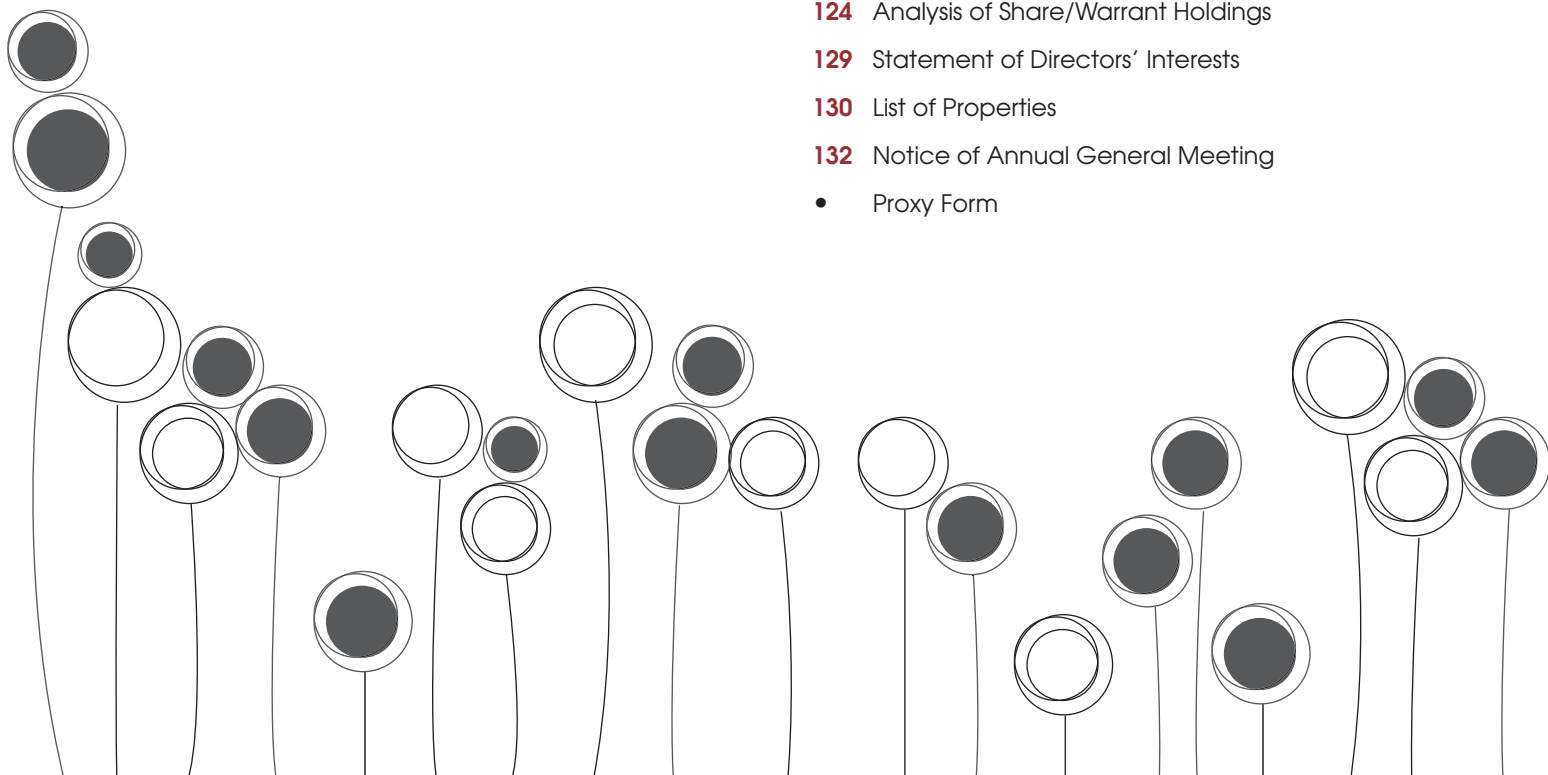


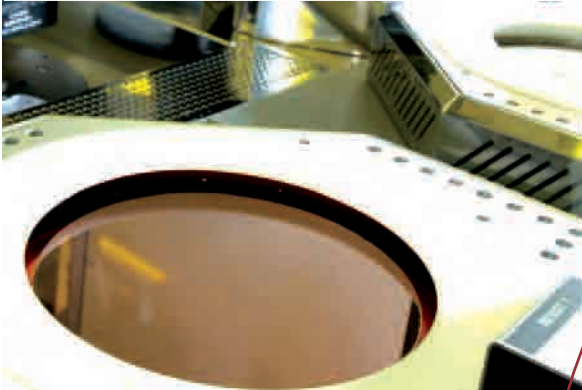
# Cover Rationale

*Buoyed by our excellent results in 2010 and brighter outsourcing prospects in the semiconductor industry, Unisem, is well positioned to grow its business. Going forward, Unisem is leveraging on the Group's strengths in scaling greater heights in our ongoing journey towards achieving long-term profitability and sustainability.*

## Contents

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## our vision

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

## our mission

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

- Provide 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.

A high-angle, long-exposure photograph of a busy walkway. The floor is made of large, light-colored square tiles. Several people are captured in motion, their figures blurred into dark, elongated shapes. The lighting is bright, creating a sense of a well-lit, modern interior space. The overall mood is one of forward movement and activity.

**MOVING FORWARD**  
WITH CONFIDENCE

# Company profile



Unisem (M) Berhad (“UNISEM”) is a leading semiconductor packaging and test services provider in Malaysia. Its main semiconductor packaging and test facilities are located in Ipoh, Perak, Malaysia. With approximately 10,000 employees worldwide, Unisem also has factory locations in Crumlin, South Wales, United Kingdom (“UK”); Chengdu, People’s Republic of China (“PR China”); Batam, Indonesia and Sunnyvale, California, United States of America (“USA”).

Unisem Group offers an integrated suite of packaging and test services such as wafer bumping, wafer probing, wafer grinding, a wide range of leadframe and substrate integrated circuits packaging, wafer level chip scale packaging and radio frequency, analog, digital and mixed-signal test services. Our turnkey services include design, assembly, test, failure analysis, and electrical and thermal characterisation.

Unisem Group has a customer base comprising primarily fabless companies (82%) and integrated device manufacturers (18%). About 64% of Unisem Group’s sales are to customers in North America, 19% to Europe and 17% to Asia.



# Company profile



## **UNISEM (M) BERHAD** **("The Company")**

IPOH, MALAYSIA

The Company commenced its operations in 1992. Currently, the Company has a total staff strength of about 5,000 which mainly consists of 3,200 operators, 810 technicians and supervisors, and 220 engineers. The packaging and test facilities located in Ipoh, Malaysia occupy a total built-up area of 570,000 square feet and a minimum class 5,000 cleanroom.

The Company provides full turnkey solutions to its customers in wafer probe, wafer grinding, packaging and test of integrated circuits ("IC"), tape and reel, dropship, process and manufacturing engineering research, package design and development, test software development.

The Company's packaging capability includes all types of leadframe based packages ranging from micro to high pin-count packages, leadless packages, thin packages, leadframe modules, laminated based modules, wafer level CSP and flip chip. Its test capability comprises of analog, linear, high end mixed signal and radio frequency.

The Company is certified with various Quality and Environmental Standards such as QS 9000:1998, ISO 9001:2000, ISO 14001:2004 and ISO/TS 16949:2002.



## **UNISEM ADVANCED TECHNOLOGIES SDN BHD** **("UAT")**

IPOH, MALAYSIA

UAT, a joint venture between Unisem (M) Berhad, Advanpack Solutions Pte. Ltd. and FlipChip International, LLC, located in Ipoh, Malaysia, is one of the first independent wafer bumping service providers in Malaysia.

UAT commenced its operations in year 2006. It now has about 210 employees. The total built-up area of the wafer bump facility is about 22,000 square feet.

UAT offers a wide range of bumping services for wafer sizes of 100, 150 and 200 mm diameter. The services include gold bumps, copper pillar bumps and solder bumps. In addition, UAT also offers pad redistribution and repassivation services.

UAT is certified to ISO 9001:2008 Quality Standards and ISO 14001:2004 Environmental Standards. UAT was awarded in October 2010 a Letter of Conformance to TS16949 Quality Standards.



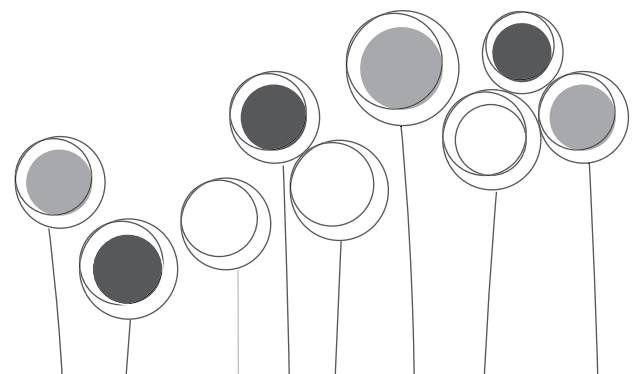
## **UNISEM CHENGDU CO., LTD.** **("Unisem Chengdu")**

CHENGDU, PR CHINA

Unisem Chengdu, the Group's packaging and test facility located in Chengdu, Sichuan, PR China, commenced its operations in July 2006. The current staff strength of about 1,900 consists of 1,269 operators, 474 technicians and supervisors, and 154 engineers. Unisem Chengdu's packaging and test facility occupies a total built-up area of about 320,000 square feet with a minimum class 10,000 cleanroom.

Unisem Chengdu offers wafer grinding, packaging for wafer up to 12-inch and test of IC with tape and reel or tray options. Unisem Chengdu has the capability of packaging a wide range of advanced leadframe and substrate packages and testing of analog, mixed signal and radio frequency.

Unisem Chengdu is certified with various Quality and Environmental Standards such as ISO 9001:2000, ISO 14001:2004 and ISO/TS 16949:2002.





**UNISEM (EUROPE) LIMITED  
("Unisem Europe")**

CRUMLIN, SOUTH WALES, UK

Unisem Europe, the Group's packaging and test facility located in Crumlin, South Wales, UK, commenced its operations in 1995. Unisem Europe currently has a total staff strength of 63 employees operating from a custom built packaging and test facility measuring 130,000 square feet supporting a class 1,000 cleanroom, class 5,000 test floor and class 25,000 back end assembly.

Unisem Europe offers fast turn prototyping services and low to medium volume assembly in QFN, array packages and MEMs devices. Coupled with its strong experience in high-end radio frequency (RF), mixed signal, digital and linear testing, Unisem Europe specialises in the design and development of bespoke packaging solutions to suit specific customer applications and requirements. The Wales facility excels in providing new emerging technology and European fabless semiconductor companies the support which is vital to their product development. Services include wafer probe, final test, tape and reel, reliability services, prototype and engineering support, package R&D and test solution development.

Unisem Europe is certified with various Quality and Environmental Standards such as ISO 9001:2008, ISO 14001:2004 and ISO/TS 16949:2002.



