Unisem (M) Berhad (183314-V)

ANNUAL REPORT

2013

unisem 2.0

To better compete in the ever changing operating environment, we must be lean and adaptable. We must be prepared to take on new challenges and do old things in new ways. It is timely that we are transitioning to Unisem 2.0 and charting a new direction for Unisem. To stay the same is not an option.

Under **UNISEM 2.0** our strategic objectives are to be a competitive leading semiconductor packaging and test services provider. To achieve these objectives our core strategies are to focus on the followings:

STAY

COMPETITIVE

To achieve **operational excellence:**
Lean Manufacturing and Quality Ownership

FOCUSED

To achieve **growth target:**
Strategic Customers and Right Products & Technologies

COMMITTED

To achieve **organisation teamwork:**
Empowerment and Learning Culture

Supplier of the Year Award
for Outstanding Performance
from Power Integrations, Inc.

Best Supplier Award
for Subcontract Manufacturing
from Skyworks Solutions, Inc.

Best Assembly &
Test Supplier Award
from Spectra7 Microsystems Inc.

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COMPANY PROFILE

Unisem (M) Berhad ("Unisem") is a leading semiconductor assembly and test services provider in Malaysia. With approximately 6,900 employees worldwide, Unisem has 3 semiconductor packaging and testing facilities located in Ipoh, Perak, Malaysia, Chengdu, People's Republic of China, and Batam, Indonesia; a test facility in Sunnyvale, United States of America and a wafer bumping facility in Ipoh, Perak, Malaysia.

Unisem group offers an integrated suite of assembly and test services such as wafer bumping, wafer probing, wafer grinding, a wide range of leadframe and substrate integrated circuits packaging, wafer level CSP (chipscale packaging), flipchip and radio frequency, analog, digital and mixed-signal testing services. Our turnkey services include design, assembly, test, failure analysis, electrical and thermal characterization, warehousing and drop-ship services.

Unisem group has a customer base comprising primarily fabless companies (55%) and integrated device manufacturers (45%). About 63.7% of Unisem group's sales are to customers in North America, 18.5% to Europe and 17.8% to Asia.

UNISEM (M) BERHAD
IPOH, MALAYSIA

- commenced operations in 1992.
- 3,300 employees.
- Total built-up area 570,000 square feet.
- Provide full turnkey solutions; packaging capability includes all types of leadframe based packages, leadless packages, modules, wafer level CSP and flip chip.
- Fully certified with ISO 9001:2008, ISO 14001:2004 and ISO/TS 16949:2009.

UNISEM ADVANCED TECHNOLOGIES SDN BHD
IPOH, MALAYSIA

- Commenced operations in year 2006.
- 200 employees.
- Total built-up area of 22,000 square feet.
- Offers a wide range of bumping services for wafer sizes of 100, 150 and 200 mm diameter. Services include gold bumps, copper pillar bumps and solder bumps as well as pad redistribution and re-passivation.
- Fully certified with various Quality and Environmental Standards such as ISO 9001:2008, ISO/TS 16949:2009 and ISO 14001:2004.

UNISEM GROUP

PT. UNISEM
BATAM, INDONESIA

- commenced operations in 1991.
- 1,550 employees.
- total built-up area of 345,000 square feet.
- Provide full turnkey solutions; IC packaging capability includes all types of leadframe and laminate based packages, leadless packages and modules.
- Center of excellence for automotive IC's.
- Fully certified with ISO 9001:2008, ISO 14001:2004 and ISO/TS 16949:2009.

UNISEM TEST (SUNNYVALE), INC.
SUNNYVALE, CALIFORNIA, USA

- Commenced Operations in 2003.
- 51 employees.
- Total built-up area of 22,000 square feet.
- Offers a full range of Final Test, Wafer Sort, Test Development, Test Engineering Debug and Characterization Support, Test Back End, and other Test Related Services.
- Automotive and High End Mixed Signal and Digital Platform.
- Certified with ISO 9001:2008 Quality Standards.

UNISEM CHENGDU CO., LTD.
CHENGDU, PR CHINA

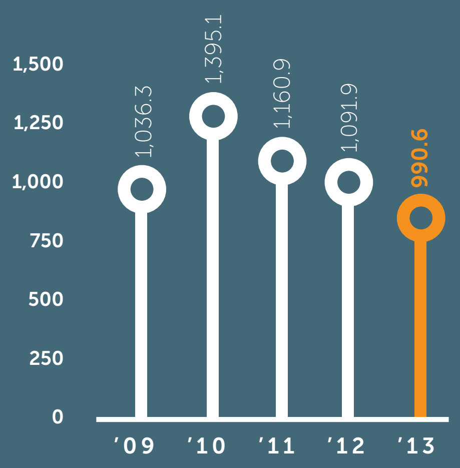
- commenced operations in 2006.
- 1,800 employees.
- total built-up area of about 620,000.
- Provide full turnkey solutions; packaging capability includes a wide range of advanced leadframe and substrate packages, leadless packages, modules, wafer level CSP and flip chip.
- Fully certified with ISO 9001:2008, ISO 14001:2004 and ISO/TS 16949:2009.

FIVE-YEAR FINANCIAL HIGHLIGHTS

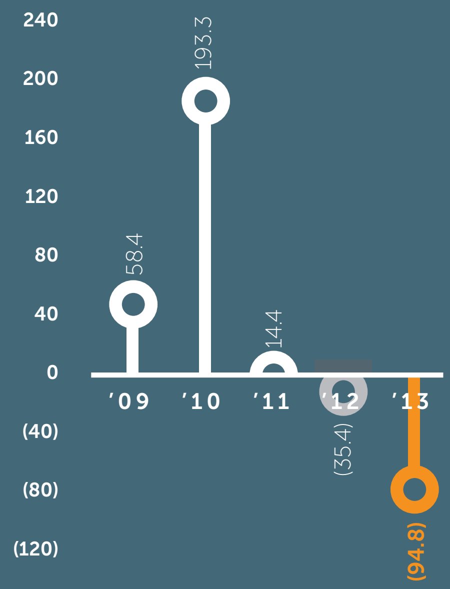
	2009 RM'000	2010 (Restated)# RM'000	2011 (Restated)# RM'000	2012 RM'000	2013 RM'000
Highlights from Consolidated Statements of Profit or Loss for the year ended 31 December					
Revenue	1,036,309	1,395,078	1,160,863	1,091,948	990,554
Profit /(Loss) before taxation	58,377	193,289	14,381	(35,432)	(94,791)
Profit /(Loss) after taxation	60,745	182,958	19,707	(33,292)	(109,289)
Highlights from Consolidated Statements of Financial Position As of 31 December					
Property, plant and equipment	1,118,215	1,244,727	1,331,997	1,272,707	1,193,942
Current Assets	378,469	478,733	407,348	393,991	346,168
Non-Current Assets	123,134	112,290	112,276	111,482	32,705
Total Assets	**1,619,818**	**1,835,750**	**1,851,621**	**1,778,180**	**1,572,815**
Current Liabilities	501,116	517,775	506,011	471,930	419,687
Deferred Tax Liabilities	4,130	5,115	0	0	0
Other Non-Current Liabilities	153,012	240,943	242,416	266,775	184,990
Total Liabilities	**658,258**	**763,833**	**748,427**	**738,705**	**604,677**
Share Capital	259,293	337,081	337,081	337,115	337,115
Reserves	690,735	722,215	753,609	690,832	623,407
Non-controlling interests	11,532	12,621	12,504	11,528	7,616
Shareholders' Equity	**961,560**	**1,071,917**	**1,103,194**	**1,039,475**	**968,138**
Key Financial Ratios					
Net earnings/(loss) per share - Basic (sen)	9.17*	26.99	2.94	(4.79)	(15.63)
Net dividend per share (sen)	2.50	8.00	2.00	2.00	2.00
Debt / Equity ratio	0.42	0.42	0.48	0.50	0.45
Net assets per share (RM)	1.41*	1.57	1.62	1.52	1.42

* *Adjusted for the bonus issue for the purposes of comparison.*
\# *Restated after adoption of Amendments to MFRS 119 which resulted in a change in accounting policy.*

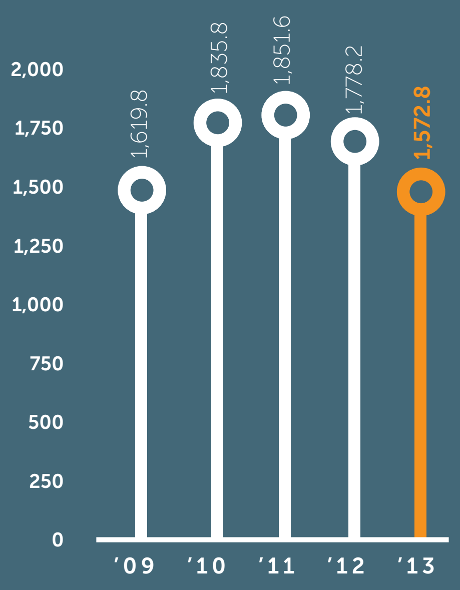
REVENUE
(RM'million)



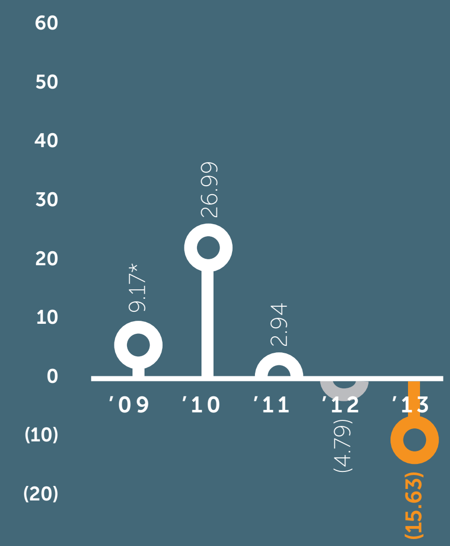
PROFIT/(LOSS) BEFORE TAXATION
(RM'million)



TOTAL ASSETS
(RM'million)



NET EARNINGS/(LOSS) PER SHARE
(Sen)



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors I wish to present the 25th Annual Report and the Audited Consolidated Financial Statements of Unisem (M) Berhad and its subsidiaries for the financial year ended 31 December 2013.

JOHN CHIA SIN TET
Chairman

The year 2013 was challenging for Unisem. The sluggish global economic environment caused by protracted weaknesses in Europe, Japan and U.S., and a slowdown in the Chinese economy continued to impact the semiconductor industry as consumer sentiment remain lackluster.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2013, the Group recorded revenue of RM990.6 million, a decrease of 9.3% from the revenue of RM1.1 billion in 2012. Net loss for the financial year widened to RM109.3 million, compared to net loss of RM33.3 million in 2012.

The decrease in revenue was primarily attributable to lower sales volume and decrease in average selling prices due to the changes in product mix as compared to 2012. The higher net loss in 2013 was mainly due to recognition of impairment losses on goodwill and assets, and retrenchment costs in PT Unisem and Unisem Europe.

Despite lower revenue, the Group attained EBITDA of RM169.9 million, an increase of 13.6%, EBITDA margin improved to about 17% (from 14% a year ago) for the financial year under review.

CHAIRMAN'S STATEMENT (cont'd)

The financial position of the Group remains healthy. Net cash generated from the operations during the year amounted to RM212.0 million. Capital expenditure of approximately RM62.8 million was incurred for the Group during the year mainly to enhance our bumping, packaging and test capabilities and processes.

SIGNIFICANT EVENTS

In September 2013, Unisem (Europe) Ltd ("Unisem Europe") announced the proposed discontinuation of its operations with effect from December 2013. Since 2010, Unisem Europe has seen a significant reduction in the volume of customer orders and sales revenues. Despite the various cost cutting measures and a reduction of staff in November 2012, the situation did not improve. Unisem Europe ceased production on 20 December 2013.

In October 2013, PT Unisem launched a Voluntary Separation Scheme (VSS) as part of the Group's rationalisation and consolidation exercise. This exercise aims to improve the ratio and structure of the costs of labour. We believe this exercise would improve the viability of PT Unisem going forward.

OUTLOOK AND PROSPECTS

The expected industry trends for 2014 include stabilisation in the PC market, continued strong adoption of tablets and smartphones and the emergence of the new category of wearable devices. Internet of Things and sensors of all kinds will further drive markets and new applications. The strength in these markets and continued innovation within these segments should lead to strengthening demand for semiconductors through the year.

At Unisem, we believe the operating environment is improving in tandem with the recovery of global economy. We will continue with our efforts to contain costs and re-align our business model to focus on the newer technologies, packages and service portfolios and we expect these to contribute and improve the performance of the Group in financial year 2014.

DIVIDENDS

I am pleased to report that the Board of Directors is recommending a final dividend of 4% or 2 sen per RM0.50 share tax-exempt of approximately RM13.48 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.

We wish to inform shareholders that Y. Bhg. Prof Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba will not be offering himself for re-appointment and wishes to retire at the conclusion of the coming AGM. On behalf of the board I wish to thank Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan for his many years of service and contribution to the Board.

We would like to welcome Y. Bhg. Dato' Gregory Wong Guang Seng and Mr Alexander Chia Jhet-Wern to the Board.

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Year ended 31 December 2013 compared to Year ended 31 December 2012

Revenue

The Group recorded revenue of RM990.6 million in 2013, a 9.3% decline from RM1.092 billion achieved in 2012. The decrease in revenue was mainly due to lower sales volume arising from the products rationalization and decrease in average selling prices due to the changes in product mix.

Loss Before Taxation

The Group incurred loss before tax of RM94.8 million in 2013 as compared to the loss before taxation of RM35.4 million in 2012. Despite lower revenue, gross profit margin improved to 6.4% from 5.7%. Other factors attributable to the higher loss before taxation for the current financial year are as follows:

Impairment loss on goodwill
The impairment loss on goodwill amounting to RM66.8 million in the current financial year arises mainly from the shortfall in recoverable amount when compared to the carrying amount on investment in relation to the operations of one of its foreign subsidiaries.

Impairment losses on assets
The impairment losses on assets amounting to RM13.6 million in relation to the write-down of the residual value of the unused plant and machineries in Unisem Ipoh and PT Unisem as well as assets in Unisem (Europe) Limited as a result of cessation of business operations.

Retrenchment Costs
The retrenchment costs (net of reversal of defined benefit plan expense) of RM10.8 million for the severance payments arising from the Voluntary Separation Scheme (VSS) launched at PT Unisem and the redundancy payments following the closure of Unisem (Europe) Limited operations.

Taxation

The Group incurred tax liability of RM14.5 million as compared to the tax income of RM2.1 million in 2012. This was mainly due to reversal of deferred tax assets arising from tax losses carried forward of RM12.0 million recognised in prior years.

CASH FLOW ACTIVITIES

Year ended 31 December 2013 compared to Year ended 31 December 2012

Net cash from operating activities

Cash flows from operating activities improved by 24% from RM171.1 million in 2012 to RM212.0 million in 2013. This was primarily due to reduced raw material purchases which is generally in line with the decrease in revenue and change in product mix.

Net cash used in investing activities

Cash flows used in investing activities decreased from RM117.8 million in 2012 to RM57.9 million in 2013. This was mainly due to lower payments for capital expenditure amounting to RM62.8 million as compared to RM121.8 million in 2012.

Net cash used in financing activities

Cash used in financing activities increased by RM92.8 million from RM43.4 million in 2012. This was mainly due to lower drawdown of term loan and revolving credit/foreign currency trust receipts facilities at RM10.2 million and RM17.6 million respectively against RM111.2 million and RM36.2 million in 2012. The repayment of term loans for 2013 decreased to RM122.3 million as compared to RM150.9 million in 2012.

OPERATIONAL AND FINANCIAL RISKS

The Group's operational and financial risks have been highlighted in Note 29 under the Notes to the financial statements.

CORPORATE SOCIAL RESPONSIBILITY REPORT

CORPORATE PRODUCTS AND SERVICES PROFILE

Unisem offers a broad range of leaded, leadless and array packages with various pin counts, modules (SiP) and Wafer-Level Chip-Scale Package (WLCSP), a cost effective 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 customized packing services and 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 solution from 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 passion for innovation and quality.

OUR CORE VALUES

Our core values are:

Teamwork

- We value our differences and synergize to fulfill company 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 think win-win.
- 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 make promises and keep it.
- We take initiatives 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, ideological debate.
- We treat each other with respect and dignity.

Pro Active

- We encourage creativity and innovation in our work.
- We promote a learning culture so we can 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.

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 resources adds our greatest asset.
- We reward our people fairly.
- We practise 7 Habits daily.

Our Corporate Social Responsibility (CSR) Policy

Unisem seeks to be a good corporate citizen in all aspects of its operations and activities. We recognize that our operations may impact upon the communities and the environment in which we operate. We therefore are committed to our corporate social responsibilities across the Group to ensure we address and monitor aspects of CSR that are relevant to our business. These include good ethical behavior, concern for employee development, health and safety, care for the environment and community involvement.

It is our Group policy to ensure:

a) our employees conduct business in a socially responsible and ethical manner, which includes commitment to fair business practice, transparent business practice, honest business practice, respecting the confidentiality entrusted to the Group; and obeying the rules of law.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

b) commitment to creating a working culture that respects, celebrates and harnesses differences to the benefit of customers, employees, shareholders, business partners and the wider communities within which we operate.

c) access to employment, training and promotion is free from discrimination or harassment.

d) our employees are encouraged and supported to report in confidence, any suspected wrongdoings (whistle blowing).

e) our employees are provided with ample learning and development opportunities to fulfill their potential in a safe and healthy environment.

f) our employees are rewarded and recognized for their contribution to the success of Unisem.

g) support to charity and community initiatives which are relevant to our business, employees, customers and stakeholders.

h) commitment to our Environmental Policy and compliance to all applicable environmental legislation in all jurisdictions in which we operate and to adopt responsible environmental practices.

i) we engage with suppliers whose CSR's policies are in line with Unisem's CSR Policy as stated above.

j) we continuously improve our CSR policy and practices by identifying opportunities through various channels.

The management will conduct periodic review of this policy and monitor our CSR programs and activities to ensure the compliance to this policy.

EMPLOYEE DEVELOPMENT

The Company runs a comprehensive continual training program for all its employees who are given on average about 12 hours of training per employee in 2013. This training takes the form of 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. Other training such as fire fighting, first aid, evacuation drill and code of ethics are also provided to all employees.

Unisem Chengdu's employees were given 34 hours per person of training in 2013. The training courses include orientation, job function, EHS, quality assurance, and other soft-skills programmes.

EMPLOYEE RECOGNITION

We recognize outstanding team and individual accomplishment 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 improvement. This scheme is opened to the Company's non-executive employees from production, maintenance and quality assurance to invite improvement ideas on job functions and to ensure continuous improvement in these areas. Participants will be rewarded with certificate and cash voucher.

Annual Appreciation Award

We encourage our employees to participate in committee and functions above and beyond their normal role and duty. The Annual Appreciation Award acknowledges and appreciates employees who volunteered in the following areas:

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

Long Service Award

We celebrate and award our employees who attain their career milestone every five-year with the Long Service Award. In March 2013, the Company rewarded a total of 411 employees who have completed 5, 10, 15 and 20 years of service with the Company.

Technical Excellence Competition

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

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Poka-Yoke Contest

We encourage our employees from all levels to participate in the Poka-Yoke Contest which will be carried out every quarter. Poka-Yoke is 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 and strive to eliminate mistakes in the processes by using Poka-Yoke methods.

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 will receive a reward and certificate.

Best Performers Award

Every quarter the Company rewards the operators who perform well. This is to develop a workforce that is sensitive to quality and sense of quality ownership among the employees. The best performers will be rewarded with certificate and 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 to the newly certified operators.

RECRUITMENT PRACTICE

We are committed to uphold the human rights of workers and to treat them with dignity and respect as understood by the international community. The use of forced, bonded or indentured labour; involuntary prison labour; slavery or trafficking of persons; child labour are prohibited at all times.

Out of the 3,300 employees in the Company, as at December 2013 70% are female employees and 30% are male; 65% are local and 35% are foreign workers. All the local and foreign employees are hired directly by the Company. The local employees are not required to pay any fee in order to obtain employment in the Company. The foreign workers are required to pay certain fees in their home country to obtain employment in the Company, any amount of the fees paid in excess of the worker's anticipated one month net wages is borne by the Company.



EMPLOYEE BENEFITS

The Company complies with the Malaysian statutory requirements on minimum wages effective from January 2013. The Company contributes 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 13 or 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 of 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 complies with the requirements on the provision of Wages and Benefits under the EICC Code of Conduct and Apple Code of Conduct.

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 charges for operators who live outside of Ipoh.

Unisem Chengdu provides a 24-hour canteen, a library, one month free dormitory for new employees if required.

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.

The employees own and operate a co-operative which among other things, 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.

Unisem Chengdu provides various benefits to its employees, including birthday gifts, marriage gifts, and employee's child birth gifts. On international women's day, all female employees will receive gifts and on mid-autumn festival all employees will get gifts. Supplementary commercial medical/accidental insurance is also provided to all employees.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

WHISTLEBLOWER PROTECTION AND ANONYMOUS COMPLAINTS

The Group has communicated and set up procedures and anonymous complaint mechanisms such as help line for employees, suppliers and customers to report inappropriate ethical behaviours and workplace grievances. In addition, there shall be no retaliation to all whistle blowers' in good faith and their identity shall not be disclosed to maintain confidentiality.

SPORTS AND RECREATION CLUB

With the vision of being an Employer of Choice the Company has various sports and recreation activities to build a harmonious relationship amongst the employees, local community and NGO's in Simpang Pulai.

The Sports & Recreation Club of the Company (the "Club") organized a total of 14 events in the 2013 and with an increased number of overall participation of employees from previous year. These activities include Carom Competition, Congkak Competition, Karaoke Competition, Dart Competition, Fishing Competition, Netball Competition, Tug Of War, Ipoh Starwalk, Dam Haji Competition, Weekly Aerobics Class, Futsal Tournament, Unisem/PDRM Football friendly Match and Badminton Tournament.

