
**Unisem (M) Berhad** (183314-V)

# ANNUAL REPORT 2011

# contents

# 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:

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

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

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

# **company** profile

**Unisem (M) Berhad ("Unisem")** is a leading semiconductor packaging and test services provider in Malaysia. Its main semiconductor packaging and test facilities are located in Ipoh, Perak, Malaysia. With approximately 9,600 employees worldwide, Unisem also has factory locations in Wales, United Kingdom ("UK"); Chengdu, People's Republic of China ("PR China"); Batam, Indonesia and Sunnyvale, United States of America ("USA").

Unisem group offers an integrated suite of packaging and test services such as wafer bumping, wafer probing, wafer grinding, a wide range of leadframe and substrate integrated circuits packaging, Wafer-Level Chip-Scale Packages ("WLCSP") and radio frequency, analog, digital and mixed-signal test services. Our turnkey services include design, assembly, test, failure analysis, and electrical and thermal characterization.

Unisem group has a customer base comprising primarily fabless companies (83.7%) and integrated device manufacturers (16.3%). About 61.1% of Unisem group's sales are to customers in North America, 19.7% to Europe and 19.2% to Asia.

## UNISEM (M) BERHAD (the "Company")
IPOH, MALAYSIA

- commenced operations in 1992
- 4,570 employees; 2,800 operators, 1,000 technicians and supervisors, and 230 engineers
- total built-up area of 570,000 square feet
- provides full turnkey solutions; packaging capability includes all types of leadframe based packages, leadless packages, modules, WLCSP and flip chip
- fully certified with QS 9000:1998, ISO 9001:2000, ISO 14001:2004 and ISO/TS 16949:2002

## UNISEM ADVANCED TECHNOLOGIES SDN BHD ("UAT")
IPOH, MALAYSIA

- a joint venture between Unisem (M) Berhad, Advanpack Solutions Pte. Ltd. and Flip Chip International LLC
- commenced operations in 2006; first independent wafer bumping service providers in Malaysia
- 210 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 repassivation services
- fully certified with ISO 9001:2008 and TS16949 Quality Standards. It is accredited to ISO 14001:2004 Environmental Standards


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

- commenced operations in 2006
- 1,870 employees
- total built-up area of about 446,000 square feet
- provides full turnkey solutions; packaging capability includes a wide range of advanced leadframe and substrate packages, leadless packages, modules, WLCSP and flip chip
- offers wafer bumping services
- fully certified with ISO 9001:2000, ISO 14001:2004 and ISO/TS 16949:2002

**UNISEM (EUROPE) LIMITED ("Unisem Europe")**
CRUMLIN, SOUTH WALES, UK

- commenced operations in 1995
- 60 employees
- total built-up area of 130,000 square feet
- offers fast turn prototyping services and low to medium volume assembly in QFN, array packages and MEMs devices
- specializes in the design and development of bespoke packaging solutions to suit specific customer applications and requirements.
- fully certified with ISO 9001:2008, ISO 14001:2004 and ISO/TS 16949:2002

**PT. UNISEM**
BATAM, INDONESIA

- commenced operations in 1991
- 2,840 employees
- total built-up area of 345,000 square feet.
- provides full turnkey solutions; packaging capability includes all types of leadframe and laminated based packages, leadless packages and modules
- fully certified with ISO 9001:2000, ISO 14001:2004 and ISO/TS 16949:2002