**PT. UNISEM**

BATAM, INDONESIA

PT. Unisem, the Group's packaging and test facility located in Batam, Indonesia, commenced its operations in 1991. PT. Unisem currently has a total staff strength of about 3,100 which mainly consists of 1,657 operators, 660 technicians and supervisors, and 187 engineers. The packaging and test facility in Batam occupies a total built-up area of 345,000 square feet and a below class 10,000 cleanrooms.

PT. Unisem offers wafer probe, wafer backgrinding, packaging, electrical testing, tape and reel, dropship, engineering research, package design and development and test software development. PT. Unisem's packaging capability includes all types of leadframe based packages ranging from micro to high pin-count packages, leadless packages, thin packages, leadframe modules, laminated based modules, wafer level CSP and flip chip. Its test capability comprises of analog, linear, high end mixed signal and radio frequency.

PT. Unisem is certified with various Quality and Environmental Standards such as ISO 9001:2000, ISO 14001:2004 and ISO/TS 16949:2002.



**UNISEM TEST (SUNNYVALE),  
INC. ("Unisem Sunnyvale")**

SUNNYVALE, CALIFORNIA, USA

Unisem Sunnyvale, the Group's test facility located in the Silicon Valley, Sunnyvale, California, USA, commenced its operations in 2003. Unisem Sunnyvale has about 30 employees and the test facility occupies a total built-up area of 22,000 square feet.

Unisem Sunnyvale offers a full range of final test, test development and other test related services. Other test related services include wafer probe, dry bake, lead scan and lead conditioning, tape and reel, dry pack and seal and bar code labeling.

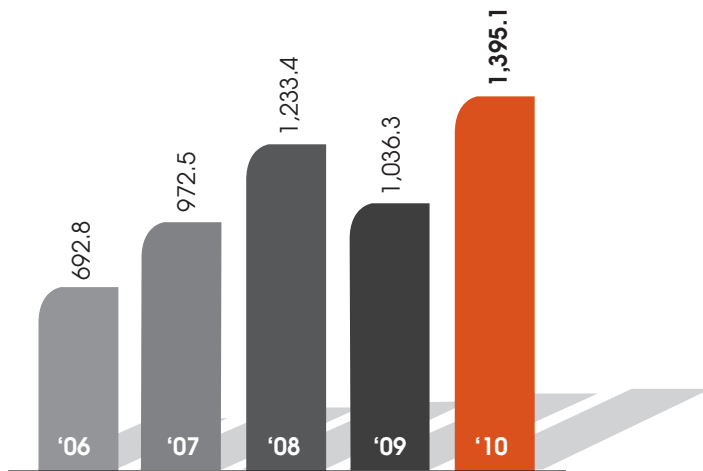
Unisem Sunnyvale is certified with the ISO 9001:2008 Quality Standard.

# 5 - Year financial highlights

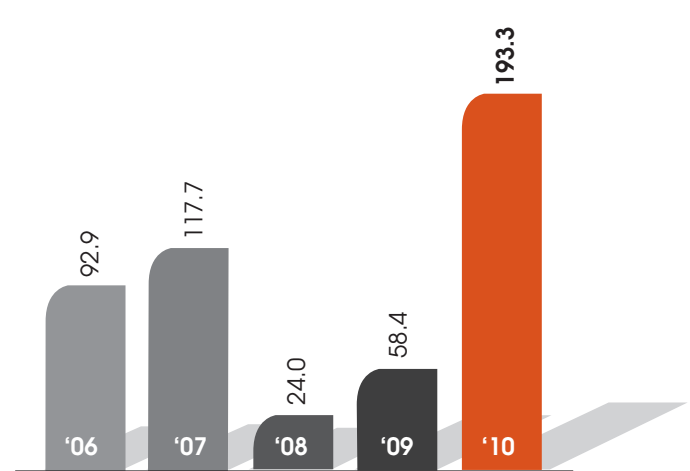
For the year ended 31 December	2006 (Restated) RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
<b>Income Statements</b>					
Revenue	692,755	972,482	1,233,381	1,036,309	1,395,078
Profit before taxation	92,932	117,745	23,992	58,377	193,289
Profit after taxation	77,209	119,612	18,336	60,745	182,958
<b>Balance Sheets</b>					
Property, plant and equipment	889,727	1,106,551	1,148,754	1,118,215	1,244,727
Current Assets	283,926	430,714	363,713	378,469	478,733
Non-Current Assets	98,034	174,190	129,031	123,134	112,290
<b>Total Assets</b>	<b>1,271,687</b>	<b>1,711,455</b>	<b>1,641,498</b>	<b>1,619,818</b>	<b>1,835,750</b>
Current Liabilities	414,218	372,390	460,610	501,116	517,775
Deferred Tax Liabilities	–	4,519	7,990	4,130	5,115
Other Non-Current Liabilities	113,313	511,623	324,056	153,012	240,303
<b>Total Liabilities</b>	<b>527,531</b>	<b>888,532</b>	<b>792,656</b>	<b>658,258</b>	<b>763,193</b>
Share Capital	223,463	235,721	235,721	259,293	337,081
Reserves	508,778	579,398	600,513	690,735	722,855
Minority Interest	11,914	7,804	12,608	11,532	12,621
<b>Shareholders' Equity</b>	<b>744,155</b>	<b>822,923</b>	<b>848,842</b>	<b>961,560</b>	<b>1,072,557</b>
<b>Key Financial Ratios</b>					
Net earnings per share – Basic (sen)	13.47 *	19.43 *	3.24 *	9.17 *	26.99
Net dividend per share (sen)	10.00	10.00	2.50	2.50	5.50
Debt/Equity ratio	0.56	0.68	0.68	0.42	0.42
Net assets per share (RM)	1.26 *	1.33 *	1.36 *	1.41 *	1.57

\* Adjusted for the bonus issue for purposes of comparison.

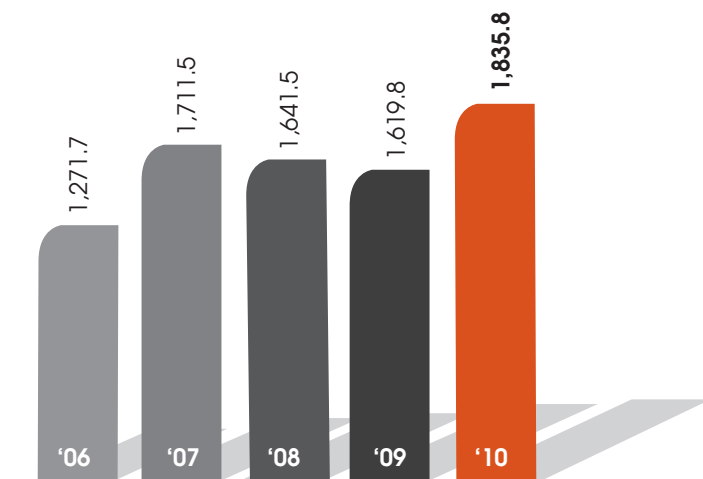
## Revenue (RM' million)



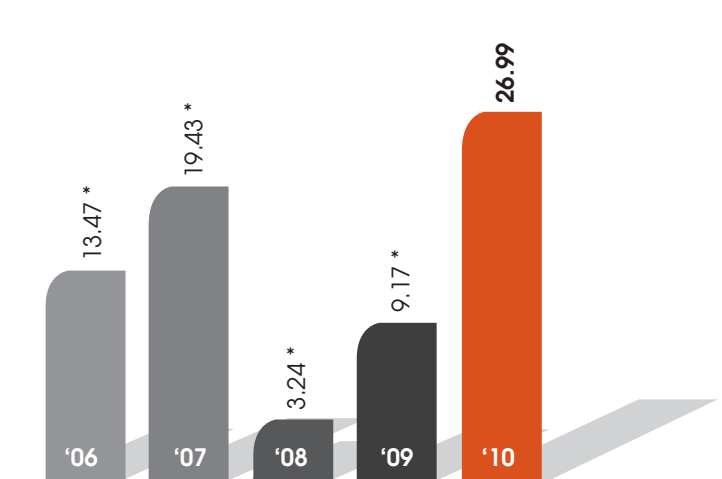
## Profit Before Taxation (RM' million)



## Total Assets (RM' million)



## Net Earnings Per Share (Sen)



\* Adjusted for the bonus issue for purposes of comparison.

Dear Shareholders,

On behalf of the Board  
of Directors, I am  
pleased to present the  
22nd Annual Report and  
Audited Accounts of  
Unisem (M) Berhad for  
the financial year ended  
31 December 2010.



**JOHN CHIA SIN TET**  
Chairman

# Chairman's statement

2010 was yet another satisfying year for Unisem. The Group recorded strong revenue growth with notable surge in the demand for our wafer bumping and advanced packaging & test services. Revenue, EBITDA and profit levels were the highest recorded by the Group so far.

## Financial Performance

For the financial year ended 31 December 2010, the Group recorded revenue of RM1.395 billion, an increase of 34.6% from the revenue of RM1.036 billion in 2009. Net profit was RM182.958 million in 2010, a three-fold increase, as compared to RM60.745 million in 2009. The increase in revenue was mainly due to improved sales volume from a broad-based demand for our services.

The Group attained EBITDA of RM361.020 million and EBITDA margin came in at about 26.0% for the financial year under review.

The balance sheet of the Group remains strong. Net cash generated from the operating activities during the year amounted to RM266.845 million. Capital expenditure of approximately RM329.963 million was incurred for the Group during the year mainly for the purchase of assembly and final test equipment, wafer bumping equipment and development of new projects. This expansion has further strengthen the position of the Group as amongst the top OSAT

(Outsourced Semiconductor Assembly & Test) players in the world in terms of scale, market reach and technical expertise. We will continue to invest and expand capacity in line with the growth in the industry, market conditions and in response to the needs of our customers.

## Significant Events in 2010

### Bonus Issue and Rights Issue of Warrants

In July 2010, the Company implemented a bonus issue of 155,575,704 new ordinary shares of RM0.50 each in the Company to be credited as fully paid-up ("Bonus Shares") on the basis of three (3) Bonus Shares for every ten (10) existing ordinary shares of RM0.50 each held. The 155,575,704 new ordinary shares of RM0.50 each in the Company were quoted on the Bursa Malaysia Securities Berhad on 2 August 2010.

On 25 August 2010, the Company issued and allotted 168,540,090 new warrants on the basis of one (1) new warrant for every four (4) existing ordinary shares of RM0.50 each held after the bonus issue in July 2010, at an issue price of RM0.10 per warrant. The exercise price of the warrants has been fixed at RM2.18 per warrant for every one (1) new ordinary share of RM0.50 each in the Company. The 168,540,090 new warrants were listed on the Main Market of Bursa Malaysia Securities Berhad on 30 August 2010. The RM16.854 million proceeds raised was utilised for the expenses related to the rights issue of warrants and working capital of the Group.



Worldwide  
semiconductor sales  
grew strongly in 2010  
reaching a record  
US\$298.3 billion.