Our Sports & Recreation Club with the collaboration with various employees sub-committees also organized & participated on various Corporate and Social Responsibility activities such as Thaipusam Charity (Kuil Arulmiga Sri Siva Subramanian, Kg Kepayang), Celebrated Chinese New Year at the Persatuan Kebajikan OKU (Pasir Putih), participated in the National Stroke Association of Malaysia Food and Fun Fair, Majlis Yassin dan Doa Selamat, Fasting Month Kurma Donation (Sekolah Menengah Simpang Pulai), Symphony Suite Hotel Charity Iftar with the Ipoh Mayor, Donated to Ministry of Works for the Construction of Traffic Light at Bandar Pulai Jaya Junction, Majlis Peringatan Kemerdekaan Indonesia, Majlis Sambutan Hari Raya APPU and Welfare and Charity for Deepavalli.

In 2013, the Human Resource Department of Unisem Chengdu organized various activities, such as:

- Spring outing to the outskirt of Chengdu
- Annual Dinner where all the entertainment programmes were performed by the employees
- Photography contest, tug-of-war, and various games organized by the basketball, football, badminton associations
- Participated in the recreational sports meets organized by Chengdu Hi-Tech Zone.

In 2013 The Basketball, Football, Badminton Associations of Unisem Chengdu organized a total of 50 events and more than 1600 employees from various departments participated in the games or competitions.

PT Unisem conducted internal sport tournaments such as futsal tournament and badminton tournament. Employees from all level participated in these tournaments.

PT Unisem also actively participated in various sport community events such as Batamindo Annual Games and internal sport activities.

HEALTH & SAFETY

Unisem places great importance on the welfare, health and safety of its employees. We regard our employees as our most valued assets and 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 consistent with the principles and guidelines in the 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 requirement, 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 saety 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.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

- 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.

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

The Company has an in-house 24 hours Clinic with full-time industrial nurses and Panel of Doctors visitation 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.

The Company's in-house clinic organized total of 18 programs and total of 2772 employees participated on Safety and Health Talk during 2013. Below are the highlights:

- Bone Scanning and Hair Scanning conducted by Bio-Life and (329 participants).

- Antenatal Talk on Nutrition in Pregnancy & its Myth by Miss Christine Ooi, Nutritionist from Annum (84 participants).

- Blood donation campaign in collaboration with Ipoh General Hospital (291 participants).

- Annual First Aid Training conducted by St. John Ambulance was organized to our employees for the purpose of preserving life and promoting recovery (144 participants).

- Free Cereal Samples for Infant and Milk Powder for Pregnant Mums (248 participants).

- Free Eye Fundus Screening (412 participants).

- Blood Test for SOCSO Health Screening Program (108 participants).

- Health Talk on Cancer (148 participants).

- Health Talk on Ergonomic (99 participants).

- Health Talk on Gastric Ulcer, Stomach Cancer (101 participants).

- Health Talk on The Problem with Being Short on Sight (122 participants).

- Healthy Life Campaign From BP PANTAI and MEDIVANCE (308 participants).

- Dental Awareness Campaign by Lee Dental Surgery (65 participants).

- Pap Smear Campaign (72 participants).

- Road Safety & Safe Driving Campaign by Perkeso & JKJR (125 participants).

- Weight Loss Challenge Program (116 participants).

- Health Product Promotion Week by Hovid Pharmacy Ipoh.

- Exhibition on Dengue Fever.

In 2013 Unisem Chengdu organized the following activities on health and safety:

- Annual medical check for executives and above and 414 employees participated.

- 11 training sessions were held on safety and overall 215 employees from various departments participated in courses such as Chemical safety precaution, X-ray safety, and Electrical safety precaution.

- 78 employees took part in the health talk by doctor of Ai Kang Guo Bin.

- 35 employees took part in the lecture on insurance knowledge provide by AVIVA-COFCO.

- In Dec 2013, we work with local fire department and held a fire drill, all employees took part in.

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 are being protected. We treat most of the pollutants on-site with 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 review by the Department of Environment of its wastewater discharge and air emissions. The Company believes that it is in compliance with all applicable environmental laws and regulations.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

All of Unisem sites are ISO 14001 certified. 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 to reduce electricity usage.
- 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.

Product Ecology

- **Responsible Sourcing of Minerals**

  Each of Unisem sites has achieved the third party certification to the Sony Green Partner certification. Unisem is compliant to the European Union Restriction of Hazardous Substances (RoHS) Directive, which sets limitations on the use of six materials (hazardous substances), including lead.

  In support of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Unisem exercise due diligence on its entire supply chain with respect to the sourcing of all tin, tantalum, tungsten, and gold contained in its products, to determine whether those metals are from the Democratic Republic of the Congo ("DRC") or any adjoining country and, if so, to determine whether those metals directly or indirectly financed or benefited armed groups that are perpetrators of serious human rights abuses in the DRC or an adjoining country.



III. COMMUNITY

Internship

Annually, the company trained industrial trainees from various universities and polytechnic institutions and provide them placement in various functions such as Assembly, Final Test, Quality Assurance, Engineering, Maintenance, Finance, Management Information Systems and Human Resources.

In 2013, the Company has taken in a total of 170 students from various local polytechnics and universities in Malaysia as trainees, of which 130 are pursuing Engineering Studies and 40 are from Non-Engineering.

In 2013, Unisem Chengdu has taken in 2 students as trainees, one is from local university and the other is from university in China.

In 2013 PT Unisem provided the following support to Batam Polytechnic for the establishment of a semiconductor teaching factory:

1. Appointed PT Unisem staff as members of a Small Group Discussion team during development of a mini semiconductor factory.
2. Provide feedback and suggestion for the curriculum development.
3. Donated un-used equipment such as Wire Bonder for the teaching factory.

PT Unisem, supports local vocational schools by sending our employees as assessor during final examination at these schools. PT Unisem also supports the internship program conducted by the vocational schools. In 2013, PT Unisem sends engineers to be assessor at vocational school. 65 students were assessed.

In 2013, PT Unisem accepted 125 students from 25 vocational schools, polytechnics and university located in Batam, Riau island province, as well as from Java and Sumatera. Those students are from various courses such as mechanical engineering, electronic, electrical, Information Technologies and administration. The program is for a period of 3 to 6 months, where students will be assigned to handle some activities under mentor's supervision.

Direct Employee Involvement

The Company's employees get involved in the local community. We organise visits to orphanages and homes for the elderly in conjunction of 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.

Our Sports & Recreation Club also organized charity drinks booth on Thaipusam celebration, Perak, and a United Nation Children Education Fund (UNICEF) Awareness Campaign at Unisem Ipoh.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

We also work together with local enforcement such as Police Officers from Polis Diraja Malaysia ("PDRM") and local fire department from Jabatan Bomba Simpang Pulai. Such as providing Fire Drills and Police surveillance near the Company and hostel area.

In June 2013 during the fasting month, PT Unisem in collaboration with the Moslem Brotherhood (MTA) broke fast with and presented gifts to about 80 orphans aged between 4 to 17 years old from 2 orphanages. More than 100 PT Unisem employees participated in this event.

In September 2013, moslem employees of PT Unisem together with management had a big family event, "Halal bi halal", a tradition of moslem in Indonesia after celebrating hari raya puasa (Iedul Fitri).

In October 2013, PT Unisem employees conducted social event in conjunction with the "Hari Raya Qurban" or hari raya haji in Pulau Lance, about 15 minutes by boat from Batam Island.

In December 2013, Christian employees of PT Unisem visited an orphanage at Tanjung Piayu Batam. Prior to this event, there was a family gathering to celebrate Christmas. Hundreds of families participated in this event.

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 February and October 2013, the Company organized a blood donation campaign at its premises. A total of 291 employees participated in the campaign. The objective of this campaign is to impart a sense of responsibility among employees by saving life through blood donation.

Blood donor campaign is a regular social activity of PT Unisem employees. More than 70 employees participated in this activity. The objective of this event is to support the Indonesian Red Cross (IRC) organization to meet the demand arising from road accidents and or the patients that require blood donation. This event was conducted at our dormitory.

In May 2013, Unisem Chengdu organized a donation for the Ya An earthquake.

In 2013, the Company made donations to the following organisations:

- Malaysian Association for the Blind
- Pusat Harian Kanak Kanak Spastik Ipoh
- Montfort Youth Training Centre
- Old Paulians Association
- Rumah Amal Cheshire
- National Stroke Association of Malaysia, Perak
- SMK Simpang Pulai, Ipoh

BOARD OF DIRECTORS

JOHN CHIA SIN TET
Chairman/Group Managing Director

LEE HOONG LEONG
Executive Director, Group Chief Operation Officer

FRANCIS CHIA MONG TET
Executive Director, Group Finance

ALEXANDER CHIA JHET-WERN
Executive Director

MARTIN GILES MANEN
Independent Director

PROF. TAN SRI DATO' DR. MOHD. RASHDAN BIN HAJI BABA
Independent Director

TAN SRI DATO' WONG SEE WAH
Independent Director

DATO' GREGORY WONG GUANG SENG
Independent Director

YEN WOON @ LOW SAU CHEE
Non-Executive Director

SUNDRA MOORTHI S/O V.M. KRISHNASAMY
Non-Executive Director

ANG CHYE HOCK
Non-Executive Director

PROFILE OF DIRECTORS

JOHN CHIA SIN TET

Chairman/Group Managing Director,
Malaysian

Mr John Chia Sin Tet, aged 64, 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.

LEE HOONG LEONG

Executive Director,
Malaysian

Mr Lee Hoong Leong, aged 56, is the Executive Director - Group Chief Operating Officer of the Company. He was appointed to the Board of the Company on 9 August 2012 as an Executive Director. He graduated from University of Singapore in 1980 with a Bachelor of Mechanical Engineering. He is also a member of the Executive Committee and Remuneration Committee.

Mr Lee brings with him more than 30 years of experience in the semiconductor packaging and test business. Prior to joining Unisem, Mr Lee was the President of UTAC, responsible for advanced wafer level interconnects between 2011 to 2012. Between 2001 to 2011 he was the President of UTAC Singapore, President of UTAC Shanghai, Vice President of UTAC Operations and Vice President, Quality and Research & Development. From 1996 to 2001, Mr. Lee held management positions in quality, information technology, planning and facility in STATS Singapore before he was promoted as Vice President, Leadframe Products.

Mr Lee Hoong Leong began his career with Texas Instruments, Singapore in 1980 as a automation engineer. He held various managerial and engineering positions between 1980 to 1986. Mr Lee subsequently left Texas Instruments in 1986 and joined National Semiconductor Singapore ("NatSemi") where he held various managerial positions before he left as operations manager wide area networks in 1996.

FRANCIS CHIA MONG TET
Executive Director,
Malaysian

Mr Francis Chia Mong Tet, aged 62, 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.

ALEXANDER CHIA JHET-WERN
Executive Director,
Malaysian

Mr Alexander Chia Jhet Wern, aged 33, was appointed to the Board of the Company as Executive Director on 26 February 2014.

Mr Chia joined the Company in 2004 and held the position of Vice President, Deputy COO, prior to his appointment to the board in 2014. He sits on the board of several private limited companies.

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

PROFILE OF DIRECTORS (cont'd)

MARTIN GILES MANEN
Independent Director,
Malaysian

Mr Martin Giles Manen, aged 59, 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, Nomination Committee and a member of the Remuneration 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. He served as a Director of Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) from 2009 to 2012.

Mr Manen is currently an Independent and Non-Executive Director of Guinness Anchor Berhad since August 2008. He is also a Director of Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) since 2012. He also sits on the board of several private limited companies.

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 78, was appointed to the Board of the Company on 26 March 1998 as an Independent Director.

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 honourary Doctor of Science (DSc) from the University of Reading, United Kingdom and an honourary 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 a 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 68, 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 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 Independent and Non-Executive 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.

DATO' GREGORY WONG GUANG SENG
Independent Director,
Malaysian

Y. Bhg. Dato' Gregory Wong Guang Seng, aged 62, was appointed to the Board of the Company on 26 February 2014 as an Independent Director. Y. Bhg. Dato' Gregory Wong is a Fellow of the Institute of Chartered Accountants (England & Wales) as well as a Chartered Management Accountant (UK). He is also a member of Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA) and a Associate Member of Tax Institute Malaysia (ATII). Y. Bhg. Dato' Gregory Wong holds a Masters Degree in Business Administration (MBA) from the Cranfield Institute of Technology (UK). He is also a member of Audit Committee.

Y. Bhg. Dato' Gregory Wong has served Deloitte for over 40 years, where he held various positions including Senior Partner, Head of Clients and Markets as well as Exco Member of Deloitte Malaysia. He retired from Deloitte in 2013 and is currently an Executive Director of AG Legal Tax Services Sdn. Bhd. Y. Bhg. Dato' Gregory Wong also sits on the board of several private companies.

PROFILE OF DIRECTORS (cont'd)

YEN WOON @ LOW SAU CHEE
Non-Executive Director,
Malaysian

Mr Yen Woon @ Low Sau Chee, aged 66, 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.

SUNDRA MOORTHI S/O V.M. KRISHNASAMY
Non-Executive Director,
Malaysian

Mr Sundra Moorthi s/o V.M. Krishnasamy, aged 70, 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 Nomination 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.

ANG CHYE HOCK
Non-Executive Director,
Singaporean

Mr Ang Chye Hock, aged 64, was appointed to the Board of the Company on 28 November 2002. He graduated from Salford University, England in 1972 with a Bachelor of Science in Electronics (Honours). He is also a member of the Executive Committee and Remuneration Committee.

Mr Ang brings with him more than 28 years of experience in the semiconductor industry. He began his career with Motorola Malaysia in 1973 and was responsible for starting up their new factory in Seremban. He left for Singapore in 1984 and during the 16 years period there, he held various senior managerial positions in the disk drive related industry as well as software retail industry.

He joined Unisem as Chief Operating Officer and President in 2001. He then held the positions of Group Chief Operating Officer from 2008 to 2102, Executive Director - Business Development for 2013. Mr Ang retired from his executive function in December 2013.

Save as disclosed in Note 19 under Notes to the Financial Statements none of the Directors has any conflict of interest with the Company. None of the Directors has been convicted of any offence other than a traffic offence within the last ten years.

PROFILE OF SECRETARIES

CHUA HENG FATT
Company Secretary,
Malaysian

Mr Chua Heng Fatt, aged 64, was appointed to the Board of the Company on 19 June 1989.

He is a member of the Malaysian Association of Company Secretaries (MACS). Mr Chua started his career with a secretarial firm in 1984. He has 30 years experience in company secretarial work.

CHIN HOCK YEE
Company Secretary,
Malaysian

Ms Chin Hock Yee, aged 48, was appointed to the Board of the Company on 25 July 2005. She is also the Senior Corporate Affairs Manager of the Company.

Ms Chin is a Licensed Company Secretary by the Suruhanjaya Syarikat Malaysia (or the Companies Commission of Malaysia). She holds a Masters of Business Administration (MBA) in accounting from Simon Fraser University, British Columbia, Canada and a Bachelor of Business Administration degree from Soochow University, Taipei, Taiwan.

Ms Chin joined the Company in 1999 as Corporate Affairs Manager and is responsible for company secretarial matters of the Group, investor relations and general corporate affairs of the Company. Prior to joining the Company in 1999, Ms Chin was with Malaysian International Merchant Bankers Berhad (MIMB) from 1997 to 1999 and prior to that, from 1994 to 1997, she was with the consulting arm of KPMG Malaysia.

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.

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 2013.

PRINCIPLES OF CORPORATE GOVERNANCE

1. THE BOARD OF DIRECTORS

Roles and responsibilities of the Board

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. The principal roles and responsibilities of the Board include the following:

- Review and adopt strategic plans and objectives for the Group
- Promote ethical and responsible decision-making
- Monitor compliance with all relevant laws, tax obligations, regulations, applicable accounting standards and significant corporate policies (including the Code of Conduct)
- Review and approve the annual budget and monitor the operating and financial performance of the Group
- Approve and monitor the capital expenditure strategy, including acquisitions of capital equipment
- Oversee the conduct of the Group's business, including its control and accountability systems
- Succession planning
- Identify principal risks and ensure the implementation of appropriate internal controls
- Review the adequacy and the integrity of the management information and internal controls system
- Ensure that the market and shareholders are fully informed of material developments

The roles and responsibilities of the Chairman/Group Managing Director and the Executive Directors are established and there is a clear and defined division of responsibilities between the Chairman/Group Managing Director, and the Executive Directors of the Company. 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 3 Executive Directors who are responsible for the execution of these decisions and policies and the day-to-day operations of the Group.

The role of the non-executive directors and the independent directors is to provide independent and objective views, constructively challenge and contribute to the development of the business objectives and strategies of the Group, ensure effective check and balance in the proceedings of the board and that no individual has unrestricted power or influence over any board decision.

At Unisem, the positions of Chairman and Group Managing Director are combined. The practice of a combined role of a Chairman and Chief Executive is common in the semiconductor industry and among multinational corporations. Whilst the Chairman of the Company is not an independent director, the independent directors and non-executive directors form the majority of the Board. We believe these majority board members have the ability to exercise their duties unfettered by any business or other relationship and are free to express their opinions at the Board table free of concern about their position or the position of any third party and act in the best interest of the Company.

Board Reserved Matters

The Board delegates the day-to-day management of the Unisem Group business to the Executive Committee, but reserves for its consideration significant matters such as the following:

- Strategic plan and long term objectives
- Annual budgets and capital expenditure
- Corporate and capital structure
- Financial reporting and control
- Dividend policy, declaration of the dividends
- Internal control and risk management
- Shareholders / Investors communication
- Board membership and other appointments
- Corporate governance matters

The Board has adopted a formal Charter which is available in Corporate Governance section of our website.

Directors' Code of Conduct

Unisem is deeply committed to following ethical business practices. Accordingly, above all else, we value:

- Integrity and honesty;
- Openness and respect for others;
- Execution and accountability;
- Passion for customers, partners, and technology;
- Commitment to personal excellence and self-improvement; and
- Protection of identity of whistle blower.

To put these values into practice on a daily basis, a Code of Ethics is established as a guide for ethical business conduct for the Directors, management and employees of the Group, which is available in Corporate Governance section of our website.

Board Composition

In 2013, there were 9 Board members in Unisem (M) Berhad comprising 4 executive directors and 5 non-executive directors. Out of the 5 non-executive directors, 3 are independent directors. The members of the Board possess a wealth of experience in the semiconductor and other industries. 4 members have been with the Company for more than 20 years. The profiles of the Directors are provided in pages 28 to 32 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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Independence of Directors

The Board conducts regular review of the independence of each of the Directors, based on information provided to it by the directors. Directors are expected to volunteer information as and when changes occurred.

In addition to the independence guidelines and criteria as set out in the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities Listing Requirements"), the fundamental premise of the assessment is that an independent director must be independent of management and free of any business, family or other relationship, that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of his independent and objective judgment.

At Unisem we do not consider length of tenure as a criterion affecting a director's independence. All Directors of Unisem are subject to the statutory duties and prohibitions regarding conflicts of interest. Directors are required to disclose family ties, or cross directorships, that may be relevant in considering continuing independence.

Recommendation 3.2 of the Code states that the tenure of an independent director should not exceed a cumulative term of 9 years. The Board after the annual assessment of the Directors' independence has determined that Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba, who has served as independent director of the Company for 15 years and Y. Bhg. Tan Sri Dato' Wong See Wah who has served as independent director of the Company for 11 years, have met the independence guidelines and criteria as set out in the Bursa Securities Listing Requirements. They have always acted independently and objectively in expressing their views and in participating in deliberations of the Board/ Board Committees. Both Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba and Y. Bhg. Tan Sri Dato' Wong See Wah are free from any interest and any business, family or other relationship which could, or could reasonably be perceived to, interfere with their ability to carry out their roles as independent directors.

Board Diversity

Unisem provides its services to customers around the world with operations in 5 countries and therefore diversity generally is an integral part of how we do business. We acknowledge its importance and recognise the benefits that it can bring.

It is our aim to have an appropriate level of diversity in the Boardroom to reflect the diverse nature of the Company's operations and support the achievement of its strategic objectives. The Nominations Committee considers diversity generally when making appointments to the Board, taking into account relevant skills, experience, knowledge, personality, ethnicity and gender.

Achieving gender diversity is more difficult in certain sectors and, as a technology company the demographic profile of the current talent pool presents significant challenges in this regard.

Notwithstanding this, we will work towards introducing female composition of our Board as vacancies arise and suitable candidates are identified. Our prime responsibility, however, is the strength of the Board and our overriding aim in any new appointments must always be to select the best candidate.

Board Meetings

A total of five Board meetings were held during the financial year ended 31 December 2013. The attendance of each Director to the Board meetings held during the year are summarised as follows:-

Director	Number of meetings attended
Mr John Chia Sin Tet	5/5
Mr Lee Hoong Leong	5/5
Mr Francis Chia Mong Tet	5/5
Mr Ang Chye Hock	5/5
Mr Martin Giles Manen	5/5
Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	5/5
Y. Bhg. Tan Sri Dato' Wong See Wah	5/5
Mr Yen Woon @ Low Sau Chee	5/5
Mr Sundra Moorthi s/o V.M. Krishnasamy	5/5

All the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated by the Bursa Securities Listing Requirements.

The Board has committed to meet at least four times in a financial year, usually after 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 Board is regularly updated and apprised by the Company Secretaries who are qualified, competent and knowledgeable, on new statutes and directives issued by the regulatory authorities.

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.

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 the Directors are reviewed on a regular basis.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

All Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") organised by Bursatra Sdn Bhd.