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

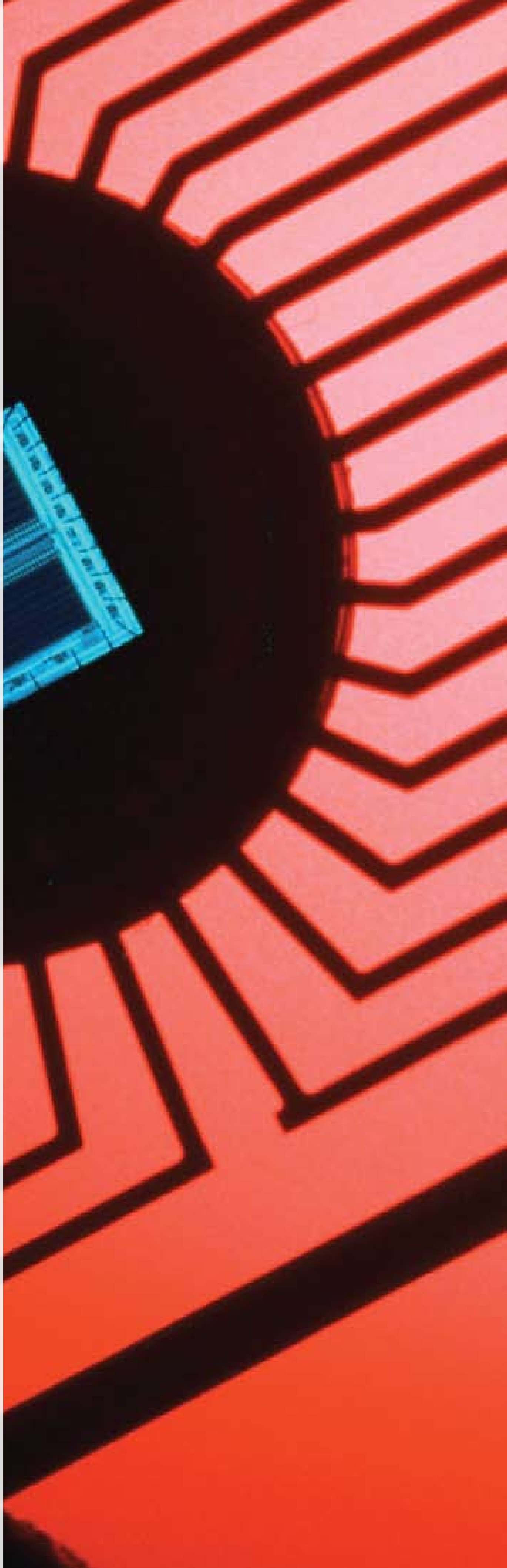
- commenced operations in 2003
- 30 employees
- total built-up area of 22,000 square feet
- offers a full range of final test, test development and other test related services
- certified with ISO 9001:2008 Quality Standards