#### **Establishment of Executives' Share Option Scheme ("ESOS")**

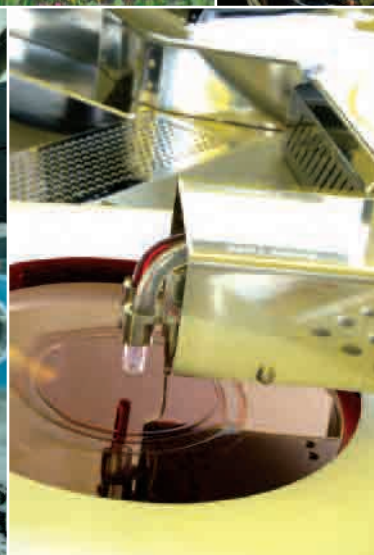
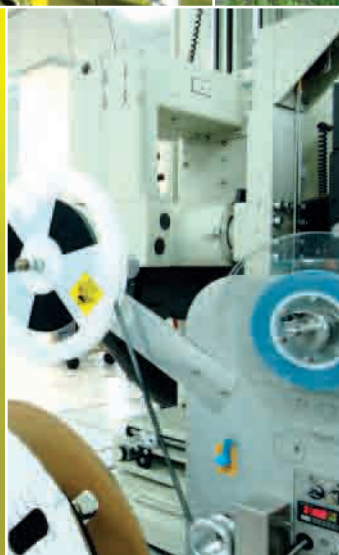
In August 2010, the Company established and implemented an Executives' Share Option Scheme of up to ten percent (10%) of the issued and paid-up share capital of the Company for Eligible Executives of the Group. The ESOS involves the granting of Options to Eligible Executives of the Group who meet the criteria of eligibility for participation in the ESOS, to subscribe for the new Unisem Shares in accordance with the ESOS By-Laws. The ESOS is intended to reward, retain, instill loyalty and motivate the executives of the Group towards higher level of productivity and performance.

#### **Outlook and Prospects**

Worldwide semiconductor sales grew strongly in 2010 reaching a record US\$298.3 billion. This represented a year-on-year increase of 31.8 percent from the US\$226.3 billion recorded in 2009. Industry research firms have forecasted moderate single digit growth for the semiconductor industry in 2011.

At Unisem we believe that the application of semiconductor devices can only get more pervasive in every facet of modern living and the trend toward greater outsourcing by industry players will continue to drive the demand for the products and services of the Group.

With greater optimism of economic recovery in the United States and continuing growth in the Asian economies particularly China, we are optimistic that Unisem Group will see significant growth in revenue and earnings in 2011.



## Dividends

I am pleased to report that the Board of Directors is recommending a final dividend of 10% or 5 sen per RM0.50 share tax exempt of approximately RM33.708 million. This is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## Acknowledgements

I would like to thank all the governmental authorities, our contractors, vendors, bankers and customers for

their assistance and support. To all our employees, our deep appreciation for their efforts, dedication and loyalty.

Last, but not least, I thank my fellow colleagues on the Board for their counsel and support throughout the year.

On behalf of the Board

**JOHN CHIA SIN TET**

Chairman

A hand is shown in the bottom left corner, placing a single red puzzle piece into a larger grid of white puzzle pieces. The puzzle pieces are arranged in a regular pattern, and the red piece is being inserted into a specific spot. The background is a light blue gradient.

BUILDING ON OUR  
**INTEGRATED STRENGTHS**

# Corporate information

## BOARD OF DIRECTORS

Mr John Chia Sin Tet  
*(Chairman/Group Managing Director)*

Mr Ang Chye Hock  
*(Executive Director)*

Mr Francis Chia Mong Tet  
*(Executive Director)*

Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan  
bin Haji Baba  
*(Independent Director)*

Y.Bhg. Tan Sri Dato' Wong See Wah  
*(Independent Director)*

Mr Yen Woon @ Low Sau Chee  
*(Non-Executive Director)*

Mr Sundra Moorthi s/o V.M. Krishnasamy  
*(Non-Executive Director)*

Mr Tee Yee Loh  
*(Non-Executive Director)*

Mr Martin Giles Manen  
*(Independent Director)*

## AUDIT COMMITTEE

Mr Martin Giles Manen  
*(Chairman/Independent Director)*

Y.Bhg. Tan Sri Dato' Wong See Wah  
*(Member/Independent Director)*

Mr Sundra Moorthi s/o V.M. Krishnasamy  
*(Member/Non-Executive Director)*

## COMPANY SECRETARIES

Mr Chua Heng Fatt (MACS 00264)

Ms Chin Hock Yee (LS 8922)

## REGISTERED OFFICE

Letter Box #95  
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)

## SHARE REGISTRARS

Tricor Investor Services Sdn Bhd  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Malaysia  
Tel : (603) 2264 3883  
Fax : (603) 2282 1886

## AUDITORS

Deloitte KassimChan  
Chartered Accountants  
87, Jalan Sultan Abdul Jalil  
30450 Ipoh  
Perak Darul Ridzuan  
Malaysia

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
Main Market

# Board of directors

**Seated:** Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba, John Chia Sin Tet, Tan Sri Dato' Wong See Wah  
**Left to Right:** Sundra Moorathi s/o V.M. Krishnasamy, Francis Chia Mong Tet, Tee Yee Loh,  
Martin Giles Manen, Yen Woon @ Low Sau Chee, Ang Chye Hock



# Profile of directors



## **JOHN CHIA SIN TET**

Chairman/Group Managing Director  
Malaysian

Mr John Chia Sin Tet, aged 61, was appointed Chairman of the Company on 13 June 1991, Managing Director on 11 March 1998 and the Group Managing Director on 1 November 2007. He is also the Chairman of the Executive Committee and Remuneration Committee.

Mr John Chia Sin Tet is a Barrister at Law and a Member of the Lincoln's Inn, United Kingdom.

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



## **ANG CHYE HOCK**

Executive Director  
Singaporean

Mr Ang Chye Hock, aged 61, is the Executive Director/Group Chief Operating Officer of the Company. He was appointed to the Board of the Company on 28 November 2002 as an Executive Director. He graduated from Salford University, England in 1972 with a Bachelor of Science in Electronics (Honours). He is also a member of the Executive Committee and Remuneration Committee. Mr Ang was the Chief Operating Officer of the Company from 2001 to 2005 and President from 2001 to 2007.

Mr Ang began his career with Motorola Malaysia Sdn Bhd, Kuala Lumpur in 1973 as a process engineer. He subsequently held positions as chief engineer, engineering manager and product manager between 1975 to 1979. Mr Ang was promoted to General Manager of Motorola Semiconductor Sdn Bhd, Seremban at the age of 29 in 1979. He was responsible for starting up a new factory for Motorola in Seremban and was responsible for total factory operations with over 2,000 employees. He held the position for 5 years before leaving for Singapore in December 1984.

Mr Ang brings with him more than 25 years of experience in the electrical and electronic industry. Prior to joining Unisem (M) Berhad in 2001, he was in Singapore for 16 years. His experience in Singapore includes being the General Manager of Magnetic Data Technologies Singapore in 2000; Managing Director of Wizard Multimedia, a software retail company, between 1993 and 1999; 6 years with Applied Magnetics Singapore Pte Ltd, where he was the Managing Director before he left in 1993; and 2 years at managerial positions with Motorola Electronics Pte Ltd.

## Profile of directors



### **FRANCIS CHIA MONG TET**

Executive Director  
Malaysian

Mr Francis Chia Mong Tet, aged 59, is the Executive Director/Group Finance of the Company. He was appointed to the Board of the Company on 19 June 1989 as a Non-Executive Director and subsequently appointed as Executive Director on 1 February 2006. He is one of the founder members of Unisem (M) Berhad. He is also a member of the Executive Committee.

Mr Francis Chia Mong Tet is a Fellow of the Institute of Chartered Accountants in England and Wales and is also a member of the Malaysian Institute of Accountants. He was with an international accounting firm from 1976 to 1979. In 1980, he started his own accounting practice in Seremban. He also sits on the board of several private limited companies.

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



### **PROF. TAN SRI DATO' DR. MOHD. RASHDAN BIN HAJI BABA**

Independent Director  
Malaysian

Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan Bin Haji Baba, aged 75, was appointed to the Board of the Company on 26 March 1998 as an Independent Director. He is also the Chairman of the Nomination Committee.

Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan holds a Bachelor of Science degree from the University of Reading, United Kingdom and a Doctorate (PhD) from the University of Leeds, United Kingdom. He also completed the 83rd Advanced Management Programme at Harvard University, USA. Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan also received an honorary Doctor of Science (DSc) from the University of Reading, United Kingdom and an honorary Doctor of Laws (LLD) from the University of Leeds, United Kingdom.

Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan was the Executive Chairman of Telekom Malaysia Berhad from 1987 to 1995. Prior to this, he was the Executive Chairman of Kumpulan Guthrie Berhad and sat on the board of several subsidiary companies of Kumpulan Guthrie Group from 1982 to 1987. He was the founding Vice-Chancellor of Universiti Kebangsaan Malaysia from 1969 to 1971 and Universiti Pertanian Malaysia from 1971 to 1982. He was an independent non-executive director of Far East Holdings Berhad (1990 to 2002), AMFB Holdings Berhad (1996 to 2003), AMMB Holdings Berhad (1996 to 2005), AmInvestment Group Berhad (2005) and AmcorpGroup Berhad (2000 to 2007). He also sat on the board of AMBB Capital Berhad and AmMerchant Bank Berhad from 1996 to 2005. He was the Chairman of Computer Systems Advisers (M) Berhad from 1995 to 2008.

Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan is currently the Director of Global Carriers Berhad since June 2007. He also sits on the board of several private limited companies.



### **TAN SRI DATO' WONG SEE WAH**

Independent Director  
Malaysian

Y.Bhg. Tan Sri Dato' Wong See Wah, aged 65, was appointed to the Board of the Company on 28 November 2002 as an Independent Director. He holds a Certificate in Teaching from the Malayan Teachers College, Pulau Pinang. He is also a member of the Audit Committee and Nomination Committee.

Y.Bhg. Tan Sri Dato' Wong began his political and ministerial careers in 1982. From 1982 to 1986, he was elected as the State Assemblyman for Kuala Klawang Constituency, Negeri Sembilan and the Negeri Sembilan State Government Executive Councilor (State EXCO) responsible for the Water and Electricity Supply Portfolios.

From 1986 to 1990, Y.Bhg. Tan Sri Dato' Wong was elected as the State Assemblyman for Peradong Constituency, Negeri Sembilan and remained as the State EXCO responsible for the Water and Electricity Supply Portfolios. From 1990 to 1995, he was a Member of Parliament, Rasah Constituency, Negeri Sembilan and Deputy Minister in the Prime Minister Department. From 1995 to 1999, he remained as a Member of Parliament, Rasah Constituency, Negeri Sembilan and was appointed as Deputy Minister of the Finance Ministry. Since October 2001, Y.Bhg. Tan Sri Dato' Wong has been the Chief Administrative Director of MCA Headquarters.

Y.Bhg. Tan Sri Dato' Wong is currently the Chairman of IJM Plantations Berhad. He has been an Independent and Non-Executive Director of IJM Plantations Berhad since August 2006. He is also a Director of Ewein Berhad since January 2008. He also sits on the board of several private limited companies.