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

Date of Training	Type of Training	Attended by
26 March 2013	Audit Committee Institute Roundtable organized by KPMG - The Malaysian Code on Corporate Governance 2012 & Statement on Risk Management: Guidelines for Directors of Listed Issuers - *A "major surgery" or "facelift" for corporate Malaysia?*	Mr Martin Giles Manen
2 April 2013	Talk by SKRINE "Bursa Corporate Disclosure Guide 2012" organized by IJM Corporation Bhd	Y. Bhg. Tan Sri Dato' Wong See Wah
25 April 2013	Bank Negara Malaysia's Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Conference	Mr Martin Giles Manen
30 April 2013	Dinner Talk organized by Iclif Leadership & Governance Centre on • Leadership Reflections • Leadership, Health and Wellness	Mr Martin Giles Manen
7 May 2013	Transfer Pricing Forum organized by AmCham	Mr Martin Giles Manen
14 May 2013 15 May 2013	Nominating Committee Programme by Iclif	Mr John Chia Sin Tet Y. Bhg. Tan Sri Dato' Wong See Wah Mr Martin Giles Manen
21 May 2013	Advocacy Session on Corporate Disclosure for Directors organized by Bursa Malaysia	Mr Martin Giles Manen
31 May 2013	Directors Training organized by Hong Leong Finance Group • Briefing on Financial Services Act 2013 ("FSA") and Islamic FSA 2013 • Enterprise Risk Management	Mr Martin Giles Manen
18 June 2013	Dialogue and presentation by MSWG on ASEAN CG Scorecard 2013 for Directors of PLCs to provide the Directors an overview of the parameters in the ASEAN CG Scorecard that will be used to assess all PLCs on Bursa Malaysia	Mr Martin Giles Manen
20 June 2013	Overview on the latest tax developments in the region, and roundtable discussion on the upcoming Budget 2014 organised by International Fiscal Association, Malaysia Branch (IFA)	Mr Martin Giles Manen
4 & 5 July 2013	Unisem's "Worldwide Sales Meeting"	Mr John Chia Sin Tet Mr Lee Hoong Leong Mr Francis Chia Mong Tet Mr Ang Chye Hock Mr Martin Giles Manen
25 October 2013	The Iclif Leaders Room : Leading a learning organization in an age of change	Mr Martin Giles Manen

Date of Training	Type of Training	Attended by
29 October 2013	Directors Continuing Education Programme organized by Guinness Anchor Berhad 1. The Importance of Government Relations to the bottom line 2. The Importance of the wider stakeholder environment – civil society and the community 3. Practical application of Government Relations design and strategy, lessons and best practices 4. Managing Asia's New Competitive Games	Mr Martin Giles Manen
6 November 2013	Talk by PricewaterhouseCooper "The Malaysian Budget" organized by IJM Corporation Bhd	Y. Bhg. Tan Sri Dato' Wong See Wah
6 November 2013	Board Awareness Programme organized by Unisem on - • Effective Board Assessment • Enforcement Power of the Securities Commission under the Capital Markets and Services Act, 2007	All Directors
26 & 27 November 2013	MIA Conference 2013	Mr Francis Chia Mong Tet
28 & 29 November 2013	75th Jubilee Asia-Pacific Tax Conference organized by IFA & IBFD	Mr Martin Giles Manen
28 & 29 November 2013	Unisem in-house training –"Worldwide Sales Meeting"	Mr John Chia Sin Tet Mr Lee Hoong Leong Mr Francis Chia Mong Tet Mr Ang Chye Hock
13 December 2013	Audit Committee Institute Roundtable organized by KPMG • Corporate Governance Guide (Towards Boardroom Excellence) – Second Edition 2013 • The Audit Committee's Role on Financial Reporting 2013 • Study on Non-Executive Directors 2013 – Profile and Pay	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, assess and determine the training needs of its Directors. This is to enable the directors to effectively discharge their duties as a director.

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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

In considering whether to recommend Directors who are eligible to stand for reelection, the Nomination Committee considered a variety of factors, including a Director's contributions to the Board and ability to continue to contribute productively, attendance at Board and committee meetings and compliance with the Code, as well as whether the Director continues to possess the attributes, capabilities and qualifications considered necessary or desirable for Board service, the independence of the Director and the nature and extent of the director's activities outside of the Company.

Review of Board Performance

The Board undertakes an annual review of its performance, and that of its Committees, and periodically engages the assistance of external consultants to facilitate formal Board performance reviews, if necessary.

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.

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.

Aggregate remuneration of the 4 executive directors and 5 non-executive directors during the financial year ended 31 December 2013 can be categorised into the following components:

Category	Director's Fees (RM)	Salaries (RM)	Bonus (RM)	Others* (RM)	Total (RM)
Executive Director	580,000	6,177,330	502,600	1,279,554	8,539,484
Non-Executive Director	775,000	-	-	-	775,000

* Comprised mainly of defined contribution plans, equity-settled share based payments and benefits-in-kind.

Directors' remunerations are broadly categorized into the following bands:

	Number of Directors	
Range of remuneration	Executive	Non-Executive
RM100,000 to RM150,000	-	2
RM150,001 to RM200,000	-	3
RM1,300,000 to RM1,350,000	1	-
RM1,700,000 to RM1,750,000	1	-
RM1,800,000 to RM1,850,000	1	-
RM3,600,000 to RM3,650,000	1	-

2. BOARD COMMITTEES

Executive Committee

The Executive Committee comprises the following:-

1. Mr John Chia Sin Tet (Group Managing Director) *(Chairman of the Committee)*
2. Mr Lee Hoong Leong (Executive Director, Group COO)
3. Mr Francis Chia Mong Tet (Executive Director, Group Finance)
4. Mr Ang Chye Hock (Non-Executive Director)
5. Mr Tan Kim Heng (Senior Vice President, Corporate Technology and Materials)

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.

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.

Audit Committee

The Audit Committee comprises exclusively of Non-Executive Directors, the majority of whom are independent Directors.

The terms of reference of the Audit Committee are set out under the Audit Committee Report on pages 48 to 52 of this Annual Report.

During the financial year ended 31 December 2013, 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 *(Chairman of the Committee)*	5/5
Y. Bhg. Tan Sri Dato' Wong See Wah *(retired as committee member on 26 February 2014)*	5/5
Mr Sundra Moorthi s/o V.M. Krishnasamy	5/5

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Nomination Committee

The Nomination Committee consists wholly of Non-Executive Directors, the majority of whom are independent directors.

The terms of reference of the Nomination Committee are as follows:

The Nomination Committee is empowered with the following specific tasks:-

- To consider and recommend candidates for appointment as Directors of Unisem (M) Berhad and its subsidiary companies;
- To consider and recommend to the Board, Directors to fill the seats on board committees of Unisem (M) Berhad;
- To 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;
- To consider, in making recommendations, candidates proposed by the group managing director for directorships, nomination by any senior executive, Director or shareholder;
- To assess the effectiveness of the Board as a whole and the committees of the Board, considering the contribution of each individual Director, and the required mix of skills and experience, independence and other qualities including core competencies which non-executive directors should bring to the board;
- To consider and recommend to the Board the appropriate size of the Board, considering the possible representation of interest groups, the desirable number of independent directors, the desirable balance in board membership and to ensure that any term limits within the Articles of Association are adhered to;
- To consider and recommend a policy regarding the period of service of executive and non-executive Directors;
- To report periodically to the board on succession planning for the board chairman and managing director. The board should work with the nominating committee to evaluate potential successors.
- To consider and recommend solutions on issues of conflict of interest affecting Directors;
- To evaluate and determine the training needs of Directors; and
- such other functions as may be delegated by the Board from time to time.

There were two meetings held during the financial year ended 31 December 2013. The details of attendance of the committee members are as follows:-

Name of Committee Member	Number of meetings attended
Mr Martin Giles Manen *(Chairman of the Committee)*	2/2
Y. Bhg. Tan Sri Dato' Wong See Wah	2/2
Mr Sundra Moorthi s/o V.M. Krishnasamy	2/2

The activities of the Nomination Committee for the financial year were summarised as follows:-

- considered, in making recommendations, candidate proposed by the group managing director for appointment as Director of Unisem (M) Berhad and its subsidiary companies;
- evaluated and determined the training needs of Directors;
- reviewed annually the required Board of Directors mix of skills, experience, independence and other qualities;
- considered and recommended to the Board directors who are eligible to stand for re-election / re-appointment at the coming annual general meeting; and
- undertaken an annual review of the Board's performance, and that of its Committees.

Remuneration Committee

The Remuneration Committee consists of mainly Non-Executive Directors.

The Remuneration Committee 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 of the Committee)*
2. Mr Lee Hoong Leong
3. Mr Yen Woon @ Low Sau Chee
4. Mr Ang Chye Hock *(appointed to the committee on 26 February 2014)*
5. Mr Martin Giles Manen

There was one meeting held during the financial year ended 31 December 2013. The details of attendance of the Committee members are as follows:-

Name of Committee Member	Number of meetings attended
Mr John Chia Sin Tet *(Chairman of the Committee)*	1/1
Mr Lee Hoong Leong	1/1
Mr Yen Woon @ Low Sau Chee	1/1
Mr Sundra Moorthi s/o V.M. Krishnasamy *(ceased to be committee member on 26 February 2014)*	1/1
Mr Martin Giles Manen	1/1

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;

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

- 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;
- meeting with members of the press after general meetings.

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, as 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

Timely and Balanced Disclosure

Unisem is committed to provide accurate, timely, consistent and fair disclosure of corporate information to enable informed and orderly market decisions by investors. The Company has established policy and guidelines to raise awareness amongst its management and employees on disclosure requirements and procedures, provide structured guidelines in disseminating corporate information to third party and thus help ensure compliance with legal and regulatory requirements on disclosure.

The Board oversees the Company's corporate disclosure practices and ensures implementation and adherence to this guide.

4. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and meaningful assessment of the Company's performance, financial position 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, financial position and prospects.

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 Risk Management and Internal Control are set out on pages 53 to 54 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 50 to 52 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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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**
The Company did not issue any new shares.

(iii) **Options, warrants or convertible securities**
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 Depository Receipt (ADR) or Global Depository Receipt (GDR) programme**
The Company does not have an ADR or GDR programme in place.

(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 amount of non-audit fees incurred for corporate tax compliance and other advisory services rendered to the Company and its subsidiaries for the financial year by the Company's auditors amounted to RM117,000.

(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.

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 2013 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 3 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.

- Whilst the Chairman of the Company is not an independent director, the independent directors and non-executive directors form the majority of the Board. We believe these majority board members have the ability to exercise their duties unfettered by any business or other relationship and are free to express their opinions at the Board table free of concern about their position or the position of any third party and act in the best interest of the Company.

- The Board after the annual assessment of the Directors' independence has determined that Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba, who has served on the Board for 15 years and Y. Bhg. Tan Sri Dato' Wong See Wah who has served on the Board for 11 years, have met the independence guidelines and criteria as set out in the Bursa Securities Listing Requirements. They have always acted independently and objectively in expressing their views and in participating in deliberations of the Board /Board Committees. Both Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba and Y. Bhg. Tan Sri Dato' Wong See Wah are free from any interest and any business or other relationship which could, or could reasonably be perceived to, interfere with their ability to carry out their roles as independent directors.

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. Dato' Gregory Wong Guang Seng *(appointed as committee member on 26 February 2014)*	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 2013, 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 *(retired as committee member on 26 February 2014)*	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 I 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.

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.

AUDIT COMMITTEE REPORT (cont'd)

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.

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. Review and verify the allocation of options pursuant to the Company's Executives' Share Option Scheme in accordance with the provisions of the bye-laws and the criteria for allocations disclosed to the executives.

o. 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;

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

    (i) review any appraisal or assessment of the performance of members of the internal audit function;

    (ii) approve any appointment or termination of senior staff members of the internal audit function;

    (iii) 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 2013. 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.

AUDIT COMMITTEE REPORT (cont'd)

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 more favourable to the related parties than, those generally available to the public.

INTERNAL AUDIT FUNCTION

The primary responsibility of the in house internal audit department is to conduct periodic audits on internal control related matters to ensure their compliance with systems and standard operating procedures within each operation. The main objective of these audits is to provide reasonable assurance that these operations operated adequately and effectively.

The Internal Audit function focuses mainly on the key risk areas based on the approved internal audit plan by the Audit Committee and reports to the Audit Committee on a quarterly basis. The primary objectives of the Internal Audit function include reviewing the adequacy, integrity and effectiveness of the system of internal controls, compliance with the established policies and procedures, guidelines, laws and regulations and reliability and integrity of information.

The Internal Audit function adopts a risk-based approach in determining the audit areas and execution of its audits. In addition, special reviews were also made at the request of the Committee and senior management on specific areas of concern to follow-up on the high-risk areas identified during the course of business. These reviews provided additional assurance and comfort on the integrity and robustness of the internal control systems. In 2013 eleven Internal Audit reports were issued and presented to the Audit Committee with the recommended corrective actions acted upon.

The cost incurred for the Internal Audit function of the Company in respect of the financial year ended 31 December 2013 amounted to RM493,429.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Board of Directors ("the Board") is pleased to provide the following statement on the state of internal control of Unisem (M) Berhad and its subsidiaries (the "Group") for the financial year ended 31 December 2013, which has been prepared in accordance with the "Statement of Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" 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 reliability of the risk management processes and internal control as well as compliance with risk policies and regulatory requirements.

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.

RISK MANAGEMENT

Risk management and internal controls are regarded as an integral part of the overall management processes. The Board has approved a formal group risk management policy which sets out the requirements for consistent reporting when identifying risk and management actions.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

- **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 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 Board has 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 risk management processes and 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 its activities, significant results, findings and the necessary recommendations or changes.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors of UNISEM (M) BERHAD hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2013.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are as set out in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year except for the cessation of business operations of Unisem (Europe) Limited as disclosed in Note 13 to the financial statements.

RESULTS OF OPERATIONS

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

	THE GROUP RM'000	THE COMPANY RM'000
Loss for the year	(109,289)	(49,054)
Loss attributable to:		
Owners of the Company	(105,368)	(49,054)
Non-controlling interests	(3,921)	-
	(109,289)	(49,054)

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

DIVIDENDS

Since the end of the previous financial year, a final dividend of 4% or 2 sen per share, tax-exempt, amounting to RM13,484,593 proposed in the previous financial year and dealt with in the previous year directors' report, was paid on June 19, 2013.

The directors have proposed a final dividend of 4% or 2 sen per share, tax-exempt, for the current financial year. The proposed final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. Upon approval by the shareholders, the dividend will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2014.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

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

EXECUTIVES SHARE OPTION SCHEME

Under the Company's Executives' Share Option Scheme ("ESOS"), which has been approved at an Extraordinary General Meeting held on June 29, 2010, options to subscribe for new ordinary shares of RM0.50 each in the Company were granted to eligible executives of the Group and of the Company.

The salient features of the ESOS are disclosed in Note 28 to the financial statements.

Details of the share options exercised/lapsed during the financial year are as follows:

		NO. OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH			
DATE OF GRANT	EXERCISE PRICE PER ORDINARY SHARE RM	BALANCE AS OF 1.1.2013 '000 UNITS	EXERCISED '000 UNITS	LAPSED '000 UNITS	BALANCE AS OF 31.12.2013 '000 UNITS
05.01.2011	2.25	16,750	-	(1,050)	**15,700**
18.01.2011	2.25	1,300	-	-	**1,300**
Total		18,050	-	(1,050)	**17,000**

The number of share options vested as of December 31, 2013 is 5,100,000 units. The share options granted to the directors and senior management represent 10.5% of the maximum options that can be granted under the ESOS as of December 31, 2013.

The details of share options granted to eligible executives other than the Executive Directors are disclosed in Note 28 to the financial statements.

WARRANTS

On August 25, 2010, the Company allotted 168,540,090 new Warrants at an issue price of RM0.10 per Warrant. The Warrants were granted for listing and quotation on the Main Market of Bursa Malaysia on August 30, 2010.

Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at any time on or after August 30, 2010 up to the date of expiry on August 24, 2015, at an exercise price of RM2.18 per share.

The Warrants are constituted by the Deed Poll dated July 30, 2010.

The ordinary shares issued from the exercise of Warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions or rights, the entitlement date of which is prior to the date of the allotment of the new shares arising from the exercise of Warrants.

Details of the Warrants exercised/lapsed during the financial year are as follows:

		NO. OF WARRANTS			
DATE OF GRANT	EXERCISE PRICE PER ORDINARY SHARE RM	BALANCE AS OF 1.1.2013 '000 UNITS	EXERCISED '000 UNITS	LAPSED '000 UNITS	BALANCE AS OF 31.12.2013 '000 UNITS
30.08.2010	2.18	168,472	-	-	**168,472**

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION

Before the statements of profit or loss and the statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Mr. John Chia Sin Tet
Mr. Lee Hoong Leong
Mr. Francis Chia Mong Tet
Mr. Martin Giles Manen
Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba
Y. Bhg. Tan Sri Dato' Wong See Wah
Mr. Yen Woon @ Low Sau Chee
Mr. Sundra Moorthi s/o V.M. Krishnasamy
Mr. Ang Chye Hock
Y. Bhg. Dato' Gregory Wong Guang Seng (appointed on February 26, 2014)
Mr. Alexander Chia Jhet Wern (appointed on February 26, 2014)

In accordance with Article 124 of the Company's Articles of Association, Mr. John Chia Sin Tet, Mr. Ang Chye Hock and Mr. Francis Chia Mong Tet retire by rotation.

Mr. John Chia Sin Tet, Mr. Ang Chye Hock and Mr. Francis Chia Mong Tet being eligible, offer themselves for re-election.

Y. Bhg. Dato' Gregory Wong Guang Seng and Mr. Alexander Chia Jhet Wern, who were appointed to the Board since the last Annual General Meeting, retire under Article 127 of the Company's Articles of Association and being eligible, offer themselves for re-election.

Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba and Mr. Sundra Moorthi s/o V.M. Krishnasamy who are over the age of 70 years, retire in accordance with Section 129(6) of the Companies Act 1965. Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba will not be seeking for re-appointment. Mr. Sundra Moorthi s/o V.M. Krishnasamy, being eligible, offers himself for re-appointment.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act 1965, are as follows:

	NO. OF ORDINARY SHARES OF RM0.50 EACH			
	BALANCE AS OF 1.1.2013	BOUGHT/ TRANSFER*	SOLD/ TRANSFER*	BALANCE AS OF 31.12.2013
Shares in the Company				
Registered in the name of directors				
Mr. John Chia Sin Tet	18,130,000	-	-	**18,130,000**
Mr. Ang Chye Hock	383,500	-	-	**383,500**
Mr. Francis Chia Mong Tet	12,090,000	-	(5,000,000)*	**7,090,000**
Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	676,000	-	-	**676,000**
Mr. Yen Woon @ Low Sau Chee	500,000	-	-	**500,000**
Mr. Sundra Moorthi s/o V.M. Krishnasamy	35,100	-	-	**35,100**

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (CONT'D)

	NO. OF ORDINARY SHARES OF RM0.50 EACH			
	BALANCE AS OF 1.1.2013	BOUGHT/ TRANSFER*	SOLD/ TRANSFER*	BALANCE AS OF 31.12.2013
Shares in the Company (Cont'd)				
Indirect interest by virtue of shares held by companies in which a director has interests				
Mr. John Chia Sin Tet	203,137,840	1,000,000	-	**204,137,840**
Mr. Francis Chia Mong Tet	616,980	5,000,000*	-	**5,616,980**
Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	149,370	-	-	**149,370**
Mr. Yen Woon @ Low Sau Chee	175,346,000	-	-	**175,346,000**
Mr. Sundra Moorthi s/o V.M. Krishnasamy	7,800	-	-	**7,800**

	NO. OF WARRANTS			
	BALANCE AS OF 1.1.2013	BOUGHT	SOLD	BALANCE AS OF 31.12.2013
Warrants in the Company				
Registered in the name of directors				
Mr. John Chia Sin Tet	5,370,600	-	-	**5,370,600**
Mr. Ang Chye Hock	95,900	-	-	**95,900**
Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	169,000	-	-	**169,000**
Mr. Sundra Moorthi s/o V.M. Krishnasamy	8,775	-	-	**8,775**
Indirect interest by virtue of Warrants held by companies in which a director has interests				
Mr. John Chia Sin Tet	49,880,228	-	-	**49,880,228**
Mr. Yen Woon @ Low Sau Chee	44,317,100	-	-	**44,317,100**
Mr. Sundra Moorthi s/o V.M. Krishnasamy	1,950	-	-	**1,950**

DIRECTORS' INTERESTS (CONT'D)

	NO. OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH			
	BALANCE AS OF 1.1.2013	GRANTED	EXERCISED	BALANCE AS OF 31.12.2013
ESOS in the Company				
Registered in the name of directors				
Mr. John Chia Sin Tet	1,500,000	-	-	**1,500,000**
Mr. Ang Chye Hock	1,500,000	-	-	**1,500,000**
Mr. Francis Chia Mong Tet	1,500,000	-	-	**1,500,000**
Indirect interest by virtue of options registered in the name of persons connected to director				
Mr. John Chia Sin Tet	350,000	-	-	**350,000**

The number of share options in the name of directors vested as of December 31, 2013 is 1,350,000 units.

By virtue of their interests in the shares of the Company, Mr. John Chia Sin Tet and Mr. Yen Woon @ Low Sau Chee are also deemed to have an interest in the shares of the subsidiary companies to the extent that the Company has interest.

Y. Bhg. Tan Sri Dato' Wong See Wah, Mr. Martin Giles Manen and Mr. Lee Hoong Leong did not hold shares and Warrants or have beneficial interest in the shares and Warrants of the Company during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain directors of the Company are also directors and/or shareholders as disclosed in Note 18 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the options granted to certain directors pursuant to the Company's ESOS as disclosed above.

AUDITORS

The auditors, Messrs. Deloitte (formerly known as Deloitte KassimChan), have indicated their willingness to continue in office.