Do old things

**in new ways**

## STAY COMPETITIVE

- ✓ Lean Manufacturing
- ✓ Quality Ownership
- ✓ MIS – MES/ERP



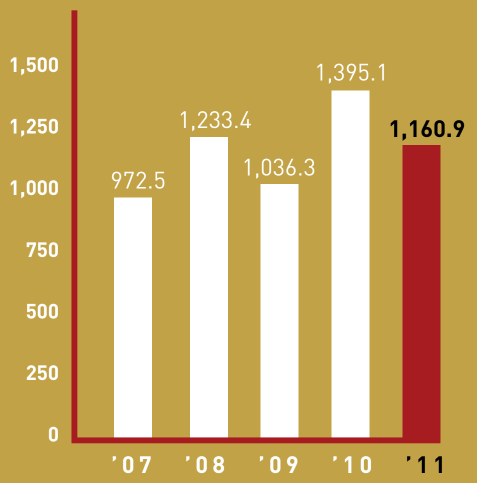
# five-year financial highlights

| | 2007 RM'000 | 2008 RM'000 | 2009 RM'000 | 2010 RM'000 | 2011 RM'000 |
|---|---|---|---|---|---|
| **Highlights from Consolidated Income Statements for the year ended 31 December** | | | | | |
| Revenue | 972,482 | 1,233,381 | 1,036,309 | 1,395,078 | 1,160,863 |
| Profit before taxation | 117,745 | 23,992 | 58,377 | 193,289 | 14,255 |
| Profit after taxation | 119,612 | 18,336 | 60,745 | 182,958 | 19,581 |
| **Highlights from Statements of Financial Position As of 31 December** | | | | | |
| Property, plant and equipment | 1,106,551 | 1,148,754 | 1,118,215 | 1,244,727 | 1,331,997 |
| Current Assets | 430,714 | 363,713 | 378,469 | 478,733 | 407,348 |
| Non-Current Assets | 174,190 | 129,031 | 123,134 | 112,290 | 112,276 |
| Total Assets | **1,711,455** | **1,641,498** | **1,619,818** | **1,835,750** | **1,851,621** |
| Current Liabilities | 372,390 | 460,610 | 501,116 | 517,775 | 506,011 |
| Deferred Tax Liabilities | 4,519 | 7,990 | 4,130 | 5,115 | - |
| Other Non-Current Liabilities | 511,623 | 324,056 | 153,012 | 240,303 | 243,832 |
| Total Liabilities | **888,532** | **792,656** | **658,258** | **763,193** | **749,843** |
| Share Capital | 235,721 | 235,721 | 259,293 | 337,081 | 337,081 |
| Reserves | 579,398 | 600,513 | 690,735 | 722,855 | 752,193 |
| Non-controlling interests | 7,804 | 12,608 | 11,532 | 12,621 | 12,504 |
| Shareholders' Equity | **822,923** | **848,842** | **961,560** | **1,072,557** | **1,101,778** |
| **Key Financial Ratios** | | | | | |
| Net earnings per share - Basic (sen) | 19.43* | 3.24* | 9.17* | 26.99 | 2.93 |
| Net dividend per share (sen) | 10.00 | 2.50 | 2.50 | 8.00 | 2.00 |
| Debt/Equity ratio | 0.68 | 0.68 | 0.42 | 0.43 | 0.47 |
| Net assets per share (RM) | 1.33* | 1.36* | 1.41* | 1.57 | 1.62 |

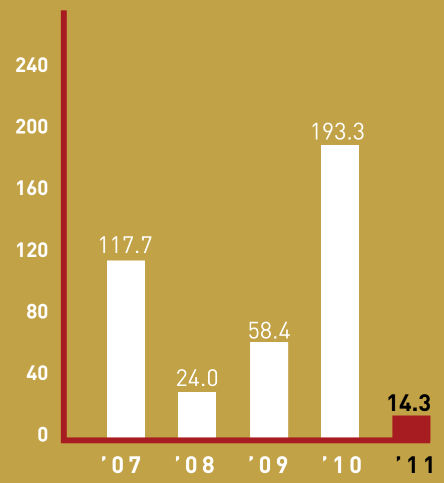
** Adjusted for the bonus issue for the purposes of comparison.*

# **five-year** financial highlights

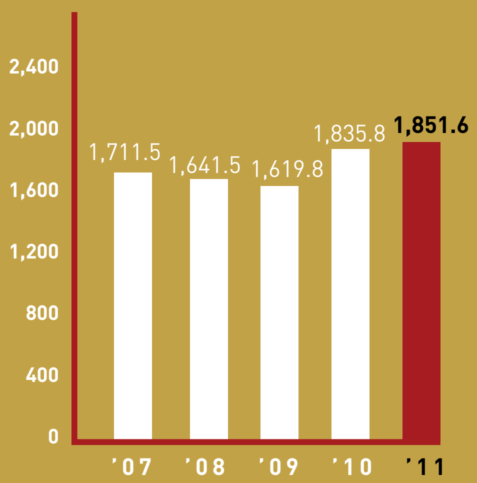
## REVENUE
(RM'million)