### **YEN WOON @ LOW SAU CHEE**

Non-Executive Director  
Malaysian

Mr Yen Woon @ Low Sau Chee, aged 63, was appointed to the Board of the Company on 10 July 1991. He is also a member of the Remuneration Committee.

Mr Yen Woon has more than 15 years of experience in the timber and plantation business. He sits on the board of several private limited companies.

## Profile of directors



### **SUNDRA MOORTHI S/O V.M. KRISHNASAMY**

Non-Executive Director  
Malaysian

Mr Sundra Moorthi s/o V.M. Krishnasamy, aged 67, was appointed to the Board of the Company on 13 June 1991. He graduated with a Bachelor of Arts degree from University Malaya. He is a Barrister at Law and a Member of the Grays Inn, United Kingdom. Mr Sundra Moorthi is also a member of the Audit Committee and Remuneration Committee.

A lawyer by profession, Mr Sundra Moorthi is a senior partner of a legal firm in Kuala Lumpur. He was called to the Bar of England & Wales in 1970 and subsequently called to the Malaysian Bar in 1971. He has been a director of several public listed companies over the past 20 years. He also sits on the board of several private limited companies.



### **TEE YEE LOH**

Non-Executive Director  
Malaysian

Mr Tee Yee Loh, aged 56, was appointed to the Board of the Company on 13 June 1991. He is one of the founder members of Unisem (M) Berhad. He holds a Diploma in Mechanical Engineering from Federal Institute of Technology, Selangor Darul Ehsan. He is also a member of the Remuneration Committee.

Mr Tee has more than 20 years of experience in the contamination control technology which includes the design and building of clean room facilities, process integration and facilitation of microelectronic manufacturing factories. He also sits on the board of several private limited companies.



### **MARTIN GILES MANEN**

Independent Director  
Malaysian

Mr Martin Giles Manen, aged 56, was appointed to the Board of the Company on 28 July 2009 as an Independent Director. Mr Manen is a Chartered Accountant and a member of the Malaysian Institute of Accountants ("MIA") and Malaysian Institute of Certified Public Accountants ("MICPA"). He is also the Chairman of the Audit Committee and a member of the Nomination Committee.

Mr Manen served more than 21 years with Sime Darby Group, holding various senior positions including Group Tax Controller, Group Company Secretary, Group Finance Director and Divisional Director of the Allied Products & Services Division. He started his career at KPMG with whom he served 11 years in Malaysia and the United Kingdom undertaking audit, tax and business advisory assignments.

Mr Manen is currently an Independent and Non-Executive Director of Guinness Anchor Berhad and Transmile Group Berhad since August 2008 and September 2008 respectively. He is also a Director of Hong Leong Investment Bank Berhad since July 2009. He also sits on the board of several private limited companies.



DRIVING GROWTH THROUGH  
**INNOVATIVE SOLUTIONS**

# Statement on corporate governance

The Board of Directors supports the objectives of the Malaysian Code on Corporate Governance (“the Code”) and also acknowledges its role in protecting and enhancing shareholders’ value. The Directors believe that good corporate governance results in quantifiable long-term success and creation of long-term shareholders’ value as well as benefits for all other stakeholders. Hence, the Board affirms its policy of adhering to the spirit of the Code.

The Company has complied with the Best Practices of Corporate Governance as set out in the Code throughout the financial year ended 31 December 2010. Set out below is a description of how the Company has applied the Principles of Corporate Governance as set out in the Code throughout the financial year ended 31 December 2010.

## PRINCIPLES OF CORPORATE GOVERNANCE

### 1. THE BOARD OF DIRECTORS

The Board of Directors (the “Board”) has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. There are no changes in the composition of the Board of Directors for the financial year ended 31 December 2010 except for the retirement of Y.Bhg. Tan Sri Dato’ Samshuri bin Arshad as independent director and the cessation of Mr Chua Khing Chiew as alternate director to Mr Yen Woon @ Low Sau Chee of the Company on 29 June 2010 and 16 July 2010 respectively. Presently, there are 9 Board members in Unisem (M) Berhad comprising 3 executive directors and 6 non-executive directors. Out of the 6 non-executive directors, 3 are independent directors. The members of the Board possess a wealth of experience in the semiconductor and other industries. 5 members have been with the Company for more than 15 years. The profiles of the Directors are provided in pages 15 to 18 of the Annual Report. All these skills and experience enable the Board to effectively lead and control the Company.

Other than the 3 representatives of the major shareholder, the Board consists of a number of Directors which fairly reflects the investment in the Company by shareholders other than the major shareholder. Due to the active participation of all the Directors including the 3 independent directors, no individual or small group of individuals can dominate the Board’s decision making process.

#### **Board Meetings**

A total of five Board meetings were held during the financial year ended 31 December 2010. The attendance of each Director to the Board meetings held during the year are summarised as follows:

<b>DIRECTOR</b>	<b>NUMBER OF MEETINGS ATTENDED</b>
Mr John Chia Sin Tet	5/5
Mr Ang Chye Hock	5/5
Mr Francis Chia Mong Tet	5/5
Y.Bhg. Prof. Tan Sri Dato’ Dr. Mohd. Rashdan bin Haji Baba	5/5
Y.Bhg. Tan Sri Dato’ Samshuri bin Arshad ( <i>Retired on 29 June 2010</i> )	3/5
Y.Bhg. Tan Sri Dato’ Wong See Wah	5/5
Mr Yen Woon @ Low Sau Chee	4/5
Mr Sundra Moorthi s/o V.M. Krishnasamy	5/5
Mr Tee Yee Loh	5/5
Mr Martin Giles Manen	5/5

All the directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated by the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board has committed to meet at least four times in a financial year, usually at the end of each financial quarter before the quarterly announcement to the Exchange. Board meetings are convened as and when the need arises.

During the financial year, the Board also resolved and approved the Company's matters through circular resolutions. Board members are provided sufficient detailed information for approvals via circular resolutions and are given full access to senior management to clarify any matters arising. These circular resolutions related mainly to procedural or administrative matters previously deliberated at a Board meeting.

### ***Supply of Information***

At least 7 days prior to Board meetings, all Directors are provided with the necessary information which often includes the monthly management accounts, manufacturing performance and marketing reports, annual budget and business plans, updates on statutory regulations and requirements and other administrative matters. This is to enable the Directors to participate actively in the overall management of the Company and to discharge their duties and responsibilities.

The Directors have access to the advice and services of the Company Secretaries and other professionals so as to ensure that Board meeting procedures are followed and that applicable rules and regulations are complied with.

The Memorandum and Articles of Association of the Company provide for the Chairman to have the casting vote in the event of an equality of votes arising over an issue in question.

### ***Appointment and Re-election of Directors***

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

### ***Executive Committee***

The Executive Committee was established in August 2007. The charter and the composition of the Executive Committee are as follow:

#### **Charter**

The Executive Committee is empowered and responsible for implementing the strategies approved by the Board and for managing the affairs of the Group.

The charter of the Executive Committee encompasses:

- corporate strategy development;
- approving major plans of action and policies and procedures; and
- the monitoring of operational performance.

# Statement on corporate governance

This includes identifying risks which impact on the Group's sustainability and monitoring risk management and internal controls, corporate governance, business plans, key performance indicators, including non-financial indicators and annual budgets. It monitors major capital expenditures, acquisitions and disposals and any other matters that are defined as material.

## **Composition**

The Executive Committee is chaired by the Group Managing Director. Membership of the Executive Committee includes (1) Group Managing Director, (2) Group Chief Operating Officer ("Group COO") and (3) Group Finance.

The Executive Committee comprises of the following Directors:

1. Mr John Chia Sin Tet (Group Managing Director) (*Chairman*)
2. Mr Ang Chye Hock (Group COO)
3. Mr Francis Chia Mong Tet (Group Finance)

## **Nomination Committee**

The Nomination Committee was established in December 2001. There was one meeting held during the financial year ended 31 December 2010. The details of attendance of the Committee members are as follows:

NAME OF COMMITTEE MEMBER	NUMBER OF MEETINGS ATTENDED
Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba <i>(Retired on 22 February 2010)</i>	1/1
Y.Bhg. Tan Sri Dato' Samshuri bin Arshad <i>(Retired on 22 February 2010)</i>	1/1
Y.Bhg. Tan Sri Dato' Wong See Wah	1/1
Mr Martin Giles Manen	1/1
Mr Sundra Moorthi s/o V.M. Krishnasamy <i>(Appointed on 22 February 2010)</i>	-

It consists of wholly Non-Executive Directors, of whom majority are also independent directors. The Nomination Committee is empowered with the following specific tasks:

- recommend candidates to the Board for directorships;
- consider, in making its recommendations, the candidates' skills, knowledge, expertise, experience, professionalism and integrity and evaluate the candidates' ability to discharge responsibilities/functions for the position of independent directors;
- assess the effectiveness of the Board as a whole and the committees of the Board, and the contribution of each individual Director;
- consider, in making recommendations, candidates proposed by the Group Managing Director for directorships, nomination by any senior executive, Director or shareholder; and
- recommend to the Board, Directors to fill the seats on board committees.

The Nomination Committee comprises of the following Directors:

1. Mr Martin Giles Manen (Chairman)
2. Y.Bhg. Tan Sri Dato' Wong See Wah
3. Mr Sundra Moorthi s/o V.M. Krishnasamy

The Board, through the Nomination Committee, reviews annually its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

### **Directors' Training**

As an integral element of the process of appointing new Directors, the Nomination Committee ensures that new recruits to the Board are provided appropriate orientation and education programme. The training needs of Directors are reviewed on a regular basis.

All Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad.

Set out below are the courses attended by the following directors during the financial year:

<b>DATE OF TRAINING</b>	<b>TYPE OF TRAINING</b>	<b>ATTENDED BY</b>
7 January 2010	Forum: "Business & Water. Should We Be Concerned"	Mr Martin Giles Manen
11 & 12 January 2010	Financial Institutions Directors' Education ("FIDE") Core Programme	Mr Martin Giles Manen
9 March 2010	Roundtable discussion: "Going Forward: Risk & Reform – Implications for Audit Committee Oversight"	Mr Martin Giles Manen
6 May 2010	Dialogue on deposit insurance	Mr Martin Giles Manen
13 May 2010	"Briefing on the New Economic Model"	Mr Martin Giles Manen
20 & 21 May 2010	FIDE "Building Audit Committees for Tomorrow"	Mr Martin Giles Manen
31 May 2010	"Green Taxation and Environmental Sustainability"	Mr Martin Giles Manen
24 & 25 June 2010	Directors' Continuing Education Programme	Mr Martin Giles Manen
29 June 2010	Roundtable discussion: "The New Economic Model and Fiscal Policy Reform"	Mr Martin Giles Manen
3 August 2010	"Design Features of Value-added Tax: Putting Concepts into legislation"	Mr Martin Giles Manen
5 August 2010	International Indirect Tax Forum	Mr Martin Giles Manen
9 September 2010	Roundtable discussion: "Sales and Service Tax"	Mr Martin Giles Manen

# Statement on corporate governance

DATE OF TRAINING	TYPE OF TRAINING	ATTENDED BY
20 & 21 October 2010	FIDE Pilot Simulation of Board and Committee meetings	Mr Martin Giles Manen
6 December 2010	Semiconductor Industry Trend	Mr John Chia Sin Tet Mr Francis Chia Mong Tet Mr Sundra Moorthi s/o V.M. Krishnasamy Mr Ang Chye Hock Mr Martin Giles Manen
13 December 2010	Directors' Continuing Education Programme: "Aviation and the Governing Body"	Mr Martin Giles Manen

The Directors will attend relevant training programmes as may be determined by the Board to keep themselves abreast with the latest developments in the securities industry, particularly in areas of corporate governance and regulatory changes. The Board will on a continuous basis, evaluate and determine the training needs of its directors. This is to enable the directors to effectively discharge their duties as a director.