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

JOHN CHIA SIN TET

MARTIN GILES MANEN

Kuala Lumpur,
March 7, 2014

INDEPENDENT AUDITORS' REPORT
to the members of Unisem (M) Berhad (Incorporated In Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Unisem (M) Berhad, which comprise the statements of financial position of the Group and of the Company as of December 31, 2013 and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 64 to 128.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act;

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D)

(b) we have considered the accounts and auditors' reports of the subsidiaries, of which we have not acted as auditors, which are indicated in Note 13 to the financial statements;

(c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purposes; and

(d) the auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 32 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

DELOITTE
AF 0080
Chartered Accountants

YEOH SIEW MING
Partner - 2421/05/15(J/PH)
Chartered Accountant

March 7, 2014

STATEMENTS OF PROFIT OR LOSS

for the year ended December 31, 2013

	NOTE	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000	THE COMPANY 2013 RM'000	THE COMPANY 2012 RM'000
Revenue		**990,554**	1,091,948	**438,218**	498,004
Interest income	8	**296**	141	**914**	643
Other gains/(losses)	5	**7,953**	5,858	**(432)**	3,003
Other operating income	5	**15,420**	16,380	**7,659**	9,107
Changes in inventories of finished goods and work-in-progress		**(6,179)**	3,853	**(6,543)**	3,562
Raw materials and consumables used		**(372,569)**	(463,287)	**(116,818)**	(168,936)
Depreciation of property, plant and equipment	11	**(163,199)**	(161,838)	**(66,469)**	(71,845)
Impairment losses on property, plant and equipment	11	**(13,632)**	(13,381)	**(4,835)**	(9,959)
Impairment losses on goodwill	14	**(66,813)**	-	**-**	-
Impairment losses on investments in subsidiaries	13	**-**	-	**(59,590)**	(14,761)
Employee benefits expenses	5	**(265,296)**	(268,495)	**(118,425)**	(121,449)
Directors' remuneration	6	**(11,990)**	(10,967)	**(9,215)**	(7,581)
Amortisation of prepaid interest in leased land	12	**(467)**	(458)	**(44)**	(44)
Finance costs	7	**(22,255)**	(23,026)	**(9,159)**	(11,264)
Other operating expenses	5	**(186,614)**	(212,160)	**(101,979)**	(114,318)
Loss before tax		**(94,791)**	(35,432)	**(46,718)**	(5,838)
Taxation	9(a)	**(14,498)**	2,140	**(2,336)**	(2,350)
Loss for the year		**(109,289)**	(33,292)	**(49,054)**	(8,188)
Attributable to:					
Owners of the Company		**(105,368)**	(32,306)	**(49,054)**	(8,188)
Non-controlling interests		**(3,921)**	(986)	**-**	-
		(109,289)	(33,292)	**(49,054)**	(8,188)
Loss per share					
Basic and diluted (sen)	10	**(15.63)**	(4.79)		

STATEMENTS OF OTHER COMPREHENSIVE INCOME
for the year ended December 31, 2013

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Loss for the year	**(109,289)**	(33,292)	**(49,054)**	(8,188)
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**51,278**	(17,554)	**-**	-
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligations	**(1,106)**	(960)	**-**	-
Total other comprehensive income/(loss) for the year	**50,172**	(18,514)	**-**	-
Total comprehensive loss for the year	**(59,117)**	(51,806)	**(49,054)**	(8,188)
Total comprehensive loss attributable to:				
Owners of the Company	**(55,196)**	(50,820)	**(49,054)**	(8,188)
Non-controlling interests	**(3,921)**	(986)	**-**	-
	(59,117)	(51,806)	**(49,054)**	(8,188)

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

STATEMENTS OF FINANCIAL POSITION

as of December 31, 2013

		THE GROUP		THE COMPANY	
	NOTE	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**1,193,942**	1,272,707	**451,439**	507,341
Prepaid interest in leased land	12	**19,408**	19,029	**3,694**	3,738
Investments in subsidiaries	13	**-**	-	**493,916**	553,120
Goodwill	14	**-**	65,106	**-**	-
Intangible assets	15	**10,436**	12,765	**-**	-
Deferred tax assets	9(c)	**2,861**	14,582	**616**	616
Total non-current assets		**1,226,647**	1,384,189	**949,665**	1,064,815
Current assets					
Inventories	16	**103,689**	134,798	**51,881**	74,694
Trade receivables	17	**131,164**	166,337	**53,513**	87,820
Other receivables, deposits and prepaid expenses	17	**9,537**	12,591	**1,646**	2,239
Amount owing by subsidiaries	18	**-**	-	**22,714**	17,280
Tax recoverable	9(b)	**5,894**	7,260	**-**	-
Cash and bank balances	19	**95,884**	73,005	**41,542**	25,758
Total current assets		**346,168**	393,991	**171,296**	207,791
Total assets		**1,572,815**	1,778,180	**1,120,961**	1,272,606

	NOTE	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000	THE COMPANY 2013 RM'000	THE COMPANY 2012 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20	**337,115**	337,115	**337,115**	337,115
Reserves	21	**623,407**	690,832	**525,948**	587,222
Equity attributable to owners of the Company		**960,522**	1,027,947	**863,063**	924,337
Non-controlling interests		**7,616**	11,528	**-**	-
Total equity		**968,138**	1,039,475	**863,063**	924,337
Non-current liabilities					
Borrowings	22	**156,150**	229,680	**15,537**	33,687
Obligations under finance leases	23	**4,775**	10,699	**1,850**	3,552
Deferred income	24	**7,720**	7,158	**-**	-
Retirement benefit obligations	25	**16,345**	19,238	**-**	-
Total non-current liabilities		**184,990**	266,775	**17,387**	37,239
Current liabilities					
Trade payables	26	**60,823**	97,557	**19,660**	28,074
Other payables and accrued expenses	26	**79,614**	97,948	**39,613**	49,031
Amount owing to subsidiaries	18	**-**	-	**12,256**	33,603
Borrowings	22	**268,325**	268,954	**166,306**	198,230
Obligations under finance leases	23	**7,521**	7,289	**2,127**	1,928
Provision for taxation	9(b)	**3,404**	182	**549**	164
Total current liabilities		**419,687**	471,930	**240,511**	311,030
Total liabilities		**604,677**	738,705	**257,898**	348,269
Total equity and liabilities		**1,572,815**	1,778,180	**1,120,961**	1,272,606

STATEMENTS OF CHANGES IN EQUITY

for the year ended December 31, 2013

			NON-DISTRIBUTABLE RESERVES								
THE GROUP	NOTE(S)	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	CAPITAL RESERVE RM'000	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE RM'000	WARRANTS RESERVE RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	DISTRIBUTABLE RESERVE RETAINED EARNINGS RM'000	ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL RM'000
Balance as of January 1, 2012:		337,081	127,661	15,646	4,874	16,011	38,525	550,892	1,090,690	12,504	1,103,194
Total comprehensive loss for the year		-	-	-	-	-	(17,554)	(33,266)	(50,820)	(986)	(51,806)
Dividends	27	-	-	-	-	-	-	(13,485)	(13,485)	-	(13,485)
Exercise of Warrants	20/21	34	122	-	-	(7)	-	-	149	-	149
Transfer to statutory reserve fund	21	-	-	222	-	-	-	(222)	-	-	-
Recognition of share-based payments	21	-	-	-	1,196	-	-	217	1,413	10	1,423
Balance as of January 1, 2013:		337,115	127,783	15,868	6,070	16,004	20,971	504,136	1,027,947	11,528	1,039,475
Total comprehensive loss for the year		-	-	-	-	-	51,278	(106,474)	(55,196)	(3,921)	(59,117)
Dividends	27	-	-	-	-	-	-	(13,485)	(13,485)	-	(13,485)
Transfer to statutory reserve fund	21	-	-	333	-	-	-	(333)	-	-	-
Recognition of share-based payments	21	-	-	-	1,081	-	-	175	1,256	9	1,265
Balance as of December 31, 2013		**337,115**	**127,783**	**16,201**	**7,151**	**16,004**	**72,249**	**384,019**	**960,522**	**7,616**	**968,138**

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

THE COMPANY	NOTE(S)	SHARE CAPITAL RM'000	← NON-DISTRIBUTABLE RESERVES → SHARE PREMIUM RM'000	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE RM'000	WARRANTS RESERVE RM'000	DISTRIBUTABLE RESERVE RETAINED EARNINGS RM'000	TOTAL RM'000
Balance as of January 1, 2012		337,081	127,661	4,874	16,011	458,811	944,438
Total comprehensive loss for the year		-	-	-	-	(8,188)	(8,188)
Dividends	27	-	-	-	-	(13,485)	(13,485)
Exercise of Warrants	20/21	34	122	-	(7)	-	149
Recognition of share-based payments	21	-	-	1,206	-	217	1,423
Balance as of January 1, 2013		337,115	127,783	6,080	16,004	437,355	924,337
Total comprehensive loss for the year		-	-	-	-	(49,054)	(49,054)
Dividends	27	-	-	-	-	(13,485)	(13,485)
Recognition of share-based payments	21	-	-	1,090	-	175	1,265
Balance as of December 31, 2013		**337,115**	**127,783**	**7,170**	**16,004**	**374,991**	**863,063**

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

STATEMENT OF CASH FLOWS

for the year ended December 31, 2013

	NOTE	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Loss for the year		**(109,289)**	(33,292)
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**163,199**	161,838
Impairment losses on goodwill		**66,813**	-
Finance costs		**22,255**	23,026
Taxation		**14,498**	(2,140)
Impairment losses on property, plant and equipment		**13,632**	13,381
Allowance for slow moving inventories		**2,978**	5,121
Amortisation of intangible assets		**2,347**	2,406
Expense recognised in respect of equity-settled share-based payments		**1,265**	1,423
Amortisation of prepaid interest in leased land		**467**	458
Property, plant and equipment written off		**195**	10
Bad debts written off		**22**	113
(Write back of)/Provision for retirement benefit		**(3,056)**	2,378
Gain on disposal of property, plant and equipment		**(1,916)**	(464)
Interest income		**(296)**	(141)
Unrealised gain on foreign exchange		**(255)**	(7,691)
Amortisation of deferred income		**(171)**	(423)
(Write back of)/Allowance for doubtful debts		**(24)**	831
Impairment losses on intangible assets		**-**	1,344
		172,664	168,178
Movements in working capital:			
Decrease/(Increase) in:			
Inventories		**32,231**	19,058
Trade receivables		**42,863**	(5,255)
Other receivables, deposits and prepaid expenses		**2,651**	(2,142)
(Decrease)/Increase in:			
Trade payables		**(42,857)**	(630)
Other payables and accrued expenses		**2,485**	(3,732)
Cash Generated From Operations		**210,037**	175,477
Income tax refunded/(paid)		**2,010**	(4,170)
Defined benefit obligations paid	25	**(46)**	(213)
Net Cash From Operating Activities		**212,001**	171,094

	NOTE	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**4,642**	3,879
Interest received		**301**	137
Additions to property, plant and equipment	19(a)	**(62,776)**	(121,770)
Additions to intangible assets	15	**(18)**	(17)
Net Cash Used In Investing Activities		**(57,851)**	(117,771)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from revolving credit/foreign currency trust receipts - net		**17,632**	36,212
Proceeds from term loans		**10,248**	111,188
Repayment of term loans		**(122,314)**	(150,909)
Finance costs paid		**(21,766)**	(22,191)
Dividends paid	27	**(13,485)**	(13,485)
Repayment of finance leases		**(6,256)**	(1,829)
Repayment of bankers' acceptances		**(243)**	(2,505)
Proceeds from issuance of shares		**-**	149
Net Cash Used In Financing Activities		**(136,184)**	(43,370)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**17,966**	9,953
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**46,390**	36,926
Effect of exchange rate changes on the balance of cash held in foreign currencies		**5,138**	(489)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19(b)	**69,494**	46,390

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

STATEMENT OF CASH FLOWS
for the year ended December 31, 2013

	NOTE	THE COMPANY 2013 RM'000	THE COMPANY 2012 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Loss for the year		**(49,054)**	(8,188)
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**66,469**	71,845
Impairment losses on investments in subsidiaries		**59,590**	14,761
Finance costs		**9,159**	11,264
Unrealised loss/(gain) on foreign exchange		**5,961**	(5,312)
Impairment losses on property, plant and equipment		**4,835**	9,959
Taxation		**2,336**	2,350
Allowance for slow moving inventories		**1,593**	3,290
Expense recognised in respect of equity-settled share-based payments		**879**	1,020
Amortisation of prepaid interest in leased land		**44**	44
Bad debts written-off		**22**	-
Property, plant and equipment written off		**17**	10
Interest income		**(914)**	(643)
Gain on disposal of property, plant and equipment		**(453)**	(260)
(Write back of)/Allowance for doubtful debts		**(24)**	200
		100,460	100,340
Movements in working capital:			
Decrease/(Increase) in:			
Inventories		**21,220**	8,052
Trade receivables		**35,698**	(11,094)
Other receivables, deposits and prepaid expenses		**593**	(277)
(Decrease)/Increase in:			
Trade payables		**(8,889)**	(8,514)
Other payables and accrued expenses		**10,883**	(10,897)
Cash Generated From Operations		**159,965**	77,610
Income tax paid		**(1,951)**	(515)
Net Cash From Operating Activities		**158,014**	77,095

	NOTE	THE COMPANY 2013 RM'000	THE COMPANY 2012 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**3,181**	1,340
Interest received		**57**	-
Additions to property, plant and equipment	19(a)	**(38,980)**	(53,322)
Advances to subsidiaries		**(4,581)**	(842)
Net Cash Used In Investing Activities		**(40,323)**	(52,824)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
(Repayment of)/Proceeds from revolving credit/foreign currency trust receipts - net		**(33,213)**	33,778
(Repayment to)/Advances received from subsidiaries		**(25,527)**	2,972
Repayment of term loans		**(19,466)**	(19,379)
Dividends paid	27	**(13,485)**	(13,485)
Finance costs paid		**(8,551)**	(10,191)
Repayment of finance leases		**(1,786)**	-
Repayment of bankers' acceptances		**(243)**	(2,505)
Proceeds from issuance of shares		**-**	149
Net Cash Used In Financing Activities		**(102,271)**	(8,661)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**15,420**	15,610
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**11,770**	(4,336)
Effect of exchange rate changes on the balance of cash held in foreign currencies		**2,346**	496
CASH AND CASH EQUIVALENTS AT END OF YEAR	19(b)	**29,536**	11,770

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is principally involved in the manufacturing of semiconductor devices. The principal activities of the subsidiaries are as set out in Note 13. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year except for the cessation of business operations of Unisem (Europe) Limited as disclosed in Note 13.

The registered office of the Company is located at Letter Box # 95, 9th Floor, UBN Tower, No. 10, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at No. 1, Persiaran Pulai Jaya 9, Kawasan Perindustrian Pulai Jaya, 31300 Ipoh, Perak Darul Ridzuan, Malaysia.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on March 7, 2014.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

(a) Application of new and revised MFRSs which have an impact on the amounts reported and/or disclosures in the financial statements

In the current year, the Group and the Company have applied the following new/revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

MFRS 12 Disclosure of Interests in Other Entities

In the current year, the Group and the Company have applied for the first time MFRS 12 together with the amendments to MFRS 12 regarding the transitional guidance.

MFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of MFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please refer Note 13).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS (CONT'D)

(a) Application of new and revised MFRSs which have an impact on the amounts reported and/or disclosures in the financial statements (Cont'd)

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The Group and the Company have applied the amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" [and the "income statement" is renamed as the "statement of profit or loss"]. The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require items of other comprehensive income to be grouped into two categories in other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to MFRS 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) Standards and IC Int. in issue but not yet effective

The Group and the Company have not elected for early adoption of the relevant new and revised MFRSs and IC Interpretations ("IC Int.") and amendments to MFRSs and IC Int. which have been issued but not yet effective until future periods, at the date of authorisation for issue of these financial statements. The directors anticipate that the adoption of these Standards and IC Int. when they become effective will have no material impact on the financial statements of the Group and of the Company in the period of initial application, exception as discussed below:

Amendments to MFRS 136: Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets)

The amendments to MFRS 136 restrict the requirement to disclose recoverable amounts of assets (or cash-generating units) to periods in which an impairment loss is recognised or reversed. Additional disclosures are required about fair value measurement when the recoverable amounts of the impaired assets are based on fair value less costs of disposal. In addition, the amendments introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversal) where the recoverable amount, based on fair value less costs of disposal, is determined using a present value technique.

The directors anticipate that amendments to MFRS 136 will be adopted in the Group's and the Company's financial statements for the annual period beginning January 1, 2014 and the application of this Standard may result in more extensive disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for the financial instruments and retirement benefit obligations. Certain financial instruments are carried at fair value in accordance to MFRS 139 *Financial Instruments: Recognition and Measurement*, and the retirement benefit obligations include actuarial gains and losses in accordance with MFRS 119 *Employee Benefits (revised)*.

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

Subsidiaries and Basis of Consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

Changes in the Group's ownership interest in existing subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and Basis of Consolidation (Cont'd)

Changes in the Group's ownership interest in existing subsidiaries (Cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Subsidiaries

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

Business Combinations

The acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under MFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Intangible Assets Acquired in a Business Combination

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

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

Revenue Recognition

Revenue from semiconductor packaging and testing services is recognised when delivery has occurred or service has been rendered and is billable under terms of an arrangement. Invoicing at interim periods prior to shipment is considered as revenue when the customer acknowledges such billings as a service under the terms of an arrangement. Other criterias used to determine when to recognise revenue are that the fees are fixed and determinable and collectability is reasonably assured.

Interest income is recognised on an accrual basis that reflects the effective yield on the assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Marketing support and management services fees are recognised as and when the services are rendered.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statements of profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign Currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparative figures) are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparative figures) are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currencies (Cont'd)

Financial statements of foreign operations denominated in functional currencies other than Ringgit Malaysia (Cont'd)

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation accumulated in a separate component of equity shall be reclassified from equity to the statements of profit or loss when the gain or loss on disposal is recognised.

Goodwill and fair value adjustments on identifiable assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in a separate component of equity.

Borrowing Costs

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

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

Government Grants

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

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised in profit or loss over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee Benefits

Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Group has no further payment obligations once these contributions have been paid.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits (Cont'd)

Defined benefit plans

Contributions to defined benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Group has no further payment obligations once the contributions have been paid.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs as "employee benefits expenses" in profit or loss. Curtailment gains and losses are accounted for as past service costs.

Share-based compensation benefits

The Group operates an equity-settled, share-based compensation plan, where shares and/or options are issued by the Company to eligible executives and directors of the Group. The fair value of the employee services received in exchange for the grant of the shares and/or options is recognised as an expense with a corresponding entry to reserves over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and/or options granted at the grant date and the number of shares and/or options vested by vesting date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the estimates of the number of options that are expected to become exercisable.

The grant of options by the Company over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax

Current tax is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes determined based upon the taxable income of each entity and is measured using the tax rates which are applicable at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (Cont'd)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and their related tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Property, Plant and Equipment

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

Freehold land and capital work-in-progress are not depreciated.

Capital work-in-progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of property, plant and equipment (other than freehold land and capital work-in-progress) less their estimated residual value over their estimated useful lives, using the straight-line method.

The annual depreciation rates are as follows:

Buildings	2% to 20%
Plant and machinery	10% to 33.33%
Electrical installation	10%
Office equipment	10% to 33.33%
Air-conditioners	10%
Motor vehicles	20%
Furniture and fittings	10% to 33.33%
Production support equipment	10%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (Cont'd)

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for prospectively.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid Interest in Leased Land

Leasehold land that normally has an indefinite economic life and where the title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. Payments made on entering into or acquiring leasehold land are accounted as prepaid interest in leased land and amortised over the remaining lease term.

Goodwill

Goodwill acquired in a business combination is initially recognised at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the date of the combination. Subsequent to the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment loss is recognised immediately in profit or loss and any impairment loss recognised for goodwill is not subsequently reversed. Gain and loss on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible Assets

Intangible assets are measured at purchase cost less accumulated amortisation and impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives ranging from three to ten years upon commencement of full scale commercial business operations.

The estimated useful lives and the amortisation method for intangible assets with finite useful lives are reviewed at each year end, with the effect of any changes in accounting estimate being recognised on a prospective basis.

Research and Development Costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Assets

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

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

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

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

Inventories

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

Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial instruments are initially measured at fair value, plus transaction costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instruments, or a shorter period, to the net carrying amount on initial recognition. Income or expense is recognised on an effective interest basis for debt instruments other than those financial instruments classified as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (Cont'd)

Effective interest method (Cont'd)

(a) Financial Assets

Financial assets of the Group and of the Company are classified into "loans and receivables" category.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets of the Group and of the Company are short-term deposits, cash and bank balances, trade receivables, other receivables and deposits and inter-company indebtedness.

(ii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(iii) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(b) Financial Liabilities and Equity Instruments

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (Cont'd)

Effective interest method (Cont'd)

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

(ii) Equity instruments

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

(iii) Financial liabilities

Financial liabilities of the Group and of the Company are classified as "other financial liabilities" category.

(iv) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities of the Group and of the Company are trade payables, other payables and accrued expenses, finance leases, bank borrowings and inter-company indebtedness.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements used in preparing the financial statements are continuously evaluated by the management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are outlined below.

(a) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that it is necessary.

For the purpose of assessing impairment, goodwill is allocated to CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on one-year financial budget approved by the directors and a financial forecast covering the subsequent four years period. The terminal value is calculated based on the projected cash flow of the CGUs at the end of the fifth year with a constant growth rate.

The key assumptions for value-in-use include the management's expectation of revenue growth beyond the budget year and operating costs, drawing from past experience and current assessment of the market and industry growth as well as the maximum capacity available. The pre-tax discount rate used was 8.19% (2012: 6.43%) per annum.