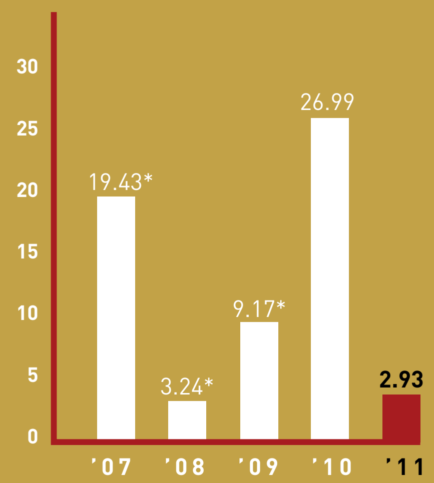

## PROFIT BEFORE TAXATION
(RM'million)




## TOTAL ASSETS
(RM'million)



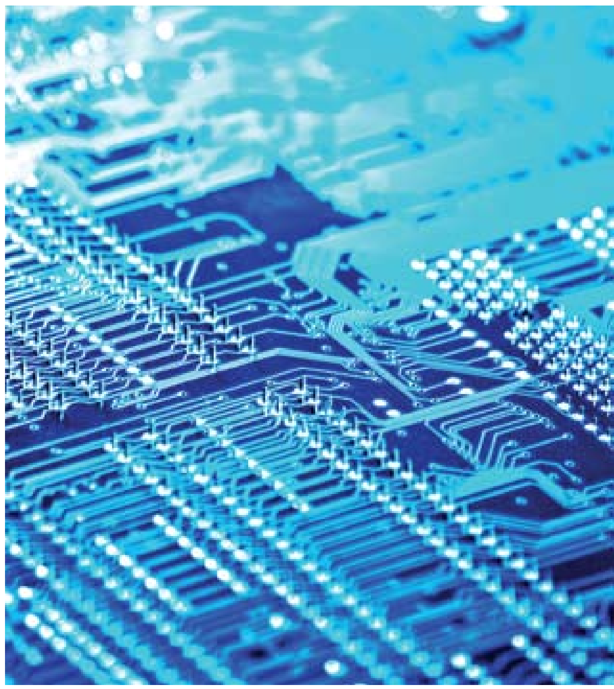

## NET EARNINGS PER SHARE
(Sen)




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


Seek out
viable
business
STAY
FOCUSED
✓Strategic
Customers
✓Right Products
& Technologies

# chairman's statement



**JOHN CHIA SIN TET**
Chairman

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors I am pleased to present the 23rd Annual Report and Audited Financial Statements of Unisem (M) Berhad and its subsidiaries for the financial year ended 31 December 2011.

The year 2011 was fraught with uncertainties caused by persistent high unemployment in the US and western economies, economic crises in most of Europe, a contraction of the Japanese economy precipitated by the earth quake tsunami and nuclear radiation fallout that occurred in that country and a slowdown in the Chinese economy. Cumulatively these factors seriously impacted the semiconductor industry as consumer sentiment deteriorated.

### FINANCIAL PERFORMANCE

For the financial year ended 31 December 2011, the Group recorded revenue of RM1.161 billion, a decrease of 16.8% from the revenue of RM1.395 billion in 2010. Net profit was RM19.581 million in 2011, a decline of 89.3% as compared to RM182.958 million in 2010. The decline in revenue and profit was attributable to reduced overall group sales volume, depreciation in the US dollar and higher depreciation charges as compared to the preceding year.

The Group attained EBITDA of RM191.957 million and EBITDA margin came in at about 17% for the financial year under review.

The financial position of the Group remains strong. Net cash generated from the operations during the year amounted to RM224.645 million. Capital expenditure of approximately RM198.779 million was incurred for the Group during the year mainly for the purchase of assembly and final test equipment, wafer bumping equipment and development of new projects. The investment was mainly to enhance our bumping, packaging and test capabilities and processes.

# chairman's statement

## NEW FOCUS

To better compete in the ever changing operating environment, Unisem is realigning its core business model and practices to achieve a better focus in both customer profile and product offerings.

As a leading semiconductor packaging and test services provider, Unisem will focus on attracting more tier-1 customers, while retaining existing customers selectively. This will help us maintain a reasonably stable level of equipment utilization rate and therefore improve the overall level of efficiency and productivity.