## 2. DIRECTORS' REMUNERATION

The Board as a whole determines the remuneration of each Director. The Executive Directors do not participate in decisions regarding their own remuneration packages. Directors' fees are disclosed in the annual report and approved by the shareholders at the Annual General Meeting.

Aggregate remuneration of the 3 Executive Directors and 6 Non-Executive Directors during the financial year ended 31 December 2010 can be categorised into the following components:

CATEGORY	DIRECTOR'S FEES (RM)	SALARIES (RM)	BONUS (RM)	OTHERS (RM)	TOTAL (RM)
Executive Director	420,000	4,623,000	770,500	909,860	6,723,360
Non-Executive Director	770,000	–	–	–	770,000

Directors' remunerations are broadly categorised into the following bands:

RANGE OF REMUNERATION	NUMBER OF DIRECTORS	
	EXECUTIVE	NON-EXECUTIVE
RM100,001 to RM150,000	–	5
RM150,001 to RM200,000	–	1
RM1,550,001 to RM1,600,000	1	–
RM1,750,001 to RM1,800,000	1	–
RM3,350,001 to RM3,400,000	1	–

### **Remuneration Committee**

The Remuneration Committee was formed in December 2001. There was one meeting held during the financial year ended 31 December 2010. The details of attendance of the Committee members are as follows:

<b>NAME OF COMMITTEE MEMBER</b>	<b>NUMBER OF MEETINGS ATTENDED</b>
Mr John Chia Sin Tet	1/1
Mr Ang Chye Hock	1/1
Mr Yen Woon @ Low Sau Chee	1/1
Mr Sundra Moorthi s/o V.M. Krishnasamy	1/1
Mr Tee Yee Loh	1/1

It consists of mainly Non-Executive Directors and is responsible for setting the policy framework and for making recommendations to the Board on all elements of the remuneration and other terms of employment of Executive Directors and top management.

The following Directors sit on the Remuneration Committee:

1. Mr John Chia Sin Tet (Chairman)
2. Mr Ang Chye Hock
3. Mr Yen Woon @ Low Sau Chee
4. Mr Sundra Moorthi s/o V.M. Krishnasamy
5. Mr Tee Yee Loh

Executive Directors will abstain from the deliberations and voting decisions in respect of his remuneration. Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting decisions in respect of his individual remuneration. An Executive Director plays no part in decisions on his own remuneration. The determination of remuneration packages of Non-Executive Directors is a matter for the Board as a whole.

### **3. SHAREHOLDERS**

The Company aims to keep its shareholders and interested public informed of the developments and performances of the Company and the industry, through the following channel of communications:

- timely quarterly results announcements and various disclosures and announcements made to the Exchange and posted on the Company's website at [www.unisemgroup.com](http://www.unisemgroup.com);
- quarterly analyst briefing after release of the quarterly financial results;
- plant visits, discussions or telephone conference with fund managers and analysts at their request;
- participate in investors conferences organised by local and international stockbroking houses;
- distribution of annual reports and circulars to shareholders;
- meeting with shareholders at general meetings; and
- meeting with members of the press after general meetings.

# Statement on corporate governance

We encourage all shareholders to attend the Company's Annual General Meeting and to participate in the proceedings. Shareholders are given the opportunity to ask questions on the business and financial performance of the Company. Notices of Annual and Extraordinary General Meetings of the Company and related papers are distributed to shareholders within a reasonable and sufficient time frame. Adequate time is given during the Annual and Extraordinary General Meetings to allow shareholders to seek clarifications or ask questions on pertinent and relevant matters.

The Company values dialogues with its shareholders, potential investors, institutional investors and analysts and is willing to explain or further clarify any information already disclosed in its Annual Report or Bursa Securities announcement. The Board has also identified the Chairman of the Audit Committee, Mr Martin Giles Manen, a senior independent director to answer any queries or clarify any matters concerning the Company. Mr Martin Giles Manen can be contacted at the following correspondence address:

Letter Box #95  
9th Floor UBN Tower  
10 Jalan P. Ramlee  
50250 Kuala Lumpur  
Tel : (603) 2072 3760  
Fax : (603) 2072 4018

## 4. ACCOUNTABILITY AND AUDIT

### *Financial Reporting*

The Board aims to present a balanced, clear and meaningful assessment of the Company's financial positions and prospects in all their reports to the shareholders, investors and regulatory authorities. This assessment is primarily provided in the Annual Report through the Chairman's Statement and the audited financial statements.

The quarterly results announcements also reflect the Board's commitment to give regular updated assessments on the Company's performance.

### *Internal Control*

The Board acknowledges that it is responsible for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines, to safeguard the shareholders' investment and the Company's assets.

Key elements of the Company's systems of internal control are:

- Operations Manuals and Guidelines issued and updated from time to time;
- Monitoring of monthly results against the comprehensive annual budgets and business plans prepared by the business units; and
- Regular internal audit on the business units by in-house internal audit department together with the external auditors' reports provide reasonable assurance to the Board that the internal control system of the Company and its subsidiaries are properly in place.

The Company's operations involve the acceptance and management of a wide range of risks. The nature of these risks means that events may occur which could give rise to unanticipated or unavoidable losses. The Company's systems of internal controls are designed to provide reasonable but not absolute assurance against

the risks of material errors, fraud or losses occurring. It is possible that internal control may be circumvented or overridden. Furthermore, because of changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The rationale of the system of internal controls is to enable the Company to achieve its corporate objectives within an acceptable risk profile and cannot be expected to eliminate all risks. The Statement on Internal Control are set out on pages 34 to 35 of the Annual Report provides an overview of the state of internal control of the Company.

#### ***Relationship with the external auditors***

The Company has through the Audit Committee established a transparent and appropriate relationship with the external auditors. The role of the Audit Committee in connection with its relationship with the external auditors is demonstrated in the Audit Committee Report under "Specific Duties" and "Activities of the Audit Committee" stated on pages 29 to 33 of the Annual Report.

#### ***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, 1965.

## **ADDITIONAL COMPLIANCE INFORMATION**

To comply with the Bursa Securities Main Market Listing Requirements, the following additional information is provided:

During the financial year under review,

### **(i) Share buybacks**

The Company does not have a share buyback programme in place.

### **(ii) Issue of shares**

On 30 July 2010, the Company issued and allotted 155,575,704 new ordinary shares of RM0.50 each ("Bonus Shares") on the basis of three (3) Bonus Shares for every ten (10) existing ordinary shares of RM0.50 each held pursuant to a bonus issue exercise.

### **(iii) Options, warrants or convertible securities**

On 25 August 2010, the Company issued and allotted 168,540,090 new warrants on the basis of one (1) new warrant for every four (4) existing ordinary shares of RM0.50 each held ("Rights Issue of Warrants") after the bonus issue as at 30 July 2010, at an issue price of RM0.10 per warrant. The exercise price of the warrants has been fixed at RM2.18 per warrant for every one (1) new ordinary share of RM0.50 each in the Company.

The Company did not issue any options or convertible securities.

### **(iv) Options offered and exercised by Non-Executive Directors**

There were no options offered to and exercised by the non-executive directors during the financial year.

### **(v) American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) programme**

The Company does not have an ADR or GDR programme in place.

# Statement on corporate governance

## **(vi) Imposition of sanctions/penalties**

There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies.

## **(vii) Non-audit fees**

The non-audit fees of RM1,011,597 for the financial year was mainly related to corporate tax compliance services, human capital consulting services and other advisory services rendered to the Company and its subsidiaries by the Company's auditors and its affiliates.

## **(viii) Profit estimate, forecast or projection**

There were no profit estimates, forecasts or projections or unaudited results released which differ by 10 per cent or more from the audited results.

## **(ix) Profit guarantee**

There were no profit guarantees given in respect of the Company.

## **(x) Material contracts or loans involving Directors or Major Shareholders**

There were no material contracts or loans between the Company and its subsidiaries that involve Directors' or major shareholders' interests.

## **(xi) Aggregate value of recurrent related party transactions conducted pursuant to shareholders' mandate**

There were no recurrent related party transactions conducted pursuant to shareholders' mandate.

Please refer to Note 18 under Notes to the Financial Statements for additional information.

## **(xii) Revaluation policy on landed properties**

The Company does not have a revaluation policy on landed properties.

## **BEST PRACTICES OF CORPORATE GOVERNANCE**

The Company has complied with the Best Practices of Corporate Governance as set out in the Code throughout the financial year ended 31 December 2010 with the exception of the following:

- At Unisem, the roles of the Chairman and Group Managing Director are combined. The Chairman/Group Managing Director is primarily responsible for the effective functioning of the Board and related corporate affairs and for formulating general Company policies and making strategic business decisions sanctioned by the Board of Directors. He is supported by the 2 Executive Directors who are responsible for the execution of these decisions and policies and the day-to-day operations of the Group. Hence, there is a clear and defined division of responsibilities between the Chairman/Group Managing Director, and the Executive Directors of the Company. The presence of the non-executive directors and the independent directors on the Board, ensures that no individual has unrestricted power or influence over any board decision. The practice of a combined role of a Chairman and Chief Executive is common in the semiconductor industry and among multinational corporations.

# Audit committee report

## MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee consists of:

NAME	DESIGNATION	DIRECTORSHIP
Mr Martin Giles Manen	Chairman	Independent Director
Y.Bhg. Tan Sri Dato' Wong See Wah	Member	Independent Director
Mr Sundra Moorthi s/o V.M. Krishnasamy	Member	Non-Executive Director

## MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2010, the Committee held five meetings. The details of attendance of the Committee members are as follows:

NAME OF COMMITTEE MEMBER	NUMBER OF MEETINGS ATTENDED
Mr Martin Giles Manen	5/5
Y.Bhg. Tan Sri Dato' Wong See Wah	5/5
Mr Sundra Moorthi s/o V.M. Krishnasamy	5/5

## TERMS OF REFERENCE

### 1. Composition

- a. The Committee shall be appointed by the Board from amongst the Directors and shall consist of no fewer than three (3) members.
- b. All Committee members shall be non-executive directors.
- c. The majority of the members including the Chairman of the Committee shall be Independent Directors as defined in Chapter 1 of the Main Market Listing Requirements of the Bursa Securities.
- d. The members of the Committee shall elect a Chairman from amongst their number.
- e. The Committee shall include at least one person who is a member of the Malaysian Institute of Accountants or who must have at least 3 years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967 or is a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

# Audit committee report

- f. No alternate Directors shall be appointed as a member of the Committee.
- g. If a member of an Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- h. All members of the Committee shall be financially literate.