(b) Impairment of Property, Plant and Equipment and Intangible Assets with Finite Useful Lives

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

The Group performs an impairment indicator test annually for signs of impairment of its property, plant and equipment and intangible assets with finite useful lives. If there are signs of impairment, then a review of recoverable amounts is performed. The recoverable amount is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on one-year financial budget approved by the directors and a financial forecast covering subsequent four years period. The terminal value is calculated based on the projected cash flow of the CGUs at the end of the fifth year with a constant growth rate.

The key assumptions for value-in-use include the management's expectation of revenue growth beyond the budget year and operating costs, drawing from past experience and current assessment of the market and industry growth as well as the maximum capacity available. The pre-tax discount rate used ranges from 6.69% to 8.19% (2012: 6.43%) per annum.

(c) Estimated Useful Lives of Property, Plant and Equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(d) Income Taxes

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

(e) Deferred Tax Assets

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

(f) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consultations with legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business.

(g) Allowance for Receivables

The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables. This is determined based on the ageing profile and collection patterns.

(h) Allowance for Slow Moving Inventories

The Group makes allowance for slow moving inventories based on an assessment of the recoverability of the inventories through sales and recycling for alternative uses. Allowance is applied to inventories where events or changes in circumstances indicate that the costs may not be recoverable.

The identification of slow moving inventories requires use of judgement and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and slow moving inventories expenses in the period in which such estimate is changed.

(i) Impairment of Investments in Subsidiary Companies

The Company holds unquoted shares in subsidiary companies that are not traded in an active market. The Company used pre-tax cash flow projections based on one-year financial budget approved by the directors and a financial forecast covering the subsequent four years period. The terminal value is calculated based on the projected cash flow of the CGUs at the end of the fifth year with a constant growth rate. The cash flow projections were discounted at a pre-tax discount rate ranging from 6.69% to 8.19% (2012: 6.43%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. SEGMENT INFORMATION

The segment reporting is presented in a manner which is consistent with internal reporting provided to the senior management.

Business segment

The Group operates within one industry, i.e., in the manufacturing of semiconductor devices and other related services; as such, information by business segment on the Group's operations is not presented.

Geographical segment

The Group's operations are located in Malaysia, United Kingdom, People's Republic of China, Indonesia and United States of America.

Information reported to the senior management for the purposes of resource allocation and assessment of performance focuses on the business operations of the Group in three geographical areas comprising Asia, Europe and United States of America.

Segment revenue from external customers is based on the country in which the customer is located whereas the total carrying amount of assets, liabilities and capital expenditure is allocated based on the location of the assets.

Unallocated assets include items that cannot be reasonably allocated to an individual segment.

Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one period.

THE GROUP	ASIA 2013 RM'000	ASIA 2012 RM'000	EUROPE 2013 RM'000	EUROPE 2012 RM'000	UNITED STATES OF AMERICA 2013 RM'000	UNITED STATES OF AMERICA 2012 RM'000	CONSOLIDATED 2013 RM'000	CONSOLIDATED 2012 RM'000
Geographical segments by location of assets								
Statement of Profit or Loss								
Revenue								
External sales	**952,607**	1,065,991	**11,277**	10,590	**26,670**	15,367	**990,554**	1,091,948
Results								
Segment results	**(64,167)**	(1,771)	**(10,944)**	(9,035)	**2,279**	(1,741)	**(72,832)**	(12,547)
Finance costs	**(21,435)**	(22,427)	**(168)**	(191)	**(652)**	(408)	**(22,255)**	(23,026)
Investment income	**296**	141	**-**	-	**-**	-	**296**	141
(Loss)/Profit before tax	**(85,306)**	(24,057)	**(11,112)**	(9,226)	**1,627**	(2,149)	**(94,791)**	(35,432)
Taxation	**(14,443)**	2,140	**-**	-	**(55)**	-	**(14,498)**	2,140
(Loss)/Profit for the year	**(99,749)**	(21,917)	**(11,112)**	(9,226)	**1,572**	(2,149)	**(109,289)**	(33,292)
Statement of Financial Position								
Assets								
Segment assets	**1,531,422**	1,724,196	**18,264**	29,261	**23,129**	24,723	**1,572,815**	1,778,180
Liabilities								
Segment liabilities	**590,885**	716,475	**3,587**	5,013	**10,205**	17,217	**604,677**	738,705

4. SEGMENT INFORMATION (CONT'D)

Geographical segment (Cont'd)

THE GROUP	ASIA 2013 RM'000	ASIA 2012 RM'000	EUROPE 2013 RM'000	EUROPE 2012 RM'000	UNITED STATES OF AMERICA 2013 RM'000	UNITED STATES OF AMERICA 2012 RM'000	CONSOLIDATED 2013 RM'000	CONSOLIDATED 2012 RM'000
Geographical segments by location of assets								
Other information								
Additions of property, plant and equipment	**36,606**	125,570	**74**	625	**920**	12,193	**37,600**	138,388
Depreciation of property, plant and equipment	**156,560**	155,772	**2,112**	2,703	**4,527**	3,363	**163,199**	161,838
Impairment losses on goodwill	**66,813**	-	**-**	-	**-**	-	**66,813**	-
Impairment losses on property, plant and equipment	**7,192**	12,299	**6,440**	1,082	**-**	-	**13,632**	13,381
Retrenchment costs	**13,542**	6,983	**2,372**	861	**-**	-	**15,914**	7,844
Allowance for slow moving inventories	**2,978**	4,539	**-**	582	**-**	-	**2,978**	5,121
Amortisation of intangible assets	**2,347**	2,406	**-**	-	**-**	-	**2,347**	2,406
Impairment losses on intangible assets	**-**	1,344	**-**	-	**-**	-	**-**	1,344
Amortisation of deferred income	**171**	163	**-**	260	**-**	-	**171**	423
Gain on disposal of property, plant and equipment	**1,048**	464	**868**	-	**-**	-	**1,916**	464
Amortisation of prepaid interest in leased land	**467**	458	**-**	-	**-**	-	**467**	458
(Write back of)/Allowance for doubtful debts	**(24)**	694	**-**	137	**-**	-	**(24)**	831
Bad debts written off	**22**	84	**-**	29	**-**	-	**22**	113

Revenue from sales to external customers by location of customers:

	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000
United States of America	**630,153**	644,933
Europe	**183,846**	233,164
Asia	**176,419**	212,498
Others	**136**	1,353
	990,554	1,091,948

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. OTHER GAINS/(LOSSES), OTHER OPERATING INCOME/(EXPENSES) AND EMPLOYEE BENEFITS EXPENSES

Included in other gains/(losses) and other operating income/(expenses) are the following:

		THE GROUP		THE COMPANY	
	NOTE	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Foreign exchange:					
Realised gain/(loss)		5,782	(2,297)	5,076	(2,569)
Unrealised gain/(loss)		255	7,691	(5,961)	5,312
Gain on disposal of property, plant and equipment		1,916	464	453	260
Rental income		1,230	1,023	1,630	1,423
Amortisation of deferred income	24	171	423	-	-
Grant income received		123	479	-	-
Write back of/(Allowance for) doubtful debts	17	24	(831)	24	(200)
Research and development expenses		(7,025)	(6,558)	(3,527)	(3,512)
Allowance for slow moving inventories		(2,978)	(5,121)	(1,593)	(3,290)
Amortisation of intangible assets	15	(2,347)	(2,406)	-	-
Rental of premises		(1,976)	(2,069)	(336)	(563)
Rental of equipment		(961)	(1,501)	-	-
Fees paid/payable to external auditors:					
Statutory audit:					
Current year		(766)	(780)	(250)	(250)
Previous years		17	-	-	-
Others		(7)	(7)	(7)	(7)
Property, plant and equipment written off		(195)	(10)	(17)	(10)
Bad debts written off		(22)	(113)	(22)	-
Impairment losses on intangible assets	15	-	(1,344)	-	-
Management fees	18	-	-	576	576

Included in employee benefits expenses of the Group and of the Company are the following charges:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Equity-settled share-based payments	867	988	497	638
Defined benefit plans	(3,056)	2,378	-	-
Defined contribution plans	15,133	13,906	7,639	7,904
Retrenchment costs	15,914	7,844	-	-

6. DIRECTORS' REMUNERATION

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors of the Company				
Executive:				
Fees	**580**	466	**580**	466
Other emoluments	**6,680**	5,423	**6,680**	5,423
Defined contribution plans	**798**	650	**798**	650
Equity-settled share-based payments	**382**	382	**382**	382
	8,440	6,921	**8,440**	6,921
Non-executive fees	**775**	660	**775**	660
	9,215	7,581	**9,215**	7,581
Directors of subsidiaries				
Executive:				
Other emoluments	**2,738**	3,162	**-**	-
Defined contribution plans	**20**	171	**-**	-
Equity-settled share-based payments	**17**	53	**-**	-
	2,775	3,386	**-**	-
	11,990	10,967	**9,215**	7,581

The estimated monetary value of benefits-in-kind received and receivable by the directors other than in cash from the Group and the Company amounted to approximately RM99,000 (2012: RM207,000).

Directors' other emoluments of the Group include an amount of RM148,000 (2012: RM202,000) for termination payment to an ex-director.

7. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest on:				
Term loans	**10,091**	11,613	**803**	1,257
Revolving credit	**6,542**	6,117	**5,836**	5,981
Finance leases	**929**	566	**139**	7
Bank overdrafts	**549**	2,261	**112**	1,891
Foreign currency trust receipts	**474**	175	**474**	175
Bankers' acceptances	**24**	92	**24**	92
Advances from a subsidiary	**-**	-	**662**	847
Bank charges and commissions	**2,770**	1,435	**276**	290
Commitment fees	**615**	448	**615**	448
Loan and facility arrangement fees	**261**	319	**218**	276
	22,255	23,026	**9,159**	11,264

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. INTEREST INCOME

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income from:				
Short-term deposits	**296**	141	**57**	1
Advances to a subsidiary	**-**	-	**857**	642
	296	141	**914**	643

9. TAXATION

(a) Taxation recognised in profit or loss

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Tax expense comprises:				
Current tax in respect of the current year:				
Malaysian	**(4,079)**	(2,334)	**(4,079)**	(2,334)
Foreign	**(764)**	(858)	**-**	-
Deferred tax relating to origination and reversal of temporary differences	**(11,997)**	5,859	**-**	-
Adjustments recognised in the current year in relation to the taxes of prior years:				
- income tax	**2,342**	(527)	**1,743**	(16)
Total tax (expense)/income	**(14,498)**	2,140	**(2,336)**	(2,350)

Malaysian income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Malaysian Budget 2014 announced on October 25, 2013 the reduction of corporate income tax rate from 25% to 24% with effect from year of assessment 2016. Following this, the applicable tax rate to be used for the measurement of any applicable deferred tax will be the abovementioned expected rate.

9. TAXATION (CONT'D)

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

The tax expense for the year can be reconciled to the accounting loss as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Loss before tax	**(94,791)**	(35,432)	**(46,718)**	(5,838)
Tax credit calculated using the Malaysian statutory income tax rate of 25% (2012: 25%)	**23,698**	8,858	**11,680**	1,459
Different tax rates of subsidiaries operating in other jurisdictions	**366**	(259)	**-**	-
Tax effects of:				
Unabsorbed reinvestment allowances not recognised as deferred tax assets	**4,570**	-	**4,570**	-
Income that is exempted from taxation	**1,102**	5,536	**633**	1,679
Expenses that are not deductible in determining taxable profit	**(26,900)**	(11,729)	**(20,962)**	(7,623)
(Reversal of tax benefits previously recognised as deferred tax assets)/ Recognition of tax benefits	**(14,155)**	1,256	**-**	2,151
Unabsorbed capital allowances and unutilised losses not recognised as deferred tax assets	**(5,521)**	(1,441)	**-**	-
Reduction in income tax rate	**-**	1,180	**-**	-
Temporary differences of property, plant and equipment	**-**	(734)	**-**	-
	(16,840)	2,667	**(4,079)**	(2,334)
Adjustments recognised in the current year in relation to the taxes of prior years:				
- income tax	**2,342**	(527)	**1,743**	(16)
Taxation recognised in the statements of profit or loss	**(14,498)**	2,140	**(2,336)**	(2,350)

(b) Tax Recoverable and Provision for Taxation

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. TAXATION (CONT'D)

(c) Deferred Tax Balances

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

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets	**2,861**	14,582	**616**	616

Deferred tax assets/(liabilities) arose from the following:

THE GROUP 2013	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets				
Unutilised reinvestment allowances and investment tax allowances	77,680	(12,021)	-	**65,659**
Unabsorbed capital allowances and unutilised tax losses	28,272	(8,007)	736	**21,001**
Retirement benefits	5,128	(1,030)	328	**4,426**
Provisions	433	426	57	**916**
	111,513	(20,632)	1,121	**92,002**
Deferred tax liabilities				
Property, plant and equipment	(96,931)	8,635	(845)	**(89,141)**
	14,582	(11,997)	276	**2,861**

THE GROUP 2012	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets				
Unutilised reinvestment allowances and investment tax allowances	81,399	(3,719)	-	77,680
Unabsorbed capital allowances and unutilised tax losses	23,865	4,703	(296)	28,272
Retirement benefits	5,028	284	(184)	5,128
Provisions	2,625	(2,122)	(70)	433
	112,917	(854)	(550)	111,513
Deferred tax liabilities				
Property, plant and equipment	(104,134)	6,713	490	(96,931)
	8,783	5,859	(60)	14,582

9. TAXATION (CONT'D)

(c) Deferred Tax Balances (Cont'd)

THE COMPANY 2013	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets				
Unutilised reinvestment allowances	73,679	(8,020)	-	**65,659**
Deferred tax liabilities				
Property, plant and equipment	(73,063)	8,020	-	**(65,043)**
	616	-	-	**616**

THE COMPANY 2012	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets				
Unutilised reinvestment allowances	76,375	(2,696)	-	73,679
Unabsorbed capital allowances and unutilised tax losses	2,310	(2,310)	-	-
	78,685	(5,006)	-	73,679
Deferred tax liabilities				
Property, plant and equipment	(78,069)	5,006	-	(73,063)
	616	-	-	616

Subject to agreement by the respective tax jurisdictions, the components of deferred tax assets of the Group and of the Company not recognised at the end of the reporting period are as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets:				
Reinvestment allowances	**63,527**	68,180	**63,527**	68,180
Unabsorbed capital allowances and unutilised tax losses	**47,580**	43,585	**-**	-
Unutilised investment tax allowances	**116,644**	22,535	**-**	-
	227,751	134,300	**63,527**	68,180

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. TAXATION (CONT'D)

(c) Deferred Tax Balances (Cont'd)

The unutilised tax losses, which are not recognised in the financial statements do not expire under the current tax legislations, except for one of the indirect foreign subsidiaries' tax losses, which will expire as follows:

	THE GROUP	
	2013 RM'000	2012 RM'000
Tax losses expiring:		
Within 2 years	-	-
Within 3 years	-	-
Within 4 years	-	-
Within 5 years	72	-
More than 5 years	10,223	25,871
	10,295	25,871

10. LOSS PER SHARE

	THE GROUP	
	2013	2012
Basic and Diluted		
Loss for the year attributable to owners of the Company (RM'000)	(105,368)	(32,306)
Number of ordinary shares in issue as of January 1	674,229,633	674,161,383
Issue of shares - exercise of Warrants	-	39,813
Weighted average number of ordinary shares in issue	674,229,633	674,201,196
Basic and diluted loss per ordinary share (sen)	(15.63)	(4.79)

The diluted loss per share have not been presented as the average market price of the ordinary shares of the Company is lower than the exercise price for the conversion of the Warrants or ESOS to ordinary shares. The effect would be anti-dilutive to the loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in 2013 consist of the following:

THE GROUP 2013	COST AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
Freehold land	4,968	-	369	-	-	-	5,337
Buildings	312,781	1,686	19,774	(1,230)	-	-	333,011
Plant and machinery	2,600,455	22,533	93,626	(104,290)	-	17,592	2,629,916
Electrical installation	15,195	73	-	-	-	-	15,268
Office equipment	57,991	1,051	2,200	(758)	(3,251)	13,120	70,353
Air-conditioners	10,836	133	395	-	-	-	11,364
Motor vehicles	5,388	263	87	(872)	-	-	4,866
Furniture and fittings	13,878	361	667	(363)	(434)	-	14,109
Production support equipment	44,435	57	4,394	-	-	897	49,783
Capital work-in-progress	27,036	11,443	1,567	-	-	(31,609)	8,437
Total	3,092,963	37,600	123,079	(107,513)	(3,685)	-	3,142,444

THE GROUP 2013	ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	IMPAIRMENT LOSS FOR THE YEAR RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	AT END OF YEAR RM'000
Freehold land	-	-	-	-	-	-	-
Buildings	102,811	8,640	3,595	7,008	(1,230)	-	120,824
Plant and machinery	1,633,225	143,770	10,037	49,068	(101,564)	-	1,734,536
Electrical installation	12,837	631	-	-	-	-	13,468
Office equipment	40,727	3,705	-	1,714	(769)	(3,091)	42,286
Air-conditioners	7,864	676	-	251	-	-	8,791
Motor vehicles	3,463	400	-	70	(859)	-	3,074
Furniture and fittings	11,822	578	-	615	(365)	(399)	12,251
Production support equipment	7,507	4,799	-	966	-	-	13,272
Capital work-in-progress	-	-	-	-	-	-	-
Total	1,820,256	163,199	13,632	59,692	(104,787)	(3,490)	1,948,502

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

THE GROUP 2012	COST						
	AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
Freehold land	4,954	-	14	-	-	-	4,968
Buildings	270,522	2,469	(5,442)	(381)	-	45,613	312,781
Plant and machinery	2,570,924	81,436	(30,701)	(66,445)	(56)	45,297	2,600,455
Electrical installation	14,331	864	-	-	-	-	15,195
Office equipment	57,996	1,391	(855)	(222)	(319)	-	57,991
Air-conditioners	10,604	329	(97)	-	-	-	10,836
Motor vehicles	5,474	3	(48)	(41)	-	-	5,388
Furniture and fittings	13,803	556	(279)	(159)	(43)	-	13,878
Production support equipment	31,586	97	(735)	-	-	13,487	44,435
Capital work-in-progress	81,691	51,243	(1,501)	-	-	(104,397)	27,036
Total	3,061,885	138,388	(39,644)	(67,248)	(418)	-	3,092,963

THE GROUP 2012	ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
	AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	IMPAIRMENT LOSS FOR THE YEAR RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	AT END OF YEAR RM'000
Freehold land	-	-	-	-	-	-	-
Buildings	98,900	7,086	-	(2,794)	(381)	-	102,811
Plant and machinery	1,554,233	145,436	13,381	(16,705)	(63,064)	(56)	1,633,225
Electrical installation	12,204	633	-	-	-	-	12,837
Office equipment	38,412	3,527	-	(682)	(215)	(315)	40,727
Air-conditioners	7,152	759	-	(47)	-	-	7,864
Motor vehicles	3,296	227	-	(46)	(14)	-	3,463
Furniture and fittings	11,675	600	-	(257)	(159)	(37)	11,822
Production support equipment	4,016	3,570	-	(79)	-	-	7,507
Capital work-in-progress	-	-	-	-	-	-	-
Total	1,729,888	161,838	13,381	(20,610)	(63,833)	(408)	1,820,256

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

THE COMPANY 2013	COST: AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
Buildings	92,784	97	-	-	-	92,881
Plant and machinery	1,349,442	16,570	(22,636)	-	-	1,343,376
Electrical installation	14,941	73	-	-	-	15,014
Office equipment	27,980	896	(4)	(554)	13,120	41,438
Air-conditioners	7,034	133	-	-	-	7,167
Motor vehicles	3,597	-	-	-	-	3,597
Furniture and fittings	4,632	202	(8)	-	-	4,826
Capital work-in-progress	15,228	176	-	-	(13,120)	2,284
Total	1,515,638	18,147	(22,648)	(554)	-	1,510,583

THE COMPANY 2013	ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES: AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	IMPAIRMENT LOSS FOR THE YEAR RM'000	DISPOSALS RM'000	WRITE OFF RM'000	AT END OF YEAR RM'000
Buildings	18,455	1,857	-	-	-	20,312
Plant and machinery	950,284	60,617	4,835	(19,911)	-	995,825
Electrical installation	11,805	606	-	-	-	12,411
Office equipment	16,760	2,436	-	(1)	(537)	18,658
Air-conditioners	5,634	319	-	-	-	5,953
Motor vehicles	1,613	390	-	-	-	2,003
Furniture and fittings	3,746	244	-	(8)	-	3,982
Capital work-in-progress	-	-	-	-	-	-
Total	1,008,297	66,469	4,835	(19,920)	(537)	1,059,144

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

THE COMPANY 2012	COST: AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
Buildings	82,534	1,599	-	-	8,651	92,784
Plant and machinery	1,341,121	58,620	(50,243)	(56)	-	1,349,442
Electrical installation	14,077	864	-	-	-	14,941
Office equipment	27,119	1,193	(13)	(319)	-	27,980
Air-conditioners	6,705	329	-	-	-	7,034
Motor vehicles	3,594	3	-	-	-	3,597
Furniture and fittings	4,562	113	-	(43)	-	4,632
Capital work-in-progress	21,095	2,784	-	-	(8,651)	15,228
Total	1,500,807	65,505	(50,256)	(418)	-	1,515,638

THE COMPANY 2012	ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES: AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	IMPAIRMENT LOSS FOR THE YEAR RM'000	DISPOSALS RM'000	WRITE OFF RM'000	AT END OF YEAR RM'000
Buildings	16,704	1,751	-	-	-	18,455
Plant and machinery	923,003	66,544	9,959	(49,166)	(56)	950,284
Electrical installation	11,197	608	-	-	-	11,805
Office equipment	15,002	2,083	-	(10)	(315)	16,760
Air-conditioners	5,216	418	-	-	-	5,634
Motor vehicles	1,414	199	-	-	-	1,613
Furniture and fittings	3,541	242	-	-	(37)	3,746
Capital work-in-progress	-	-	-	-	-	-
Total	976,077	71,845	9,959	(49,176)	(408)	1,008,297

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

THE GROUP	NET BOOK VALUE 2013 RM'000	2012 RM'000
Freehold land	**5,337**	4,968
Buildings	**212,187**	209,970
Plant and machinery	**895,380**	967,230
Electrical installation	**1,800**	2,358
Office equipment	**28,067**	17,264
Air-conditioners	**2,573**	2,972
Motor vehicles	**1,792**	1,925
Furniture and fittings	**1,858**	2,056
Production support equipment	**36,511**	36,928
Capital work-in-progress	**8,437**	27,036
Total	**1,193,942**	1,272,707
THE COMPANY		
Buildings	**72,569**	74,329
Plant and machinery	**347,551**	399,158
Electrical installation	**2,603**	3,136
Office equipment	**22,780**	11,220
Air-conditioners	**1,214**	1,400
Motor vehicles	**1,594**	1,984
Furniture and fittings	**844**	886
Capital work-in-progress	**2,284**	15,228
Total	**451,439**	507,341

Property, plant and equipment of a foreign incorporated subsidiary with total carrying amount of approximately RM491,573,000 (2012: RM471,601,000) is charged by way of a fixed and floating debenture to two foreign banks for term loan facilities granted to the subsidiary as disclosed in Note 22.

