatian Technology Co Ltd (“TSHT”) pursuant to the Collaboration Agreement dated 12 September 2018 (“Collaboration Agreement”). The presence 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, Mr Ju Feng and the other Chinese 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.
- (d) Tenure of Each Director - Mr Alexander Chia Jhet-Wern has been on the board since 2014, a tenure of 8 years. Mdm Lim Siew Eng has been an Independent Director since October 2015, for a period of 7 years. Her 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 Ju Feng and Mdm Teh Muy Ch’ng creates a balance with longer tenured Directors.

**Conclusion & Recommendation** - Arising from the outstanding outcome of the above evaluation and consideration, the Board recommends and supports the re-election of Mr Alexander Chia Jhet-Wern, Mdm Lim Siew Eng, Mr Ju Feng and Mdm Teh Muy Ch’ng as Directors of the Company.



# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## **GENERAL MANDATE TO ISSUE NEW ORDINARY SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 (“THE ACT”) AND WAIVER OF PRE-EMPTIVE RIGHTS OVER NEW ORDINARY SHARES IN THE COMPANY UNDER SECTION 85(1) OF THE ACT READ TOGETHER WITH REGULATION 67 OF THE CONSTITUTION OF THE COMPANY**

The details on the proposed general mandate to issue new ordinary shares pursuant to Sections 75 and 76 of the Act and waiver of pre-emptive rights over new ordinary shares in the Company under Section 85(1) of the Act read together with Regulation 67 of the Constitution of the Company are set out in the Explanatory Note on Special Business in the Notice of 34th Annual General Meeting and page 240 of the Integrated Annual Report.



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 34th Annual General Meeting of the Company which will be conducted entirely through live streaming at the broadcast venue at Tricor Business Centre, Gemilang Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on 28 April 2023, Friday at 10.30 a.m. and at any adjournment thereof, and to vote as indicated with  $\checkmark$  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
<b>Ordinary Resolution 1</b>	To approve the payment of Directors' fees amounting to RM1,446,666 for the financial year ended 31 December 2022		
<b>Ordinary Resolution 2</b>	To re-elect Mr Alexander Chia Jhet-Wern as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
<b>Ordinary Resolution 3</b>	To re-elect Mdm Lim Siew Eng, as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
<b>Ordinary Resolution 4</b>	To re-elect Mr Ju Feng as a Director who retires pursuant to Regulation 115 of the Constitution of the Company.		
<b>Ordinary Resolution 5</b>	To re-elect Mdm Teh Muy Ch'ng as a Director who retires pursuant to Regulation 118 of the Constitution of the Company.		
<b>Ordinary Resolution 6</b>	To appoint Deloitte PLT as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
<b>Ordinary Resolution 7</b>	To authorise the Directors under Sections 75 and 76 of the Companies Act, 2016 to issue new shares of the Company and waiver of pre-emptive rights over the new shares.		

^ Delete whichever is inapplicable.

CDS ACCOUNT NO.	
NO. OF SHARES HELD	

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

Signature/Common Seal \_\_\_\_\_

Tel No. : \_\_\_\_\_

**Notes:**

- Only members whose names appear in the Record of Depositors as at 20 April 2023 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 34th AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIH Online website at <https://tiih.online>. Please follow the Procedures for RPV in the Administrative Guide for the 34th AGM.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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 TIH 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.
- 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.
- 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.

*Fold here*

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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

**Mr Ang Chye Hock**  
Independent Director

**Mdm Lim Siew Eng**  
Independent Director

**Puan Nelleita binti Omar**  
Independent Director

**Mdm Teh Muy Ch'ng**  
Independent Director

**Y.Bhg. Dato' Gregory Wong  
Guang Seng**  
Non-Executive 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

## 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](http://www.unisemgroup.com)

## COMPANY SECRETARIES

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

**KUAN HUI FANG** (MIA16876)  
SSM PC No. 202008001235

## AUDITORS

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

## 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

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
Main Market

**[www.unisemgroup.com](http://www.unisemgroup.com)**