## **2. Authority**

- a. The Audit Committee shall be granted the authority to investigate any activity of the Company and its subsidiaries and all employees shall be directed to co-operate as requested by members of the Committee.
- b. The Committee shall be empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities.

## **3. Responsibilities**

- a. The Audit Committee shall serve as a focal point for communications between Non-Committee Directors, the external auditors, internal auditors and the management, as their duties relate to financial accounting, reporting and controls.
- b. The Audit Committee shall assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and its subsidiaries and the sufficiency of auditing relating thereto.
- c. The Audit Committee shall be the Board's principal agent in assuring the independence of the Company's external auditors, internal auditors, the integrity of management, and the adequacy of disclosures to stockholders. The opportunity for the external auditors to meet with the entire Board of Directors as needed is not to be restricted, however.
- d. The Chairman of the Audit Committee shall engage on a continuous basis with senior management such as the chairman, the chief executive officer, the finance director, the head of internal audit and the external auditors in order to keep informed of matters affecting the Company.

## **4. Meeting**

- a. The Audit Committee shall meet at least four (4) times per year.
- b. The quorum for the Audit Committee shall be two (2) members, the majority of whom must be Independent Directors.
- c. As necessary or desirable, the Chairman may request that members of management, the internal auditors and representatives of the external auditors be present at meetings of the Committee.
- d. The Audit Committee shall meet with the external auditors without executive board members present at least twice a year.
- e. The Company Secretary of the Company shall be present at all meetings to record minutes.
- f. Minutes of each meeting shall be prepared and sent to Committee members, and the Company's Directors who are not members of the Committee. A copy of the minutes shall be filed with the Company.

## 5. Specific Duties

The Audit Committee shall be guided by Chapter 15 Part C of the Main Market Listing Requirements of the Bursa Securities and in particular shall:

- a. Inform the external auditors, the internal auditors and management that the external auditors, internal auditors and the Committee may communicate with each other at all times and the external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee; and the Committee Chairman may call a meeting whenever he deems it necessary or upon the request of the external auditors or internal auditors.
- b. Review with the management, external auditors and the internal auditors, the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.
- c. Have familiarity, through the individual efforts of its members, with the accounting and reporting principles and practices applied by the Company in preparing its financial statements. Further, the Committee shall make, or cause to be made, all necessary inquiries to management and the external auditors concerning established standards of corporate conduct and performance, and deviations therefrom.
- d. Review, prior to the annual audit, the scope and general extent of the external auditors' audit examination, including their engagement letter. The auditors' fees are to be arranged with management, and annually summarised for Committee review. The Committee's review should entail an understanding from the external auditors of the factors considered by the auditors in determining his audit scope, including:
  - Industry and business risk and characteristics of the Company.
  - External reporting requirements.
  - Materiality of the various segments of the Company's consolidated and non-consolidated activities.
  - Quality of internal accounting controls.
  - Extent of involvement of internal audit in the audit examination.
  - Other areas to be covered during the audit engagement.
- e. Review the extent of non-audit services provided by the external auditors in relation to the objectivity needed in the audit.
- f. Review with management and the external auditors, the quarterly results and financial results for the year upon completion of their audit, prior to their submission to the Board and release to the public. This review shall encompass:
  - The Company's annual report to shareholders including the financial statements, and supplemental disclosures required by the provision of the Companies Act, 1965 and in compliance with the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia.
  - Significant transactions not a normal part of the Company's operations.
  - Changes, if any, during the year in the Company's accounting principles or their applications.
  - Significant adjustments proposed by the external auditors.

# Audit committee report

- g. Evaluate the co-operation received by the external auditors during the audit examination, including their access to all requested records, data and information. Also, elicit the comments of management regarding the responsiveness of the external auditors to the Company's needs. Inquire of the external auditors whether there have been any disagreements with management which if not satisfactorily resolved would have caused them to issue a non-standard report on the Company's financial statements.
- h. Discuss with the external and internal auditors the quality of the Company's financial and accounting personnel, and any relevant recommendations which the external and internal auditors may have. Topics to be considered during this discussion include improving internal financial controls, the audit plan, the audit report, the selection of accounting principles, any related party transaction that may arise within the Company and management reporting system. Review written responses of management to "letter of comments and recommendations" from the external auditors.
- i. Review all related party transactions and the Company's procedures for monitoring and reviewing of related party transactions to satisfy itself that the procedures were sufficient to ensure that the related party transactions were not more favourable to the related parties than those generally available to the public and also not detrimental to the interests of minority shareholders.
- j. Discuss with management the scope and quality of internal accounting and financial reporting controls in effect.
- k. Inform the Board of Directors, through minutes and special presentations as necessary, of significant developments in the course of performing the above duties.
- l. Recommend to the Board of Directors any appropriate extension or changes in the duties of the Committee.
- m. Recommend to the Board of Directors the retention or non-retention of the external auditors, and provide a written summary of the basis for the recommendations.
- n. In relation to internal audit function:
  - (i) review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - (ii) review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

In compliance to the Malaysian Code on Corporate Governance, the Audit Committee shall also:

- (iii) review any appraisal or assessment of the performance of members of the internal audit function;
- (iv) approve any appointment or termination of senior staff members of the internal audit function;
- (v) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

## ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met five times during the financial year ended 31 December 2010. The activities of the Audit Committee for the financial year were summarised as follows:

- a. The Committee reviewed with management, the external auditors and internal auditors the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.
- b. The Committee reviewed the unaudited quarterly financial results and the annual audited financial statements of the Company prior to their submission to the Board for approval and release to the public.
- c. The Committee reviewed with internal auditors the overall scope of the internal audit plan, the findings and recommendations emanating from the quarterly risk-based audit work carried out by the internal audit function.
- d. The Committee reviewed, prior to the annual audit, the nature and scope of engagement of the external auditors, their fees as well as findings arising from their examination of the annual financial statements. It also considered the reappointment of the external auditors for recommendation to the Board and the shareholders for their approval.
- e. The Committee reviewed with internal auditors the related party transactions to ensure that the related party transactions were not favourable to the related parties than, those generally available to the public.

## INTERNAL AUDIT FUNCTION

The Company has an in-house Internal Audit Department that directly reports to the Audit Committee. The Internal Audit function continues to independently assess the system of internal controls, so as to provide reasonable assurance that the system of internal controls continue to operate satisfactorily and effectively.

The Internal Audit function independently focuses on the key areas based on the internal audit plan approved by the Audit Committee and reports on a quarterly basis to the Audit Committee. The Internal Audit function adopts a risk-based approach in the planning and conduct of its audits.

The primary responsibilities of the Internal Audit function include reviewing the adequacy, integrity and effectiveness of the system of internal controls, compliance with the established policies, guidelines, laws and regulations and reliability and integrity of information.

Internal Audit reports, incorporating agreed audit findings, recommendations and management responses, were issued to the Audit Committee and the management of the respective operations. The Internal Audit function also followed up with management on the status of implementation of the agreed actions to ensure satisfactory controls is maintained.

The cost incurred for the Internal Audit function of the Company in respect of the financial year ended 31 December 2010 amounted to RM330,000.

# Statement on internal control

## INTRODUCTION

Pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements, the Board of Directors (“the Board”) of Unisem (M) Berhad is pleased to provide the following statement on the state of internal control of the Group comprising Unisem (M) Berhad and its subsidiaries (“Group”) for the financial year ended 31 December 2010, which has been prepared in accordance with the “Statement of Internal Control – Guidance for Directors of Public Listed Companies” issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

## BOARD RESPONSIBILITY

The Board acknowledges the importance of good practice of corporate governance and is committed to maintaining a sound system of internal control, and for reviewing its effectiveness, adequacy and integrity. This includes the establishment of an appropriate control environment and framework, and review of the effectiveness, adequacy and integrity of the system.

The Board is responsible for reviewing the Group’s system of control based on an ongoing process designed to identify principal risks to the achievement of strategic goals and business objectives, and to manage those risks efficiently, effectively and economically.

Due to the limitations that are inherent in any system of internal control, these systems are designed to manage, rather than totally eliminate, the risk of failure to achieve business objectives. Accordingly, such systems can only provide reasonable but not absolute assurance against material misstatement or loss.

## KEY ELEMENTS OF INTERNAL CONTROL

The principal features of the Group’s internal control structures which are conducive toward achieving a sound system of internal control are summarised as follows:

- **Organisational structure with defined roles and responsibilities**

The Group has in place an organisation structure with key responsibilities clearly defined as well as clear reporting lines up to the Board and its Committees.

- **Formalised strategic planning processes**

The Group has formulated the appropriate business plans within which the business objectives, strategies and targets are articulated. Business planning and budgeting is 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.

- **Reporting and review**

The Group's management team carries 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 of Directors on significant changes in the business and the external environment in which the Group operates.

- **Documented policies and procedures**

Internal policies and procedures which are set out in a series of clearly documented standard operating manuals covering a majority of areas within the Group are maintained and subjected to review as and when necessary.

- **Continuous employee education**

All employees are encouraged to improve themselves through adequate training and continuous education. The Group has put in place a continuous training programme to motivate and improve the leadership quality of employees in the Group in order to better conduct themselves at work and in relationship with external parties, such as customers and suppliers.

- **Quality Control**

The Group emphasises continuous effort in maintaining the quality of products. The Directors have ensured that safety and health regulations, environmental controls and all other legislations in connection with the industry have been considered and complied with.

- **Financial performance**

The preparation of period and full year 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.

- **Internal Audit**

The in-house Internal Audit Department is to continuously provide independent assessment on the adequacy, effectiveness and reliability of the Group's system of internal controls. The internal audit function advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The reports are submitted to the Audit Committee and risk and control issues were discussed during the Audit Committee meetings. In assessing the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, the Audit Committee reports to the Board of Directors its activities, significant results, findings and the necessary recommendations or changes.