Included under property, plant and equipment are plant and machinery acquired under finance lease obligations:

	THE GROUP 2013 RM'000	2012 RM'000	THE COMPANY 2013 RM'000	2012 RM'000
Cost	**20,198**	22,282	**5,495**	5,495
Net book value	**11,566**	18,036	**5,001**	5,495

In view of the changing and competitive business environment, the Group and the Company decided to discontinue certain product lines and reassessed the recoverable amount of the plant and machinery during the financial year, resulting in impairment losses of RM7,192,000 (2012: RM13,381,000) and RM4,835,000 (2012: RM9,959,000) respectively being recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Additional impairment losses of RM6,440,000 (2012: Nil) have been recognised in respect of property, plant and equipment of the Group in the financial year which is attributable to cessation of business operations of a subsidiary.

12. PREPAID INTEREST IN LEASED LAND

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At cost:				
At beginning of year	24,899	25,300	4,354	4,354
Translation reserve	1,215	(401)	-	-
At end of year	26,114	24,899	4,354	4,354
Less: Amortisation				
At beginning of year	5,870	5,560	616	572
Charge for the year	467	458	44	44
Translation reserve	369	(148)	-	-
At end of year	6,706	5,870	660	616
Net	19,408	19,029	3,694	3,738

13. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost		
At beginning of year	657,752	657,348
Additions	386	404
At end of year	658,138	657,752
Accumulated impairment losses		
At beginning of year	104,632	89,871
Charge for the year	59,590	14,761
At end of year	164,222	104,632
Net	493,916	553,120

The additions during the financial year relate to share options granted to the executive staff of subsidiaries.

During the financial year, the Company impaired its investments in Unisem (Europe) Holdings Limited and Unisem (Mauritius) Holdings Limited by RM15,197,000 (2012: RM14,761,000) and RM44,393,000 (2012: Nil) due to shortfall in the recoverable amounts when compared to their carrying value.

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

NAME OF COMPANIES	PLACE OF INCORPORATION	PROPORTION OF OWNERSHIP INTEREST 2013 %	2012 %	PRINCIPAL ACTIVITIES
Direct subsidiaries				
Unisem (Ipoh) Sdn. Bhd. #	Malaysia	**100.00**	100.00	Pre-operating.
Unisem Advanced Technologies Sdn. Bhd.	Malaysia	**81.98**	81.98	Wafer bumping and packaging and testing of semiconductor devices and other related services.
Unisem (Europe) Holdings Limited ^	England and Wales	**100.00**	100.00	Investment holding.
Unisem Chengdu Co., Ltd.	People's Republic of China	**100.00**	100.00	Packaging and testing of semiconductor devices.
Unisem (Mauritius) Holdings Limited	Republic of Mauritius	**99.98**	99.98	Investment holding and the provision of management services.
Unisem Chengdu International Import & Export Co., Ltd.^ #	People's Republic of China	**100.00**	100.00	Marketing of semiconductor devices and provision of related services.
Indirect subsidiaries				
Subsidiary of Unisem (Europe) Holdings Limited:				
Unisem (Europe) Limited ^	England and Wales	**100.00**	100.00	Ceased sub-contract assembly and test solutions activities in December 2013.
Subsidiary of Unisem (Mauritius) Holdings Limited:				
PT. Unisem	Indonesia	**99.98**	99.98	Provision of assembly and test services.
Unisem International (Hong Kong) Limited ^	Hong Kong	**99.98**	99.98	Contracting entity for the provision of assembly and test services.
Unisem GmbH @	Germany	**99.98**	99.98	Marketing and administrative services.
Unisem (S) Pte. Ltd.	Singapore	**99.98**	99.98	Marketing, administrative and other support services.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

NAME OF COMPANIES	PLACE OF INCORPORATION	PROPORTION OF OWNERSHIP INTEREST 2013 %	2012 %	PRINCIPAL ACTIVITIES
Indirect subsidiaries (Cont'd)				
Subsidiary of Unisem (Mauritius) Holdings Limited (Cont'd):				
Unisem (Sunnyvale), Inc. @	United States of America	**99.98**	99.98	Marketing and other support services.
Unisem Test (Sunnyvale), Inc. @	United States of America	**99.98**	99.98	Provision of test services.

\# Dormant during the financial year.
^ The financial statements of these companies were examined by auditors other than the auditors of the Company.
@ No statutory audit required.

The accumulated non-controlling interest as of December 31, 2013 of RM7,616,000 (2012: RM11,528,000) is attributable to Unisem Advanced Technologies Sdn. Bhd. and is considered not material to the Group.

14. GOODWILL

	THE GROUP 2013 RM'000	2012 RM'000
Cost		
At beginning of year	**120,054**	122,167
Translation reserve	**1,707**	(2,113)
At end of year	**121,761**	120,054
Accumulated impairment losses		
At beginning of year	**(54,948)**	(54,948)
Charged for the year	**(66,813)**	-
At end of year	**(121,761)**	(54,948)
Net	**-**	65,106

The goodwill has been allocated to the assembly and test operations and related sales and administrative functions of PT. Unisem for impairment testing purposes. During the financial year, the goodwill was fully impaired due to the shortfall in the recoverable amount when compared to its carrying value.

15. INTANGIBLE ASSETS

THE GROUP	LICENSE FEES AND INTELLECTUAL PROPERTY RIGHT RM'000	TECH-TRANSFER SUPPORT FEES RM'000	CAPITALISED DEVELOPMENT EXPENSES RM'000	TOTAL RM'000
Cost				
As of January 1, 2012	22,059	21,149	1,366	44,574
Additions	-	-	17	17
Translation reserve	(179)	(575)	(50)	(804)
As of December 31, 2012	21,880	20,574	1,333	43,787
Additions	18	-	-	18
Translation reserve	333	1,104	96	1,533
As of December 31, 2013	**22,231**	**21,678**	**1,429**	**45,338**
Accumulated amortisation and impairment losses				
As of January 1, 2012	10,370	17,670	-	28,040
Charge for the year	1,867	539	-	2,406
Impairment losses for the year	-	-	1,344	1,344
Translation reserve	(182)	(575)	(11)	(768)
As of December 31, 2012	12,055	17,634	1,333	31,022
Charge for the year	1,812	535	-	2,347
Translation reserve	333	1,104	96	1,533
As of December 31, 2013	**14,200**	**19,273**	**1,429**	**34,902**
Carrying amounts				
As of December 31, 2012	9,825	2,940	-	12,765
As of December 31, 2013	**8,031**	**2,405**	**-**	**10,436**

The amortisation and impairment expenses have been included in "other operating expenses" in the statements of profit or loss.

The intangible assets comprise mainly license fees and tech-transfer support fees incurred to acquire and bring to use specific technology capabilities relating to the bumping and packaging of semiconductor devices. The carrying amounts of these licence fees and tech-transfer support fees will be fully amortised in 5 years (2012: 6 years).

Capitalised development expenses of the Group represent development expenditure on packages and have been fully impaired in 2012 as the Group has decided to discontinue further development of these packages.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. INVENTORIES

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At cost:				
Raw materials	**52,600**	72,305	**20,211**	33,202
Factory supplies	**39,714**	48,534	**26,935**	31,354
Work-in-progress	**12,123**	17,927	**5,667**	12,354
Finished goods	**3,368**	3,651	**1,218**	1,074
Goods-in-transit	**26**	-	**-**	-
	107,831	142,417	**54,031**	77,984
Less: Allowance for slow-moving inventories:				
At beginning of year	**(7,619)**	(2,503)	**(3,290)**	-
Additions	**(2,978)**	(5,213)	**(1,593)**	(3,290)
Write back	**-**	92	**-**	-
Write off	**6,568**	-	**2,733**	-
Translation reserve	**(113)**	5	**-**	-
At end of year	**(4,142)**	(7,619)	**(2,150)**	(3,290)
	103,689	134,798	**51,881**	74,694

The costs of inventories of the Group and of the Company recognised as an expense during the year were approximately RM942,501,000 (2012: RM1,042,769,000) and RM391,029,000 (2012: RM459,065,000) respectively.

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

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables	**131,886**	167,171	**53,689**	88,020
Less: Allowance for doubtful debts				
At beginning of year	**(834)**	-	**(200)**	-
Additions	**-**	(831)	**-**	(200)
No longer required	**24**	-	**24**	-
Write off	**138**	-	**-**	-
Translation reserve	**(50)**	(3)	**-**	-
At end of year	**(722)**	(834)	**(176)**	(200)
	131,164	166,337	**53,513**	87,820

Trade receivables comprise amounts receivable for sales of goods and services rendered. The credit terms granted range from 30 to 60 days (2012: 30 to 60 days).

One of the indirect foreign subsidiaries has overdraft and revolving credit facilities with a foreign bank which are secured by a floating charge over the indirect subsidiary's trade receivables of RM81,000 (2012: RM32,559,000) as disclosed in Note 22.

17. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

The trade receivables of the Group and of the Company are denominated in US Dollar.

Other receivables, deposits and prepaid expenses consist of:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other receivables	**3,029**	3,873	**894**	384
Deposits	**3,396**	3,303	**372**	369
Prepaid expenses	**3,112**	5,415	**380**	1,486
	9,537	12,591	**1,646**	2,239

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

Transactions with related parties are disclosed in Note 18.

The currency profile of other receivables of the Group is as follows:

	THE GROUP	
	2013 RM'000	2012 RM'000
Chinese Renminbi	**1,473**	2,066
Ringgit Malaysia	**1,345**	562
US Dollar	**174**	970
Singapore Dollar	**30**	142
British Pound	**-**	104
Others	**7**	29
	3,029	3,873

The other receivables of the Company are entirely denominated in Ringgit Malaysia.

18. AMOUNT OWING BY/(TO) SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

The amounts owing by/(to) subsidiaries are interest free except as follows:

a) An amount owing to a subsidiary amounting to approximately Nil (2012: RM15,290,000) which bears interest at 5.50% (2012: 5.50%) per annum; and

b) An amount owing by a subsidiary amounting to approximately RM15,364,000 (2012: RM9,955,000) which bears interest at 6.70% (2012: 6.70%) per annum.

The amount owing by subsidiaries is expected to be repaid within 12 months and is entirely denominated in Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. AMOUNT OWING BY/(TO) SUBSIDIARIES AND RELATED PARTY TRANSACTIONS (CONT'D)

The currency profile of amount owing to subsidiaries of the Company is as follows:

	2013 RM'000	2012 RM'000
US Dollar	**11,230**	33,603
Singapore Dollar	**692**	-
Euro	**334**	-
	12,256	33,603

The amount owing to subsidiaries is expected to be repaid within 12 months.

Other than as disclosed elsewhere in the financial statements, the related parties and their relationship with the Company and its subsidiaries are as follows:

Names Of Related Parties	Relationship
Adnan Sundra & Low	- A firm of advocates and solicitors in which a director of the Company is a partner.
FlipChip International, LLC Advanpack Solutions Pte. Ltd.	- Shareholders of Unisem Advanced Technologies Sdn. Bhd.

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

	THE COMPANY	
	2013 RM'000	2012 RM'000
Subsidiaries		
Marketing support fees paid/payable	**3,158**	3,823
Other marketing support fees paid/payable	**2,657**	-
Purchase of property, plant and equipment	**1,370**	2,572
Marketing support fees received/receivable	**97**	75
Interest received/receivable	**857**	642
Disposal of property, plant and equipment	**711**	872
Interest paid/payable	**662**	847
Management fees received/receivable	**576**	576
Rental income	**400**	400

During the financial year, transactions with related parties that are not members of the Group are as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Legal fee	**1**	-	**1**	-
Royalty	**26**	23	**-**	-

18. AMOUNT OWING BY/(TO) SUBSIDIARIES AND RELATED PARTY TRANSACTIONS (CONT'D)

The outstanding balances as at the end of the reporting period are as follows:

	THE GROUP	
	2013 RM'000	2012 RM'000
Related parties		
Included in other payables	**322**	322

Compensation of key management personnel

The remuneration of directors is disclosed in Note 6. The remuneration of other members of key management during the year is as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Equity-settled share-based payments	**212**	289	**119**	199
Short-term benefit	**4,633**	4,393	**1,868**	1,640
Post-employment benefit	**35**	28	**-**	-
	4,880	4,710	**1,987**	1,839

19. CASH AND BANK BALANCES

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term deposits with licensed banks	**28,904**	18,504	**19,000**	-
Cash on hand and at banks	**66,980**	54,501	**22,542**	25,758
	95,884	73,005	**41,542**	25,758

The currency profile of short-term deposits and cash and bank balances is as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
US Dollar	**72,766**	68,989	**21,477**	25,587
Ringgit Malaysia	**20,386**	357	**20,058**	163
Chinese Renminbi	**1,527**	2,444	**-**	-
Singapore Dollar	**619**	710	**-**	1
British Pound	**407**	290	**2**	2
Indonesian Rupiah	**115**	109	**-**	-
Euro	**63**	99	**4**	4
Others	**1**	7	**1**	1
	95,884	73,005	**41,542**	25,758

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. CASH AND BANK BALANCES (CONT'D)

The average effective interest rates per annum are as follows:

Short-term deposits	2013 %	2012 %
The Group	**0.53 - 2.40**	0.40 - 2.40
The Company	**2.40**	2.40

The average maturities of deposits as at the end of the reporting period are as follows:

Short-term deposits (days)	2013	2012
The Group	**1 - 30**	1 - 11
The Company	**1**	1

(a) Additions to property, plant and equipment

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

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Additions during the year	**37,600**	138,388	**18,147**	65,505
Finance lease obligations	**-**	(17,207)	**-**	(5,502)
Outstanding balances	**(18,060)**	(34,699)	**(7,710)**	(27,557)
Cash payment in respect of additions in:				
Current year	**19,540**	86,482	**10,437**	32,446
Prior year	**43,236**	35,288	**28,543**	20,876
	62,776	121,770	**38,980**	53,322

(b) Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include short-term deposits, cash on hand and at banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term deposits	**28,904**	18,504	**19,000**	-
Cash on hand and at banks	**66,980**	54,501	**22,542**	25,758
Bank overdrafts	**(26,390)**	(26,615)	**(12,006)**	(13,988)
	69,494	46,390	**29,536**	11,770

19. CASH AND BANK BALANCES (CONT'D)

(c) Non-cash transactions

During the current financial year, the Group and the Company entered into the following non-cash investing and financing activities which have not been reflected in the statements of cash flows:

(i) The Group and the Company acquired property, plant and equipment under finance leases of Nil (2012: RM17,207,000) and Nil (2012: RM5,502,000) respectively; and

(ii) Additional capital injections to subsidiaries of approximately RM386,000 (2012: RM404,000) as described in Note 13.

20. SHARE CAPITAL

		THE GROUP AND THE COMPANY			
	PAR VALUE RM	2013 NUMBER OF ORDINARY SHARES '000 UNITS	2012 NUMBER OF ORDINARY SHARES '000 UNITS	2013 RM'000	2012 RM'000
Authorised:					
At beginning/ end of year	0.50	**1,000,000**	1,000,000	**500,000**	500,000
Issued and fully paid:					
At beginning of year	0.50	**674,229**	674,161	**337,115**	337,081
Issuance of shares - exercise of Warrants	0.50	**-**	68	**-**	34
At end of year	0.50	**674,229**	674,229	**337,115**	337,115

21. RESERVES

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-distributable reserves:				
Share premium	**127,783**	127,783	**127,783**	127,783
Foreign currency translation reserve	**72,249**	20,971	**-**	-
Capital reserve	**16,201**	15,868	**-**	-
Equity-settled employee benefits reserve	**7,151**	6,070	**7,170**	6,080
Warrants reserve	**16,004**	16,004	**16,004**	16,004
Distributable reserve:				
Retained earnings	**384,019**	504,136	**374,991**	437,355
	623,407	690,832	**525,948**	587,222

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. RESERVES (CONT'D)

Share premium

The share premium arose from the issuance of ordinary shares.

Foreign currency translation reserve

Exchange rate differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Ringgit Malaysia are accounted for by entries made directly to the foreign currency translation reserve.

Capital reserve

Capital reserve is an account where a percentage of the retained earnings is transferred as required by the laws and regulations of the domicile country where a subsidiary company is incorporated.

Equity-settled employee benefits reserve

The equity-settled employee benefits reserve relates to share options granted to employees under the ESOS as disclosed in Note 28.

Warrants reserve

Proceeds from the issuance of Warrants, net of issue costs, are credited to Warrants reserve which is non-distributable. Warrants reserve is transferred to the share premium account upon the exercise of Warrants. Warrants reserve in relation to unexercised Warrants at the expiry of the Warrants period will be transferred to retained earnings.

Retained earnings

The Company had not previously made an irrevocable option to disregard the Section 108 tax credits under the Finance Act, 2007. Accordingly, the Company moved to a single-tier tax system upon the expiry of the transitional period on December 31, 2013. Any remaining balance of the Section 108 tax credits will be disregarded.

22. BORROWINGS

	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000	THE COMPANY 2013 RM'000	THE COMPANY 2012 RM'000
Secured:				
Term loans	139,340	213,416	-	-
Revolving credit	72,600	17,868	-	-
Bank overdrafts	14,384	12,627	-	-
Unsecured:				
Revolving credit	111,500	130,500	111,500	130,500
Term loans	52,438	75,635	36,130	52,829
Foreign currency trust receipts	21,951	34,101	21,951	34,101
Bank overdrafts	12,006	13,988	12,006	13,988
Bankers' acceptances	256	499	256	499
	424,475	498,634	181,843	231,917
Less: Amount due within 12 months (shown under current liabilities)	(268,325)	(268,954)	(166,306)	(198,230)
Non-current portion	156,150	229,680	15,537	33,687

The non-current portion is repayable as follows:

	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000	THE COMPANY 2013 RM'000	THE COMPANY 2012 RM'000
Financial years ending December 31:				
2014	-	124,714	-	19,200
2015	110,571	87,384	15,537	14,487
2016	44,123	16,227	-	-
2017	1,456	1,355	-	-
	156,150	229,680	15,537	33,687

Analysis of borrowings by currency:

THE GROUP 2013	RINGGIT MALAYSIA RM'000	US DOLLAR RM'000	TOTAL RM'000
Term loans	-	191,778	191,778
Revolving credit	111,500	72,600	184,100
Foreign currency trust receipts	-	21,951	21,951
Bank overdrafts	12,006	14,384	26,390
Bankers' acceptances	256	-	256
	123,762	300,713	424,475

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. BORROWINGS (CONT'D)

THE GROUP 2012	RINGGIT MALAYSIA RM'000	US DOLLAR RM'000	TOTAL RM'000
Term loans	-	289,051	289,051
Revolving credit	130,500	17,868	148,368
Foreign currency trust receipts	-	34,101	34,101
Bank overdrafts	13,988	12,627	26,615
Bankers' acceptances	499	-	499
	144,987	353,647	498,634
The Company 2013			
Revolving credit	**111,500**	**-**	**111,500**
Term loans	**-**	**36,130**	**36,130**
Foreign currency trust receipts	**-**	**21,951**	**21,951**
Bank overdrafts	**12,006**	**-**	**12,006**
Bankers' acceptances	**256**	**-**	**256**
	123,762	**58,081**	**181,843**
The Company 2012			
Revolving credit	130,500	-	130,500
Term loans	-	52,829	52,829
Foreign currency trust receipts	-	34,101	34,101
Bank overdrafts	13,988	-	13,988
Bankers' acceptances	499	-	499
	144,987	86,930	231,917

The Company has the following banking facilities of approximately:

i) RM98,364,000 (2012: RM91,740,000) unsecured syndicated term loan facilities with two (2012: two) local banks which are repayable over five (2012: five) years commencing from date of drawdown; and

ii) RM226,000,000 (2012: RM286,500,000) unsecured revolving credit, overdrafts, trade financing and bank guarantee facilities with six (2012: six) local banks.

The subsidiaries have the following banking facilities of approximately:

i) RM327,880,000 (2012: RM289,440,000) term loan facilities with two (2012: two) foreign banks which are secured by fixed charges over the property, plant and equipment as mentioned in Note 11 and guaranteed by the Company. The repayment periods range from three to six (2012: three to six) years commencing from the respective dates of drawdown;

ii) RM32,788,000 (2012: RM30,580,000) unsecured Islamic term loan facility with a local bank which is repayable over five (2012: five) years commencing from date of drawdown. This facility is guaranteed by the Company;

22. BORROWINGS (CONT'D)

iii) RM9,836,000 (2012: RM9,174,000) term loan facility with a foreign bank which is repayable over five (2012: five) years commencing from date of drawdown. This facility is guaranteed by the Company; and

iv) RM24,652,000 (2012: RM38,396,000) revolving credit, overdrafts, supplier financing and bank guarantee facilities with three (2012: four) foreign and local banks. Certain of these banking facilities to the extent of RM16,394,000 (2012: RM30,580,000) are secured by a floating charge over trade receivables as mentioned in Note 17 and a deed of subordination while in 2012, this amount was also secured by fixed charges over the property, plant and equipment as mentioned in Note 11. These facilities are also guaranteed by the Company and certain subsidiaries.

The term loans, revolving credit and bank overdrafts bear interest at floating rates.

The average effective interest rates are as follows:

Bank overdrafts	- 0%/1.00% per annum above bank prime rate/base lending rate
Term loans	- ranging from 1.50% to 5.40% per annum plus LIBOR
	- 4.25% per annum below bank lending term rate
Revolving credit	- ranging from 1.00% to 1.75% per annum plus cost of funds
	- 2.50% per annum plus LIBOR
	- 4.75% per annum below bank lending term rate
Supplier financing	- 5.00% per annum below bank best lending rate
Foreign currency trust receipts	- 0.50% per annum plus cost of funds
Bankers' acceptances	- 1.25% per annum plus cost of funds

23. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amounts payable under finance leases:				
Within one year	**8,290**	7,971	**7,521**	7,289
In the second to fifth year inclusive	**4,799**	10,803	**4,775**	10,699
	13,089	18,774	**12,296**	17,988
Less: Future finance charges	**(793)**	(786)	**-**	-
Present value of lease obligations	**12,296**	17,988	**12,296**	17,988
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(7,521)**	(7,289)
Amount due for settlement after 12 months			**4,775**	10,699

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. OBLIGATIONS UNDER FINANCE LEASES (CONT'D)

	THE COMPANY			
	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amounts payable under finance leases:				
Within one year	**2,216**	2,068	**2,127**	1,928
In the second to fifth year inclusive	**1,875**	3,657	**1,850**	3,552
	4,091	5,725	**3,977**	5,480
Less: Future finance charges	**(114)**	(245)	**-**	-
Present value of lease obligations	**3,977**	5,480	**3,977**	5,480
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(2,127)**	(1,928)
Amount due for settlement after 12 months			**1,850**	3,552

The average lease term ranges from 2 to 5 years (2012: 3 to 5 years). The effective borrowing rates range from 0.24% to 5.18% (2012: 0.24% to 11.47%) per annum. All leases are on a fixed repayment basis.

The finance leases of the Group and of the Company are denominated in US Dollar.

The Group's and the Company's obligations under finance leases are secured by the lessors' title to the leased assets as disclosed in Note 11.

24. DEFERRED INCOME

	THE GROUP	
	2013 RM'000	2012 RM'000
At beginning of year	**7,158**	7,771
Amortisation	**(171)**	(423)
Translation reserve	**733**	(190)
At end of year	**7,720**	7,158

The deferred income relates to government grants, primarily in respect of capital investments, received by an indirect and a direct foreign subsidiary.

25. RETIREMENT BENEFIT OBLIGATIONS

The Group operates an unfunded defined benefit plans for qualifying employees of its subsidiary in Indonesia. Under the plans, the employees are entitled to retirement benefits on attainment the retirement age of 55.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk and salary risk.

No other post-retirement benefits are provided to these employees.

25. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on December 31, 2013 by PT Towers Watson Purbajaga. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Amount recognised in the statements of profit or loss in respect of the retirement benefit obligations is as follows:

	THE GROUP	
	2013 RM'000	2012 RM'000
Current service costs	**(4,190)**	1,192
Interest on obligations	**1,134**	1,186
Other adjustments	**-**	(852)
	(3,056)	1,526

Movements in the present value of the retirement benefit obligations in the current year are as follows:

	THE GROUP	
	2013 RM'000	2012 RM'000
At beginning of year	**19,238**	17,625
Benefits paid	**(46)**	(213)
Remeasurement recognised in other comprehensive income	**1,106**	960
Expenses recognised in the statement of profit or loss	**(3,056)**	1,526
Translation reserve	**(897)**	(660)
At end of year	**16,345**	19,238

The currency profile of the defined benefit obligations is as follows:

	THE GROUP	
	2013 RM'000	2012 RM'000
Indonesian Rupiah	**8,686**	12,288
US Dollar	**7,659**	6,950
	16,345	19,238

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The principal assumptions used for the purposes of the actuarial valuations are as follows:

	THE GROUP	
	2013 %	2012 %
Actuarial Assumptions		
Discount rate		
US Dollar based salary	**4.50**	3.50
Indonesian Rupiah ("IDR") based salary	**9.00**	7.00
Future salary increases:		
US Dollar based salary	**4.00**	4.00
IDR based salary	**5.00**	5.00
Mortality rate:	**Indonesia Mortality Table 2011 ("TMI'2011")**	Indonesia Mortality Table 1999 ("TMI'99")
Disability rate:	**10% of TMI'2011**	10% of TMI'99
Early retirement rate:	**1% per annum for age ≥ 45 years**	1% per annum for age ≥ 45 years
Withdrawal rate:	**10% at age 25 reducing linearly to 1% at age 45 years**	10% at age 25 reducing linearly to 1% at age 45 years

Significant actuarial assumptions for the determination of the present value of the defined benefit obligations are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher/(lower), the defined benefit obligations would decrease by RM1,639,000 or (increase by RM1,875,000).

- If the expected future salary growth increases/(decreases) by 1%, the defined benefit obligations would increase by RM1,905,000 or (decrease by RM1,689,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations recognised in the statement of financial position.

The Group expects to make a contribution of RM151,000 (2012: RM133,000) during the next financial year.

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The credit term granted to the Group ranges from 30 to 60 days (2012: 30 to 90 days).

The currency profile of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
US Dollar	**55,930**	90,188	**18,283**	25,973
Ringgit Malaysia	**1,461**	2,097	**1,377**	2,090
Singapore Dollar	**1,221**	1,374	**-**	11
British Pound	**1,212**	2,762	**-**	-
Japanese Yen	**588**	801	**-**	-
Euro	**288**	45	**-**	-
Indonesian Rupiah	**31**	64	**-**	-
Chinese Renminbi	**30**	43	**-**	-
Others	**62**	183	**-**	-
	60,823	97,557	**19,660**	28,074

Other payables and accrued expenses consist of:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other payables	**42,960**	61,604	**22,162**	33,678
Accrued expenses	**36,654**	36,344	**17,451**	15,353
	79,614	97,948	**39,613**	49,031

Other payables comprise mainly outstanding balances for purchases of plant and machinery as well as indirect materials and spare parts. The amounts owing are interest-free and the credit term granted to the Group ranges from 30 to 60 days (2012: 30 to 60 days).

Transactions with related parties are disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
US Dollar	**26,776**	42,061	**11,889**	20,444
Ringgit Malaysia	**28,218**	29,083	**27,044**	27,811
Chinese Renminbi	**14,467**	14,771	**-**	-
Singapore Dollar	**5,281**	5,849	**680**	776
Indonesian Rupiah	**3,402**	4,817	**-**	-
Japanese Yen	**6**	892	**-**	-
British Pound	**1,387**	402	**-**	-
Euro	**77**	73	**-**	-
	79,614	97,948	**39,613**	49,031

27. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2013 RM'000	2012 RM'000
Final dividend paid:		
2 sen per share, tax-exempt for 2012 (2 sen per share, tax-exempt for 2011)	**13,485**	13,485

The directors have proposed a final dividend of 4% or 2 sen per share, tax-exempt, for the current financial year. The proposed final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

28. SHARE-BASED PAYMENTS

Under the Company's Executives' Share Option Scheme ("ESOS"), which has been approved at an Extraordinary General Meeting held on June 29, 2010, options to subscribe for new ordinary shares of RM0.50 each in the Company were granted to eligible executives of the Group and of the Company.

The salient features of the ESOS are as follows:

a) The objective of the ESOS is to reward, retain, instill loyalty and motivate the executives whose services are vital to the growth and development of the Group;

b) The total number of new ordinary shares to be offered under the ESOS shall not exceed ten (10) per centum of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS;

28. SHARE-BASED PAYMENTS (CONT'D)

c) The ESOS shall be in force for a period of five (5) years commencing August 10, 2010 and will expire on August 9, 2015 but may be extended for a further period of five (5) years, at the sole and absolute discretion of the Board of Directors upon recommendation by the Option Committee, provided always that the period stipulated above and such extension of the Scheme shall not in aggregate exceed a duration of ten (10) years;

d) Eligible Executives are employees of the Group (including Executive Directors of the Company and its subsidiaries) and have fulfilled any criteria as may be determined by the Option Committee;

e) Not more than fifty (50) per centum of the shares available under the ESOS would be allocated, in aggregate, to the Executive Directors and Senior Management. In addition, not more than ten (10) per centum of the shares available under the ESOS would be allocated to any individual Eligible Executive who, either singly or collectively through persons connected, holds 20% or more in the issued and paid-up share capital of the Company;

f) The price at which the option holder is entitled to subscribe for each ordinary share under the ESOS shall be set at a discount of not more than ten (10) per centum from the weighted average of the market prices of the ordinary shares of the Company as quoted on Bursa Malaysia Securities Berhad for the five (5) Market Days immediately prior to date of offer, or the par value of such share of the Company, whichever is the higher;

g) The options granted may be exercised at any time from the date of vesting to date of their expiry ('Exercise Period'); and

h) The Option Committee was appointed by the Board of Directors of the Company to administer the Scheme.

Details of the share options exercised and lapsed during the financial year are as follows:

				NO. OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH			
DATE OF GRANT	FAIR VALUE AT GRANT DATE RM	EXERCISE PRICE PER ORDINARY SHARE RM	EXPIRY DATE	BALANCE AS OF 1.1.2013 '000 UNITS	EXERCISED '000 UNITS	LAPSED '000 UNITS	BALANCE AS OF 31.12.2013 '000 UNITS
05.01.2011	0.56	2.25	09.08.2015	16,750	-	(1,050)	**15,700**
18.01.2011	0.56	2.25	09.08.2015	1,300	-	-	**1,300**
Total				18,050	-	(1,050)	**17,000**

The number of share options vested as of December 31, 2013 is 5,100,000 (2012: 5,415,000) units.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. SHARE-BASED PAYMENTS (CONT'D)

Other than the Executive Directors whose interests are disclosed separately in Directors' Interest, eligible executives who have been granted options under the ESOS are as follows:

	NO. OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH			
	BALANCE AS OF 1.1.2013 '000 UNITS	EXERCISED '000 UNITS	LAPSED '000 UNITS	BALANCE AS OF 31.12.2013 '000 UNITS
Ho Choon Seng	1,000	-	-	**1,000**
Tan Kim Heng	1,000	-	-	**1,000**
Abdesselam Belmeguenai	600	-	-	**600**
Lau Siong Cho	600	-	-	**600**
Quek Suan Hong	500	-	-	**500**
Alexander Chia Jhet-Wern	350	-	-	**350**
Andrew Douglas Hawkins	350	-	-	**350**
Chai Chan Wah	350	-	-	**350**
Chow Seong Chai	350	-	-	**350**
Gilbert Lawrence Chiu	350	-	-	**350**
Goo Swee Eng @ Goh Swee Eng	350	-	(350)	**-**
Gu KeQi	350	-	-	**350**
Hoong Cheong Wai	350	-	(350)	**-**
Khoo Chung Shin	350	-	-	**350**
Lim Siew Chin	350	-	-	**350**
Michael Hannan Mckerreghan	350	-	-	**350**
Allan Casildo Toriaga	300	-	-	**300**
Chin Hock Yee	300	-	-	**300**
Choo Wah Yeen	300	-	-	**300**
Choo Yin Chiang	300	-	-	**300**
Feng Liusheng	300	-	-	**300**
Lai Chee Chong	300	-	-	**300**
Lam Chee Fai	300	-	-	**300**
Lee Fook Fatt	300	-	-	**300**
Lee Thiam Siew	300	-	-	**300**
Lee Yee Kean	300	-	-	**300**
Liaw Teck Seong	300	-	-	**300**
Liew Kok Chuen	300	-	-	**300**
Tan Lian Siow	300	-	-	**300**
Tham Eng Huak	300	-	-	**300**
Wong Yoke Yen	300	-	-	**300**
Yip Wee Woo	300	-	-	**300**
Zhang Hong Bo	300	-	-	**300**
Mok Chee Choy	200	-	(200)	**-**
Marita Angela Erickson	200	-	-	**200**
Andrew Lee Perry	200	-	-	**200**
Tine Sopaheluwakan	150	-	(150)	**-**
Tjing Le Sien	150	-	-	**150**

The fair value of the options was determined using the "Black-Scholes" model based on the closing market price at offer date, the exercise price, expected volatility based on its historical volatility, expected dividend yield, option life and risk-free rate.

The share options outstanding at the end of the year had an exercise price of RM2.25 (2012: RM2.25), and a weighted average remaining contractual life of 586 days (2012: 951 days).

29. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

(a) Market risk

(i) Foreign currency risk management

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

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

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the Group and of the Company at the end of the reporting period are disclosed in Notes 17, 19, 22, 23, 25 and 26.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of US Dollar, Chinese Renminbi and British Pound.

For illustration purposes, the following sensitivity analysis includes the outstanding foreign currency denominated monetary items of the Group and of the Company. If the foreign currency denominated monetary items at the end of the reporting period were translated into Ringgit Malaysia with a 5.00% (2012: 5.00%) increase/decrease in the exchange rates against the following relevant foreign currencies, the effect on profit or loss (after tax) and equity will be higher/lower by approximately:

	PROFIT OR LOSS		EQUITY	
THE GROUP	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
US Dollar impact	**6,089**	11,181	**1,809**	2,546
Chinese Renminbi impact	**-**	-	**575**	515
British Pound impact	**-**	-	**110**	139
THE COMPANY				
US Dollar impact	**1,061**	2,213	**-**	-

The sensitivity rate of 5.00% represents management's assessment of the possible fluctuation in the exchange rates of the relevant foreign currencies in the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

(a) *Market risk (Cont'd)*

(ii) *Interest rate risk management*

The Group's exposure to interest rate risk relates primarily to the use of floating rate borrowings. Management is positioned to utilise interest rate swap contracts or other hedging measures to reduce the impact of interest rate fluctuations.

Interest rate sensitivity analysis

For illustration purposes, if the annual effective interest rates increase/decrease by 0.50% (2012: 0.50%) with all other variables including tax rate being held constant, the effect on profit or loss (after tax) will be lower/higher as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit or loss	**1,592**	2,493	**682**	870

The assumed movement in the interest rates for the interest rate sensitivity analysis is based on the current observable market environment.

(b) *Credit risk*

The Group's exposure to credit risk arises mainly from trade receivables and other receivables as well as cash and bank balances.

Credit risk with respect to receivables is limited as the Group does not have any significant exposure to any individual customer. Credit limits are set and credit history is reviewed to minimise potential losses.

The Group places its cash and cash equivalents with a number of creditworthy financial institutions and the risks arising therefrom are minimised in view of the financial strength of these financial institutions. The Group's policy also limits the concentration of financial exposure to any single financial institution.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the statements of financial position, except as follows:

	THE COMPANY	
	2013 RM'000	2012 RM'000
Corporate guarantee provided to banks for subsidiaries' facilities	**250,403**	273,443

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

The age analysis of trade receivables is as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Neither past due nor impaired	**122,294**	144,183	**50,023**	71,586
Past due but not impaired:				
61 - 90 days	**6,143**	14,310	**3,002**	10,309
91 - 120 days	**891**	4,863	**266**	4,113
Above 120 days	**1,836**	2,981	**222**	1,812
	8,870	22,154	**3,490**	16,234
Past due and impaired				
Above 120 days	**722**	834	**176**	200
	131,886	167,171	**53,689**	88,020
Average age days	**39**	39	**37**	37

Receivables that are neither past due nor impaired

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group did not impair the past due trade receivables which are unsecured in nature. The Group monitors these receivables closely and is confident of their eventual recovery.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Receivables that are past due and impaired

The allowance for doubtful debts account in respect of trade receivables is used to record impairment losses of trade receivables.

(c) Liquidity risk

The Group practices prudent liquidity risk management by maintaining rolling forecasts to monitor that it has sufficient funds to meet operational needs and to maintain sufficient credit facilities for contingent funding of working capital requirements.

The Group and the Company have unutilised banking facilities of approximately RM81,066,000 and RM75,540,000 (2012: RM109,864,000 and RM101,847,000) respectively at the end of the reporting period.

The Group expects that the cash generated from its operations, its existing credit facilities and the trade terms provided by its suppliers will be sufficient to meet the Group's financial obligations, capital expenditure and working capital needs for at least the next 12 months. The Group may consider opportunities to obtain additional funds to support its working capital requirements and capital expenditures and may seek to raise additional funds through public or private debt or equity financing or from other sources.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Group's and of the Company's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. All financial assets of the Group and of the Company are either on demand or mature within 1 year.

THE GROUP	ON DEMAND OR WITHIN 1 YEAR RM'000	1 TO 5 YEARS RM'000	OVER 5 YEARS RM'000
As of December 31, 2013			
Trade payables, other payables and accrued expenses	**140,437**	**-**	**-**
Bank borrowings	**293,620**	**144,574**	**-**
Obligations under finance leases	**8,290**	**4,799**	**-**
As of December 31, 2012			
Trade payables, other payables and accrued expenses	195,505	-	-
Bank borrowings	279,857	240,539	-
Obligations under finance leases	7,971	10,803	-
THE COMPANY			
As of December 31, 2013			
Trade payables, other payables and accrued expenses	**59,273**	**-**	**-**
Amount owing to subsidiaries	**12,256**	**-**	**-**
Bank borrowings	**166,743**	**15,628**	**-**
Obligations under finance leases	**2,216**	**1,857**	**-**
As of December 31, 2012			
Trade payables, other payables and accrued expenses	77,105	-	-
Amount owing to subsidiaries	33,603	-	-
Bank borrowings	198,996	34,194	-
Obligations under finance leases	2,068	3,657	-

(d) Capital risk

The Group's objective when managing capital is to ensure that the Group continues as a going concern in order to provide returns for shareholders.

The Group monitors capital by maintaining a gearing ratio of less than 1.5 times. The gearing ratio is calculated as total borrowings divided by total capital. Total borrowings and total capital are defined as 'current and non-current borrowings and obligations under finance leases' and 'equity attributable to owners of the Company' respectively as shown in the statements of financial position.

29. FINANCIAL INSTRUMENTS (CONT'D)

(d) Capital risk (Cont'd)

	THE GROUP	
	2013 RM'000	2012 RM'000
Total borrowings	**436,771**	516,622
Total equity attributable to owners of the Company	**960,522**	1,027,947
Gearing ratio	**0.45**	0.50

Fair values of financial instruments carried at amortised cost

The carrying amounts of the short-term financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The fair values of long-term financial liabilities are included in Level 2 category of the fair value hierarchy in accordance with MFRS7 - *Financial Instruments: Disclosures* and have been determined by the present value of future cash flows estimated and discounted using the current interest rates for similar instruments at the end of the reporting period. There is no material difference between the fair values and carrying values of these financial liabilities as of the end of the reporting period.

30. COMMITMENTS

(a) Operating lease arrangements

At the end of the reporting period, the Group and the Company have outstanding operating lease rentals, which fall due as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Within one year	**1,699**	1,724	**133**	320
In the second to fifth year inclusive	**2,319**	3,133	**4**	88
	4,018	4,857	**137**	408

Operating lease payments represent rentals payable by the Group and the Company for some of their office properties and hostel.

(b) Capital expenditure

As of December 31, 2013, the Group and the Company have the following commitments in respect of property, plant and equipment:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Approved and contracted for	**8,698**	10,491	**4,105**	5,242

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. COMPARATIVE FIGURES

The following comparative figures in the financial statements of the Group have been restated to conform with current year's presentation.

	THE GROUP	
	AS PREVIOUSLY REPORTED RM	AS RESTATED RM
For the financial year ended December 31, 2012		
Statement of Profit or Loss		
Employee benefits expenses	(260,651)	(268,495)
Other operating expenses	(220,004)	(212,160)
Notes to the Financial Statements:		
Note 5 - Other Gains/(Losses), Other Operating Income/(Expenses) and Employee Benefits Expenses		
Retrenchment costs included in employee benefits expenses	-	7,844

32. SUPPLEMENTARY INFORMATION - DISCLOSURE ON REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as of December 31, 2013 into realised and unrealised profits or losses, pursuant to the directive issued by Bursa Malaysia Securities Berhad on March 25, 2010, is as follows:

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries				
Realised	**227,115**	426,326	**380,336**	431,427
Unrealised	**2,747**	22,272	**(5,345)**	5,928
	229,862	448,598	**374,991**	437,355
Add: Consolidation adjustments	**154,157**	55,538	**-**	-
Total retained earnings as per statements of financial position	**384,019**	504,136	**374,991**	437,355

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on December 20, 2010.