# Awards and recognition



## SUPPLIER OF THE YEAR AWARD

from  
Exar



## QUALITY AWARD

from  
SGMicro



## BEST PACKAGING SUPPLIER AWARD

from  
SiGe



## EXCEPTIONAL SERVICE AWARD

from  
Semtech



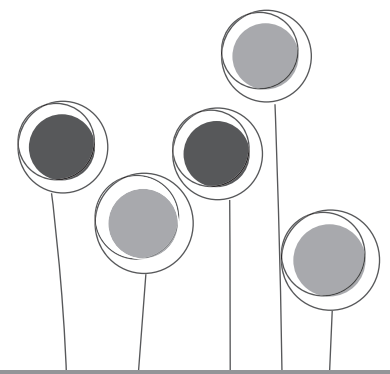
## GOLD AWARD

from  
BATAMINDO IQC  
Convention 2010



## EMPLOYMENT PROMOTION 2010

from  
CDHT



**BEST SUPPLIER  
AWARD 2010**

*from*  
Advanced Analogic  
Technologies, Inc



**GOLD AWARD**

*from*  
National Convention 2010



**SUPPLIER AWARD**

*from*  
Awinic



**GOLD AWARD**

*from*  
BATAMINDO IQC  
Convention 2010



**EXCEPTIONAL  
CUSTOMER SERVICE  
AWARD**

*from*  
Exar

# Corporate social responsibility report



## CORPORATE PRODUCTS AND SERVICES PROFILE

Unisem offers a broad range of leaded and array packages with various pin counts of PDIP, SOIC, PLCC, QSOP, SSOP, MSOP, TSSOP, SOT, SC70, TO, SLP (QFN), TQFP, BGA, modules (SiP) and WLCSP or Wafer-Level Chip-Scale Package, a low cost solution that enables direct connectivity to substrate or board level.

Unisem offers test services on a variety of test platforms including the testing of analog, mixed signal and radio frequency semiconductors. Unisem's test services comprise final test and wafer probe and test-related services such as dry pack and vacuum pack.

As an integral part of its packaging and test services, Unisem provides general and customised packing services that include tape and reel operations, and shipment and drop-shipment services to customers or to their end-customers.

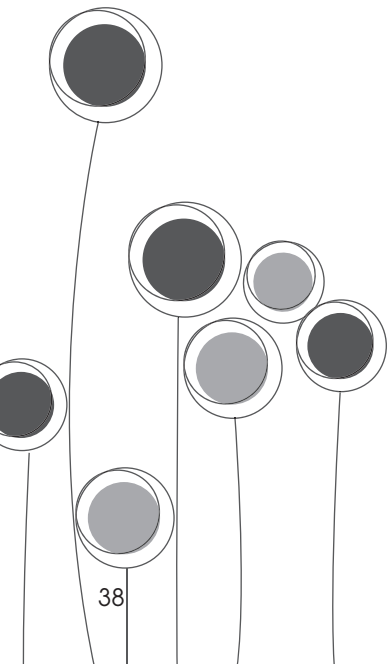
Unisem is also a one-stop center for wafer bumping services with in-house photomask and stencil design capabilities. Bumping services include gold bumps, solder bumps, copper pillar bumps, bond pad redistribution and repassivation on wafer sizes from 100mm to 200mm diameter.



Overall, Unisem offers full turnkey solutions that include WAFER BUMPING, WAFER PROBING, PACKAGING, TEST, TAPE & REEL, DROPSHIP, QA ANALYSES and R&D.

## I. WORKPLACE

Unisem believes that the continuous driving force for growing Unisem lies in people who identify themselves with Unisem, its objectives and values. Our employees are diverse, they are generally reflective of our communities, customers, vendors and co-workers in the global market. We are always looking for committed people with leadership competency and a passion for innovation and quality.





Participants at TQM Kick Off with the theme "Let's Make The Change Happen".



Participants at Internal IQC Convention, Batam.



A Night & Peace of Joy - Christmas, Batam.



Unisem participated in The Job Fair, Batam.



A time to strengthen relationships - Hari Raya Puasa, Batam.



Euthusiastic participants at the Ipoh Starwalk 2009 held on 21 June 2009.

## OUR CORE VALUES

Our core values are:

### Teamwork

- We value our differences and synergise to fulfill Company's goals and the stakeholder's requirements.
- We hold responsibility and accountability for all tasks assigned to us.
- We practise empathic communication between all parties.
- We believe in win-win solutions.
- We recognise that the foundation of a great team is mutual trust of team members.

### Commitment

- We involve ourselves in decision making.
- We have the courage to deliver on our promises.
- We take initiative to seek knowledge and pursue our goals aggressively.
- We are passionate and focused in what we do.

### Trust

- We show high consistency between words and deeds in our dealings with people.
- We are committed to conduct our business with a high standard of ethics and integrity.
- We trust our people and recognise their intrinsic desire to do a good job.
- We engage in open, constructive and ideological debates.
- We treat each other with respect and dignity.

### Pro Active

- We encourage creativity and innovation in our work.
- We promote a learning culture in order to continuously upgrade our skills and process capabilities to adapt to new dynamic business environment.
- We plan ahead in anticipation of new challenges and opportunities.
- We do not react to changes, we initiate changes.
- We take calculated risks.
- We believe that it is far better to try and fail than not trying at all.

# Corporate social responsibility report

## Caring

- We practise a culture of safe, clean and green.
- We recognise our social obligations to our stakeholders and the society and we contribute positively to our communities and environment.
- We recognise our human resource is our greatest asset.
- We reward our people fairly.
- We practise 7 Habits daily.

## EMPLOYEE DEVELOPMENT

The Company, Unisem Chengdu and PT Unisem run comprehensive continual training programs for all their operators and technicians who are given, on an average, more than 20 hours of training each year. It encompasses on-the-job training and a series of development programs. Manufacturing operators are formally certified in-house and must be re-certified every 6 months to ensure that they are qualified for their tasks. Other training such as fire fighting, first aid and evacuation drill are also provided for all employees.

## EMPLOYEE RECOGNITION

We recognise outstanding team and individual accomplishments and encourage employees to pursue continuous improvement, attain high levels of excellence and increase Unisem's overall competitiveness.

### • **Kaizen Reward Scheme**

The Company practises Kaizen, a culture of continual improvement, change for the better and standardisation to yield results in productivity, quality, cost, delivery and safety improvement. The scheme is opened to the Company's non-executive employees in the production, maintenance, quality assurance and support departments who are encouraged to submit improvement ideas on job functions and to ensure continuous improvement in these areas. Participants will be rewarded with a certificate and a cash voucher. Quarterly champions from manufacturing and support groups are also selected by a panel of judges.

### • **Annual Appreciation Award**

We encourage our employees to serve in committees above and beyond their normal role and duty. At the Company's Annual Appreciation Award, we acknowledge and appreciate employees who volunteered in the following areas:

- 7 Habits Team
- Canteen Committee
- Electrostatic Discharge (ESD) Auditors
- Internal Environmental Management System Auditors
- Environment Working Committee
- Internal Quality System Auditors
- Radiation Protection Supervisors
- Safety Committee
- Sports & Recreation Club Committee
- Kaizen Evaluation Committee

### • **Long Service Award**

We honour and award our employees who attain their career milestone every five years. In March 2010, the Company recognised the services of a total of 411 employees who completed 5, 10 and 15 years of service at a Long Service Award celebration.

### • **Technical Excellence Competition**

We encourage our engineers to participate in the annual Technical Excellence Competition to share their knowledge on process improvement. Participants are presented a trophy in recognition and appreciation of their outstanding study and invaluable insights, time and effort for process improvement.

### • **Poka-Yoke Contest**

We encourage our employees from all levels to participate in the Poka-Yoke Reward Scheme. Poka-Yoke was introduced to the Company as one of the pillars under Zero Defect programme and its objective is to prevent and detect inadvertent errors. The charter of Unisem Poka-Yoke Committee is to support the plant wide Zero Defect programme of the Company that strives to eliminate mistakes in the processes by using Poka-Yoke methods.



Badminton Competition, Ipoh.



Bowling Competition, Ipoh.



Netball Competition, Ipoh.



Futsal Competition, Ipoh.



Basketball Competition, Ipoh.



Volleyball Competition, Ipoh.

- **In-House Suggestion-Implementation System Contests**

PT. Unisem has an on-going Suggestion-Implementation System Programme since 1993. This is to encourage operators and technicians to contribute towards continuous improvement in their working place. The winners receive a reward and certificate.

- **Best Performers Award**

Every quarter, the Company rewards operators who perform well. The aim is to foster a workforce that is sensitive to quality and encourage sense of quality ownership among the employees. The best performers are rewarded with a certificate and a cash voucher.

- **Mentor Award**

The Company has a programme to place newly certified operators under the guidance of an experienced operator for a period of two months. The experienced operators are rewarded for their support and guidance for the newly certified operators.

## EMPLOYEE BENEFITS

The Company complies with the Malaysian statutory requirements to contribute to the Employees' Provident Fund, which was established under the Employees' Provident Fund Act, 1991, by deducting 11% of its employees' salaries and matching this with a contribution of 12%. The Company also makes a monthly contribution of between 1.3% to 1.8% of total payroll or RM34.15 per employee, whichever is lower, to the Social Security Organisation (as established under the Employees' Social Security Act, 1969 of Malaysia) to which employees contribute part of their own salary for work related accidents resulting in injury or death. The rate of contribution to the Social Security Organisation by the Company and the employees is determined under the Employees' Social Security Act 1969.

The Company's premises are well-equipped with facilities for employees' convenience. The Company provides an in-house clinic with full-time industrial nurses, surau facility, a 24-hour canteen, a mini sundry shop operated by Koperasi Pekerja-Pekerja Unisem (M) Berhad, library and hostels with free utilities usage for operators who live outside of Ipoh.

In addition to this, the Company provides various benefits to its executive, non-executive employees and operators, including personal accident insurance for those taking company transport, child delivery subsidy, and medical benefits such as for outpatient and specialist treatment and for hospitalisation.

# Corporate social responsibility report

The employees own and operate a co-operative that runs a sundry shop and offers low interest loans to employees. The Company subsidises the shop by allowing it to use its premises rent-free. All profits of the co-operative are held for the benefit of the employees.

## WORK/LIFE BALANCE

The Company, being a caring employer, organises sports events such as Bowling, Carrom, Chess, Fishing, Futsal, Karaoke, Volleyball and Netball competitions with the aim to motivate and build teamwork amongst the employees.

In order to promote a work/life balance working environment for all employees, the following events took place:

In 2010, the Sports & Recreation Club of the Company (the "Club") organised sports events such as Badminton, Bowling, Carrom, Chess, Dart, Fishing, Futsal, Netball, Towel Decoration, Snooker, Table Tennis and Volleyball competitions. The Club also organised Labu Sayong Decoration and Congkak Competitions to promote teamwork in terms of planning, creativity, innovation and time management. 27 and 32 employees participated in the Labu Sayong Decoration and Congkak Competitions, respectively.

The Club encouraged all employees to participate in the Ipoh Starwalk 2010 held on 5 June 2010 in conjunction with Ipoh City's 22nd Anniversary. 155 employees participated in the Ipoh Starwalk 2010 and their entry fees were subsidised by the Club.

In June 2010, the Koperasi Pekerja-Pekerja Unisem (M) Berhad successfully organised the 7th year Education Excellence Award. 32 children of the members of Koperasi Pekerja-Pekerja Unisem (M) Berhad who achieved excellent results in Malaysian unified examinations were rewarded cash prizes.

## HEALTH & SAFETY

Unisem places great importance on the welfare, health and safety of its employees. As we regard our employees as our most valued asset, it is our policy to promote high safety and health standards in order to provide a safe and healthy working environment for our employees and the public.

We conduct our work and maintain our workplace in a manner that is consistent with the principles and guidelines in our Safety and Health Policy.