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

STATEMENT BY DIRECTORS

The directors of **UNISEM (M) BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2013 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 32, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors,

JOHN CHIA SIN TET

MARTIN GILES MANEN

Kuala Lumpur,
March 7, 2014

DECLARATION
BY THE DIRECTOR
primarily responsible for the financial management of the company

I, **FRANCIS CHIA MONG TET**, the director primarily responsible for the financial management of **UNISEM (M) BERHAD,** do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

FRANCIS CHIA MONG TET

Subscribed and solemnly declared by the abovenamed
FRANCIS CHIA MONG TET at **KUALA LUMPUR** this
7th day of March, 2014

Before me,

No. W530
TAN SEOK KETT

COMMISSIONER FOR OATHS

SHAREHOLDERS' STATISTICS

as at 20 March 2014

1. Authorised Share Capital : RM500,000,000.00
Issued and paid-up Share Capital : RM337,114,816.50
Class of Shares : Ordinary shares of RM0.50 each ("Shares")
Voting Right : 1 vote per share

2. Analysis of Shareholdings

NO. OF HOLDERS	SIZE OF HOLDINGS	NO. OF SHARES	%
134	Less than 100 shares	5,015	0.00
605	100 to 1,000 shares	469,702	0.07
6,434	1,001 to 10,000 shares	32,110,143	4.76
2,950	10,001 to 100,000 shares	87,124,040	12.92
407	100,001 to less than 5% of issued shares	344,220,973	51.05
2	5% and above of issued shares	210,299,760	31.19
10,532		**674,229,633**	**100.00**

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

	NO. OF SHARES HELD			
SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST	%	DEEMED INTEREST	%
Bandar Rasah Sdn Bhd	169,780,000	25.18	-	-
Jayvest Holdings Sdn Bhd	13,866,840	2.06	169,780,000	25.18 [(a)]
John Chia Sin Tet	18,130,000	2.69	204,137,840	30.28 [(b)]
The estate of Soo Yut Kuan	-	-	183,646,840	27.24 [(c)]
Yen Woon @ Low Sau Chee	500,000	-	175,346,000	26.01 [(d)]
Lembaga Tabung Haji	40,519,760	6.01	-	-

Notes:

(a) Held indirectly through Bandar Rasah Sdn Bhd.
(b) Held indirectly through Bandar Rasah Sdn Bhd, Jayvest Holdings Sdn Bhd, Lancar Indah Sdn Bhd, his son and nominee company under pledged securities account.
(c) Held indirectly through Bandar Rasah Sdn Bhd and Jayvest Holdings Sdn Bhd.
(d) Held indirectly through his spouse, Bandar Rasah Sdn Bhd and Lancar Indah Sdn Bhd.

4. Thirty Largest Shareholders (as per the Record of Depositors)

	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
1.	Bandar Rasah Sdn Bhd	169,780,000	25.18
2.	Lembaga Tabung Haji	40,519,760	6.01
3.	John Chia Sin Tet	18,130,000	2.69
4.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for John Chia Sin Tet (01-00825-000)	15,000,000	2.22
5.	Jayvest Holdings Sdn Bhd	13,866,840	2.06
6.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	13,000,000	1.93
7.	Amanahraya Trustees Berhad Public Smallcap Fund	11,357,040	1.68
8.	Jo-Ann Chiam Puay Hoon	11,207,300	1.66
9.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	10,302,300	1.53
10.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt AN for Eastspring Investments Berhad	9,671,900	1.43
11.	Chiam Joy Young	9,620,000	1.43
12.	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	9,241,180	1.37
13.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	8,850,800	1.31
14.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LGF)	8,723,200	1.29
15.	Francis Chia Mong Tet	7,090,000	1.05
16.	Koo Hong @ Ku Hong Hai	6,823,945	1.01
17.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Francis Chia Mong Tet (CEB)	5,616,980	0.83
18.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend)	4,994,500	0.74
19.	Amanahraya Trustees Berhad Public Savings Fund	4,708,000	0.70
20.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	4,669,690	0.69

SHAREHOLDERS' STATISTICS (cont'd)

as at 20 March 2014

4. Thirty Largest Shareholders (as per the Record of Depositors) (Cont'd)

	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
21.	Lancar Indah Sdn.Bhd.	4,491,000	0.67
22.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LEEF)	4,262,200	0.63
23.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	3,843,600	0.57
24.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC	3,678,620	0.55
25.	Kenanga Nominees (Tempatan) Sdn Bhd Ho Ming Foh (021)	3,480,000	0.52
26.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Growth Fund	3,358,000	0.50
27.	Lau Kok Ping	3,130,000	0.46
28.	Tan Kah Hock	3,000,000	0.44
29.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	2,562,228	0.38
30.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koek Tiang Kung (8038626)	2,400,000	0.36
		417,379,083	**61.89**

5. Analysis of Warrant-holdings

NO. OF HOLDERS	SIZE OF HOLDINGS	NO. OF WARRANTS	%
70	Less than 100	2,525	0.00
867	100 to 1,000	597,590	0.35
1,418	1,001 to 10,000	6,645,177	3.94
1,065	10,001 to 100,000	40,989,268	24.33
205	100,001 to less than 5% of issued warrants	67,013,280	39.78
2	5% and above of issued warrants	53,224,000	31.59
3,627		**168,471,840**	**100.00**

6. Thirty Largest Warrant holders (as per the Record of Depositors)

	NAME OF WARRANT HOLDERS	NO. OF WARRANTS HELD	%
1.	Bandar Rasah Sdn Bhd	42,445,000	25.19
2.	Amanahraya Trustees Berhad Public Smallcap Fund	10,779,000	6.40
3.	John Chia Sin Tet	5,370,600	3.19
4.	Jayvest Holdings Sdn Bhd	3,472,000	2.06
5.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for John Chia Sin Tet (01-00825-000)	2,636,428	1.56
6.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tang Sze Chen (8096102)	1,750,000	1.04
7.	Chin Siew Har	1,589,200	0.94
8.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yip Ban Leng (CEB)	1,375,000	0.82
9.	Lancar Indah Sdn Bhd	1,326,800	0.79
10.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chi Kain Sang (LBU)	1,235,300	0.73
11.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Nyen Yin	1,200,000	0.71
12.	Chia Zeng Hui	1,023,300	0.61
13.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koek Tiang Kung (8038626)	1,000,000	0.59

SHAREHOLDERS' STATISTICS (cont'd)

as at 20 March 2014

6. Thirty Largest Warrant holders (as per the Record of Depositors) (Cont'd)

	NAME OF WARRANT HOLDERS	NO. OF WARRANTS HELD	%
14.	Ng Tiong Pung	1,000,000	0.59
15.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ting Kim Sang (DMSR TOWN-CL)	800,000	0.47
16.	EE Hock Lim @ Chong Hock Lim	800,000	0.47
17.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Shaiha Binti Mahmud @ Mohd Ali (REM 851-MARGIN)	700,000	0.42
18.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chi Kain Sang	640,000	0.38
19.	Lim Seng Hin	606,000	0.36
20.	Lee Tack Chong	600,000	0.36
21.	Teh Phine Phine	600,000	0.36
22.	Tan Yan Hoe	550,000	0.33
23.	Yap Siow Kim	550,000	0.33
24.	Shi Geok Wah	545,300	0.32
25.	Lam Ee Hiung	533,100	0.32
26.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Kit Leong	519,300	0.31
27.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Tik Guan (B Sunway-CL)	512,100	0.30
28.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Success Secrets Sdn. Bhd. (MG0179-192)	500,000	0.30
29.	Khoo Kim Fong	500,000	0.30
30.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Kim Seng (Margin)	500,000	0.30
		85,658,428	**50.84**

STATEMENT OF DIRECTORS' INTEREST
as at 20 March 2014

1. Directors' Shareholdings (as per the Register of Directors Shareholdings):-

	NO. OF SHARES HELD			
DIRECTORS	DIRECT INTEREST	%	DEEMED INTEREST	%
John Chia Sin Tet	18,130,000	2.69	204,137,840	30.28 [a]
Lee Hoong Leong	-	-	-	-
Francis Chia Mong Tet	7,090,000	1.05	5,616,980	0.83 [b]
Alexander Chia Jhet-Wern	1,000,000	0.15	-	-
Martin Giles Manen	-	-	-	-
Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	676,000	0.10	149,370	0.02 [c]
Tan Sri Dato' Wong See Wah	-	-	-	-
Dato' Gregory Wong Guang Seng	-	-	-	-
Yen Woon @ Low Sau Chee	500,000	0.07	175,346,000	26.01 [d]
Sundra Moorthi s/o V.M. Krishnasamy	35,100	0.01	7,800	0.00 [e]
Ang Chye Hock	383,500	0.06	-	-

Notes:

(a) Held indirectly through Bandar Rasah Sdn Bhd, Jayvest Holdings Sdn Bhd, Lancar Indah Sdn Bhd, his son and nominee company under pledged securities account.
(b) Held indirectly through nominee company under pledged securities account.
(c) Held indirectly through nominee company for Paraysma Sdn Bhd.
(d) Held indirectly through his spouse, Bandar Rasah Sdn Bhd and Lancar Indah Sdn Bhd.
(e) Held indirectly through his spouse.

2. Directors' Warrant-holdings (as per the Register of Directors Shareholdings):-

	NO. OF WARRANTS HELD			
DIRECTORS	DIRECT INTEREST	%	DEEMED INTEREST	%
John Chia Sin Tet	5,370,600	3.19	49,880,228	29.60 [a]
Lee Hoong Leong	-	-	-	-
Francis Chia Mong Tet	-	-	-	-
Alexander Chia Jhet-Wern	-	-	-	-
Martin Giles Manen	-	-	-	-
Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba	169,000	0.10	-	-
Tan Sri Dato' Wong See Wah	-	-	-	-
Dato' Gregory Wong Guang Seng	-	-	-	-
Yen Woon @ Low Sau Chee	-	-	44,317,100	26.30 [b]
Sundra Moorthi s/o V.M. Krishnasamy	8,775	0.01	1,950	0.00 [c]
Ang Chye Hock	95,900	0.06	-	-

Notes:

(a) Held indirectly through Bandar Rasah Sdn Bhd, Jayvest Holdings Sdn Bhd, Lancar Indah Sdn Bhd and nominee company under pledged securities account.
(b) Held indirectly through his spouse, Bandar Rasah Sdn Bhd and Lancar Indah Sdn Bhd.
(c) Held indirectly through his spouse.

LIST OF PROPERTIES

held by the group as at 31 December 2013

LOCATION	DESCRIPTION	EXISTING USE	TENURE	LAND AREA/ BUILD-UP AREA (APPROXIMATE)	DATE OF ACQUISITION/ COMPLETION	APPROXIMATE AGE OF BUILDING (IN YEARS)	BOOK VALUE AS AT 31 DECEMBER 2013 (RM'000)
PT 2514 and PT 2515 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Industrial land	Factory	99 years leasehold expiring 2094	6.294 hectare	July 1991	-	**2,443**
	Factory building Phase I	Factory	-	130,000 sq ft	March 1992	22	**7,122**
	Factory building Phase II	Factory	-	110,000 sq ft	August 1996	18	**10,539**
	Factory building Phase III	Factory	-	330,000 sq ft	September 2000	13	**44,469**
	Factory building wafer bumping	Factory	-	22,000 sq ft	August 2005	8	**2,334**
PN 289781 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Industrial land	Vacant	99 years leasehold expiring 2100	115,500 sq m	October 2000	-	**6,424**
PT 19130 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Residential land	Hostel	99 years leasehold expiring 2104	20,429 sq m	June 2005	-	**1,251**
	Residential	Hostel	-	232,000 sq ft	June 2012	2	**8,104**
Parkway, Pen-y-fan Industrial Estate, Croespenmaen, Crumlin, Gwent, United Kingdom NP11 3XT	Industrial land	Factory	Freehold	9.915 hectare	February 1994	-	**5,337**
	Factory building	Factory	-	130,000 sq ft	July 1995	18	**3,469**

LOCATION	DESCRIPTION	EXISTING USE	TENURE	LAND AREA/ BUILD-UP AREA (APPROXIMATE)	DATE OF ACQUISITION/ COMPLETION	APPROXIMATE AGE OF BUILDING (IN YEARS)	BOOK VALUE AS AT 31 DECEMBER 2013 (RM'000)
Chengdu Hi-Tech Zone, West Zone, Chengdu, Sichuan, P.R. China 13-(02)-006	Industrial land	Factory	49 years leasehold expiring 2055	9.647 hectare	December 2005	-	**3,447**
	Industrial land	Factory	49 years leasehold expiring 2057	9.002 hectare	September 2007	-	**4,273**
	Factory building	Factory	-	366,000 sq ft	December 2005	8	**72,403**
	Factory building	Factory	-	254,000 sq ft	December 2012	-	**46,594**
3801/3802 Tian Fu Square Chengdu, Sichuan, P.R. China	Residential	Apartments	70 years leasehold expiring 2075	296 sq m	December 2006	7	**1,849**
Jalan S.Parman, Kav 201 Batamindo Industrial Park, Mukim Kuning, Batam, Indonesia	Industrial land	Factory	30 years leasehold expiring 2019	21,280 sq m	November 1994	-	**686**
	Industrial land	Factory	30 years leasehold expiring 2019	8,991 sq m	May 1998	-	**888**
	Factory Building Main Building	Factory	-	14,640 sq m	November 1991	22	**2,533**
	Factory Building East Wing	Factory	-	17,500 sq m	1998	15	**10,807**
	Factory Building East Wing Extension	Factory	-	1,600 sq m	2007	6.5	**1,667**
Desa Lubuk Baja Utara-Bengkong, Batam, Indonesia	Residential	Quarters	30 years leasehold expiring 2016	2,376 sq m	May 1994	19	**-**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of the Company will be held at the Sarawak Room, Basement II, The Shangri-La Hotel Kuala Lumpur, No. 11, Jalan Sultan Ismail, 50250 Kuala Lumpur on 29 May 2014, Thursday at 10.30 a.m. to transact the following businesses:

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To approve the declaration of a final dividend of 4% or 2 sen per share tax-exempt for the financial year ended 31 December 2013. **Resolution 2**

3. To approve the payment of Directors' fees amounting to RM1,355,000 for the financial year ended 31 December 2013, an increase of RM229,000 from RM1,126,000 in 2012. **Resolution 3**

4. To re-elect the following Directors who retire pursuant to Article 124 of the Company's Articles of Association:-
   (i) Mr John Chia Sin Tet **Resolution 4**
   (ii) Mr Ang Chye Hock **Resolution 5**
   (ii) Mr Francis Chia Mong Tet **Resolution 6**

5. To re-elect the following Directors who retire pursuant to Article 127 of the Company's Articles of Association:-
   (i) Y. Bhg. Dato' Gregory Wong Guang Seng **Resolution 7**
   (ii) Mr Alexander Chia Jhet-Wern **Resolution 8**

6. To re-appoint Mr Sundra Moorthi s/o V.M. Krishnasamy who retires pursuant to Section 129(6) of the Companies Act, 1965 until the conclusion of the next Annual General Meeting. **Resolution 9**

7. To appoint Deloitte (formerly known as Deloitte KassimChan) as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 10**

As Special Business:

To consider and, if thought fit, to pass the following resolution:-

8. **Authority To Allot Shares** **Resolution 11**

   "That pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities (if any shall be required), the Directors be and are hereby empowered to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued in any one financial year of the Company does not exceed 10% of the issued capital of the Company for the time being."

9. **Proposed Grant of Share Options to Mr Alexander Chia Jhet-Wern** **Resolution 12**

"THAT the Directors be and are hereby authorised at any time, and from time to time, to offer and to grant option or options to Mr Alexander Chia Jhet-Wern, an Executive Director of the Company, to subscribe for or purchase such number of ordinary shares of RM0.50 each in the Company (Unisem Shares) under the Unisem Group Executives' Share Option Scheme (ESOS) as they shall deem fit, subject always to such terms and conditions of the ESOS By-Laws provided that:

(i) not more than 50% of the Unisem Shares to be issued under the Scheme are to be allocated in aggregate to Executive Directors and senior management of the Unisem Group; and

(ii) not more than 10% of the Unisem Shares to be issued under the Scheme are to be allocated to any individual eligible executive who, either singly or collectively through persons connected with that eligible executive, holds 20% or more in the issued and paid-up capital of the Company and the term "person connected with" shall have the same meaning as that assigned under Paragraph 1.01 of the Main Market Listing Requirements.

AND THAT the Directors be and are hereby authorised to allot and issue new Unisem Shares to him from time to time pursuant to the exercise of such options."

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

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the record of depositors will be closed on 5 June 2014 to determine shareholders' entitlement to the final dividend of 4% or 2 sen per share tax-exempt for the financial year ended 31 December 2013. The dividend, if approved, will be paid on 20 June 2014.

A Depositor shall qualify for entitlement to the above dividend payment only in respect of:-

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 5 June 2014 in respect of transfers;

(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

CHUA HENG FATT (MACS 00264)
CHIN HOCK YEE (LS 8922)
Company Secretaries

29 April 2014
Kuala Lumpur

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

1. *A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.*

2. *Only members whose names appear in the Record of Depositors as at 21 May 2014 are entitled to attend, speak and vote at the AGM of the Company to be held on 29 May 2014.*

3. *A member may appoint more than two proxies to attend and vote at the same meeting. Where a member appoints two or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

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

5. *The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Letter Box #95, 9th Floor, UBN Tower, 10, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the meeting or any adjournment thereof.*

6. *Explanatory Note on Special Business*

   Resolution 11

   The proposed Resolution 11, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue not more than 10% of the issued share capital of the Company. Such issuance of shares will still be subject to the approvals of the Securities Commission and the Bursa Malaysia Securities Berhad. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

   The Company had, at the 24th Annual General Meeting held on 29 May 2013, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 (the "Act"). No new shares of the Company were issued or allotted during the year pursuant to this mandate.

   The proposed Resolution 11 is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

   The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

   Resolution 12

   The Company had established an Executives' Share Option Scheme (ESOS) in 2010. The salient features of the ESOS are set out under Note 28 to the Financial Statements on pages 120 to 122 in the annual report.

   The proposed Resolution 12, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to grant option or options to Mr Alexander Chia Jhet-Wern, an Executive Director of the Company, to subscribe for or purchase such number of ordinary shares of RM0.50 each in the Company under the ESOS as they shall deem fit, subject always to such terms and conditions of the ESOS By-Laws and that the Directors of the Company will be given the authority to allot and issue new Unisem Shares to Mr Alexander Chia Jhet-Wern from time to time pursuant to the exercise of such options.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS WHO ARE SEEKING RE-ELECTION AND RE-APPOINTMENT AT THE 25th ANNUAL GENERAL MEETING OF THE COMPANY

The details of the directors seeking re-election and re-appointment are set out in their respective profiles in pages 28 to 32 of this Annual Report. The details of their interest in the securities of the Company are set out in the Statement of Directors' Interest in page 137 of this Annual Report.

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PROXY FORM

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

I/We ________________________ NRIC/Passport No. ________________________

of ________________________

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

________________________ NRIC/ Passport No. ________________________

of ________________________

or failing him/her, ________________________ NRIC/Passport No. ________________________

of ________________________

as my/our proxy to vote on my/our behalf at the Twenty Fifth Annual General Meeting of the Company to be held at the Sarawak Room, Basement II, The Shangri-La Hotel Kuala Lumpur, No. 11, Jalan Sultan Ismail, 50250 Kuala Lumpur on 29 May 2014, Thursday at 10.30 a.m.. and at any adjournment thereof, and to vote as indicated with √ in respect of the following resolutions. (If you do not do so, the proxy will vote or abstain from voting at his discretion):-

		FOR	AGAINST
Resolution 1	To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2013 together with the Directors' Report and the Auditors' Report.		
Resolution 2	To approve the declaration of a final dividend of 4% (or 2 sen per share) tax-exempt for the financial year ended 31 December 2013.		
Resolution 3	To approve the payment of Directors' fees amounting to RM1,355,000 for the financial year ended 31 December 2013.		
Resolution 4	To re-elect Mr John Chia Sin Tet as a Director who retires pursuant to Article 124 of the Company's Articles of Association.		
Resolution 5	To re-elect Mr Ang Chye Hock as a Director who retires pursuant to Article 124 of the Company's Articles of Association.		
Resolution 6	To re-elect Mr Francis Chia Mong Tet as a Director who retires pursuant to Article 124 of the Company's Articles of Association.		
Resolution 7	To re-elect Y. Bhg. Dato' Gregory Wong Guang Seng as a Director who retires pursuant to Article 127 of the Company's Articles of Association.		
Resolution 8	To re-elect Mr Alexander Chia Jhet-Wern as a Director who retires pursuant to Article 127 of the Company's Articles of Association.		
Resolution 9	To re-appoint Mr Sundra Moorthi s/o V.M. Krishnasamy as a Director who retires pursuant to Section 129(6) of the Companies Act, 1965 until the conclusion of the next Annual General Meeting.		
Resolution 10	To appoint Deloitte (formerly known as Deloitte KassimChan) as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
Resolution 11	To authorise the Directors under Section 132D of the Companies Act, 1965 to issue new shares not exceeding 10% of the issued capital of the Company.		
Resolution 12	To approve the grant of options to Mr Alexander Chia Jhet-Wern, an Executive Director of the Company, under the existing Unisem Group Executives' Share Option Scheme.		

Dated this __________ day of ________________ , 2014.

CDS ACCOUNT NO.	
NO. OF SHARES HELD	

____
Signature/Common Seal

Tel No. : ________________________

Notes:
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2. *Only members whose names appear in the Record of Depositors as at 21 May 2014 are entitled to attend, speak and vote at the AGM of the Company to be held on 29 May 2014.*
3. *A member may appoint more than two proxies to attend and vote at the same meeting. Where a member appoints two or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
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STAMP

UNISEM (M) BERHAD (183314-V)
Letter Box #95
9th Floor, UBN Tower
10, Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr John Chia Sin Tet
Chairman/Group Managing Director

Mr Lee Hoong Leong
Executive Director

Mr Francis Chia Mong Tet
Executive Director

Mr Alexander Chia Jhet-Wern
Executive Director

Mr Martin Giles Manen
Independent 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

Y. Bhg. Dato' Gregory Wong Guang Seng
Independent Director

Mr Yen Woon @ Low Sau Chee
Non-Executive Director

Mr Sundra Moorthi S/O V.M. Krishnasamy
Non-Executive Director

Mr Ang Chye Hock
Non-Executive Director

AUDIT COMMITTEE

Mr Martin Giles Manen
Chairman/Independent Director

Y. Bhg. Dato' Gregory Wong Guang Seng
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

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

Malaysia • China • Indonesia • United States of America

www.unisemgroup.com