It is our policy to:

- Promote a conducive environment for persons at work, which is adapted to their physiological and psychological needs.
- Promote continual improvement on the standards of the safety and health.
- Conform to statutory requirements, codes, guidelines and standard for occupational health and safety and liaise with all responsible authorities concerning future development.
- Inform, instruct and train all employees to help them develop an understanding of the workplace, its hazards, and the need to work within established practices.
- Consult with employees on health and safety hazard, and once identified, on their rectification.
- Advise visitors to the Company's premises of any safety precaution, which are necessary in the areas they are entering and inform them that they will have to comply with these requirements.
- Recognise the Company's obligation to consumers and the public by endeavoring at all times to provide products, which are safe, if properly used for the purpose for which they were made.
- Implement and maintain systems for the management of all major aspects of occupational health and safety, including accident reporting, recording and measurement against objectives.



A dazzling display by staff at Unisem Chengdu plant.



Creating greater healthy living  
– Healthy lifestyle campaign, Ipoh.



Eye care programme – Optimax visit, Ipoh.

This is achieved through a periodic review of safety and health systems by the management in connection with the operation, handling, storage and transportation procedures relating to all employees.

Unisem conducts the following workplace health and safety trainings for its employees:

- Firefighting and emergency response
- Medical First Aid
- Vaccination Training for Nurses
- Evacuation Drill
- Certification as Safety Officer
- Gas leakage emergency response
- Fire & explosion emergency response
- Emergency response for radiation leakage (X Ray)
- Chemical spillage emergency response
- Machine and Equipment Safety
- Basics of Electrical Safety
- How to Prevent Work-Related Injury
- Awareness of Occupational Disease Prevention

The Company has an in-house clinic with full-time industrial nurses to provide medical consultation and treatment for its employees. Talks on safety and health issue and health screening for employees and their family members are also conducted.

In 2010, the Company's in-house clinic organised several programmes on safety and health issues for its employees including:

- Free medical check-up conducted by our in-house clinic to help female employees to detect and prevent cervical cancer at an early stage. 67 employees took the pap smear test.

- Eye care programme conducted by Optic Lily from Gunung Rapat, Ipoh. Free eye consultation, free eye test, free spectacles services and a special discount of up to 70% on normal merchandise were given to the employees. 68 employees attended the eye care programme.
- Dental awareness campaign conducted by Klinik Kesihatan Gunung Rapat. Free dental check-up was provided for 189 employees who attended the campaign.
- Exhibition on healthy lifestyle conducted by BP Lab. This exhibition was to promote and create awareness on healthy living through healthy lifestyle habit, tuberculosis, dengue and HIV. Free medical examination for body mass index and blood pressure measurements were provided for 344 employees who participated in the exhibition.
- Health talk on hypertension conducted by our doctor panel, Dr Ramesh from Clinic Edina, Simpang Pulai, Ipoh. About 70 employees attended the health talk.
- First Aid Training conducted by St John. A total of 81 participants attended.
- Exhibition on Hypertension & Diabetes Mellitus by Klinik Kesihatan Kinta, Batu Gajah. A total of 54 employees participated.
- Safety and Health Talk conducted by MINA Resources. A total of 35 employees attended the talk.

# Corporate social responsibility report

- Health Talk and counseling on family planning by Lembaga Penduduk & Pembangunan Keluarga Negara (LPPKN). A total of 65 employees participated.
- Free eye screening test organised by Optimax Eye Specialist Centre. A total of 365 employees attended.
- Exhibition and Road Safety Talk conducted by Officers from Police Diraja Malaysia (PDRM) and Jabatan Pengangkutan Jalan (JPJ). A total of 150 participants attended.
- Talk on Nutrition and Free Milk Sample conducted by Annum Company. A total of 62 employees attended.
- Ribbon of Life Campaign – Free medical examination for body mass index, blood sugar, blood pressure measurements and fitness test were provided by Pantai Hospital Ipoh. A total of 150 participants attended.

Unisem Chengdu organised an annual occupational health check-up for employees, and an annual check-up for executives.

## II. ENVIRONMENT

Unisem's packaging and test operations are subject to regulatory requirements and potential liabilities arising under laws and regulations of the country where its facilities may be, governing among other things: air quality; emissions; wastewater discharge; waste storage, treatment and disposal; and remediation of releases of hazardous materials.

Unisem has an environmental management system to measure its environmental performance through periodic monitoring on the emission of pollutants. In addition, waste and chemical management system are put in place to ensure that the environment is being protected. We treat most of the pollutants on-site at our wastewater treatment plant and send other waste substances (such as waste oil, spent solvent and metal hydroxide sludge) to government-licensed waste disposal units or specialist contractors. Any hazardous materials stored on-site are stored in the chemical store (which includes a flame-proof room for flammable materials), separate from the

manufacturing plant. The Company is also subject to regular reviews by the Department of Environment on its wastewater discharge and air emissions. The Company believes that it is in compliance with all applicable environmental laws and regulations.

All of Unisem sites are ISO 14001 (Environmental Management Systems) certified. We believe that we have fully complied with the Environmental Management Systems, environmental laws and regulations in the countries where our facilities are located. Annual environmental audits covering, among other things, noise levels, levels of employees' exposure to hazardous substances, air emissions, wastewater discharge quality and radiation are conducted.

### RESOURCE CONSERVATION

We have systems in place to measure, benchmark, monitor and set targets for improvements in energy consumption, water consumption, waste production and other Greenhouse gases.

We have carried out the following programmes to reduce the impact to its surrounding environment:

- Energy savings programme such as
  - the Building Management System to monitor and control plant equipment to ensure its operation at optimum efficiency utilising heat recovery from main compressors and molding area, free cooling from cooling towers rather than the chiller plant and recirculation through all air conditioning plant where and when possible.
  - Changing of lighting program to replace fluorescent lights to LED lighting with double illumination and energy saving lights.
- Water recycling programme to reduce water usage by recycling the water used by production.
- Shipping tubes recycling programme to reduce usage of new shipping tubes.
- Paper recycling programme to reduce the amount of papers used.



Supporting a worthy cause – Charity Anning, Ipoh.



Spending time with the less fortunate – Dinner with Orphan, Batam.



Concern for the environment – Implementing a Green Initiative, Batam.

Unisem conducts awareness campaigns and briefings on energy, water and waste to raise employees' awareness on the need to handle resources responsibly. They include a talk by a Department Of Environment officer and a notice board display at Unisem's plant in Ipoh. Energy efficiency and wastage control continue to be a high priority with key areas of focus such as switching off of lightings, air conditioners and computers at the end of each working day, checking on air leakage and control de-ionised (DI) water consumption.

### PRODUCT ECOLOGY

- Materials

Each of Unisem site has achieved Sony Green Partner third party certification. Unisem is compliant with the European Union Restriction of Hazardous Substances (RoHS) Directive, which sets limitations on the use of six materials (hazardous substances), including lead. We also observe the compliance and disclosure requirements on substances of very high concern (SVHC) as listed in REACH (Registration, Evaluation, Authorisation and Restriction of Chemical Substances – EC 1907/2006).

## III. COMMUNITY

### EDUCATION

Every year, the Company takes on industrial trainees and provide them placement in various functions such as Assembly, Final Test, Quality Assurance, Engineering, Maintenance, Finance, Management Information Systems and Human Resources. In addition to receiving some daily allowance, trainees are provided the opportunity to undergo on-the-job training.

In 2010, the Company took in a total of 199 students from various local polytechnics and universities in Malaysia as trainees, of which 90% are pursuing Electronic and Electrical courses and 10% are from Business/Information Technology.

One of PT Unisem's commitment to contributing to community development is by supporting the education sector. PT Unisem supports local vocational schools by sending our employees as assessors during final examination at these schools. PT Unisem also supports the internship programme conducted by the vocational schools. In 2010, PT Unisem accepted 105 students from 18 vocational schools located in Batam, Riau island province, as well as from Java and Sumatera. The programme is for a period of 3 to 6 months, where students will be assigned some activities under a mentor's supervision.

Unisem Europe supports Work Experience students from local schools, providing hands-on experience on the working environment and the importance in sustaining green and friendly environmental working practices.

# Corporate social responsibility report

## DIRECT EMPLOYEE INVOLVEMENT

Unisem's employees get involved in the local community. We organise visits to orphanages and homes for the elderly in conjunction with the local festive celebration. Typically, a half-day is spent at the homes and the Company's employees entertain, socialise and present gifts to the residents of the homes.

On 29 September 2010, the Company's Sports & Recreation Club of the Company (the "Club") organised a visit to the Hawa Kinta Orphanage.

On 2 September 2010, during the fasting month, PT Unisem in collaboration with the PT Unisem Moslem Brotherhood conduct a charity event named "BUKA PUASA PERSAMA ANAK YATIM" (break fasting with the orphans) where 100 orphans from 4 orphanages were invited. More than 100 PT Unisem employees were involved in this event.

Unisem Europe supports local charities through third party organised events, and help raise money for such events.

As part of Unisem's environmental programme, PT Unisem started "The Green Initiative" programme to help protect the environment and promote environmental awareness in our community. In 2010, the Green Initiative Programme included a tree planting activity at a local community school. The committee selected a newly constructed junior high school located about 5 km from our factory, as not a single tree was planted on the school grounds. The plan and initiative was well received by the school management. The actual tree planting event began in December 2010 and was completed this past January.

## DONATION POLICY

To meet its social responsibilities to the community in a fair and consistent manner, the Company has certain donation programmes aimed at supporting organisations and institutions involved in health and welfare, education, culture, recreation and civic activities designed to enhance quality of life. These donation programmes will be reviewed annually to ensure that distribution of corporate contributions continues to effectively address the community's changing needs.

Our objectives are three-fold:

1. Be recognised as a responsible corporate citizen that reinvests in the society and communities it operates in;
2. Promote recognition and awareness of the less fortunate in the community; and
3. Support programmes that promote the well being of the community in general and of our employees living in the community.

Requests for donations are considered from national organisations and institutions, and from those operating locally in Perak where the plant is situated. The corporate office in Kuala Lumpur will handle all donations, national and local.

Community organisations or activities in which our employees are involved will be given special consideration. In addition, projects that support our business objectives and/or enhance our visibility in the community are given particular attention.

In May and September 2010, the Company organised blood donation campaigns in its premises. A total of 270 employees participated in the campaigns. The objective of this campaign is to impart a sense of responsibility among employees by saving lives through blood donation.

In November 2010, PT Unisem organised a blood donation campaign. More than 60 employees participated in this activity. The objective of this event is to support the Indonesian Red Cross (IRC) organisation to meet the demand arising from increasing road accidents in the area.

In 2010, the Company made donations to the following organisations:

- Anak-Anak Yatim Hawa Kinta, Buntong, Ipoh
- Anak-Anak Yatim Darul Salam, Simpang Pulai, Ipoh
- Anak-Anak Yatim dan Miskin Anning, Jalan Gopeng, Ipoh
- Rumah Orang Tua Anning, Ampang, Ipoh
- Sumbangan lawatan sambil belajar jalinan ilmu dan jalinan seni ke daerah Minangkabau, Sumatera Barat, Indonesia.