It is a firm conviction at Unisem that IDMs, fabless companies and design houses will increasingly require packaging and test companies to offer a complete range of services, including wafer bumping and wafer level packaging. Unisem will continue to focus on developing products, technologies and process with high growth rates and improved margins.

The market for semiconductor assembly and test services demands nothing less than operational excellence; a key aspect of Unisem's new inward focus with the adoption of lean manufacturing to achieve manufacturing excellence. We cannot reach this goal without the commitment of our people, the inculcation of a culture of accountability, ownership and empowerment, and most crucially teamwork.

## OUTLOOK AND PROSPECTS

For 2012 the industry research firms and commentators have forecast a modest growth around 3.3 to 3.7%. They expect a general recovery for the semiconductor industry in the second half of the year.

The Company expects performance of the Group in financial year 2012 to show a significant improvement as compared to that of the preceding year. Our change in business focus and emphasis on cost management should reduce volatility in our business and have a positive impact on the future revenue and earnings of the Group.

## 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.

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 2011 compared to year ended 31 December 2010

#### Revenue

Revenue decreased by 16.8% from RM1.395 billion in 2010 to RM1.161 billion in 2011. The decrease in revenue was primarily due to lower sales volume affected by the global economic slowdown as well as depreciation in the US Dollar as the Group's revenue is entirely denominated in US Dollar.

#### Profit Before Taxation

Profit before taxation decreased by 92.6% from RM193.3 million in 2010 to RM14.3 million in 2011. Other than the reduction in revenue, the other main reasons for the reduction in profit before taxation are as follows:

***Raw materials and consumables used***
The percentage of raw materials and consumables used against revenue increased from 41.6% in 2010 to 44.0% in 2011. The increase in the cost of raw materials and consumables used was mainly due to changes in the products and customer sales mix as well as higher precious metal prices.

***Depreciation of property, plant and equipment***
Depreciation charges increased from RM150.3 million in 2010 to RM159.2 million in 2011 mainly due to the increased capital expenditure for the expansion of the Group's wafer bumping, packaging and testing capabilities in Unisem Chengdu and the Company.

***Employee benefits expenses***
Employee benefits expenses increased from RM265.1 million in 2010 to RM276.3 million in 2011 mainly due to higher average headcounts in 2011 compared to 2010 as well as additional cost of share-based payments amounting to RM3.5 million recognized in relation to the granting of options under the Executives Share Option Scheme in 2011.

***Other gains***
Other gains decreased from RM13.8 million in 2010 to RM7.9 million in 2011 mainly due to the reduced foreign exchange gains recognized from RM12.9 million in 2010 to RM7.9 million in 2011 as a result of less favourable exchange rates movements.

#### Taxation

The Group recognized a tax income of RM5.3 million in 2011 as compared to a tax expense of RM10.3 million in 2010. The tax income arose mainly due to reversal of deferred tax expenses and overprovision of tax in prior years.

## CASH FLOW ACTIVITIES

### Year ended 31 December 2011 compared to year ended 31 December 2010

**Net cash from operating activities**

Cash flows from operating activities decreased from RM266.8 million in 2010 to RM224.6 million in 2011 primarily due to the decreased in revenue.

**Net cash used in investing activities**

Cash flows used in investing activities increased from RM254.7 million in 2010 to RM281.9 million in 2011 mainly due to payments for capital expenditure amounting to RM282.4 million for current year purchases as well as outstanding amounts in relation to 2010 purchases. Total payments for capital expenditure for 2010 amounted to RM259.1 million.

**Net cash (used in)/from financing activities**

The Group has a net cash used in financing activities of RM17.9 million in 2010 as compared to a net cash from financing activities of RM49.1 million in 2010. The net cash used in financing activities position was mainly due to higher term loans repayments of RM131.9 million in 2011, as compared to RM126.4 million in 2010.

Total cashflow from term loan facilities amounted RM126.6 million in 2011 as compared to RM182.3 million in 2010.

### Operational and Financial Risks

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

# **awards** & recognition

**Best Supporting Team Award**
from Elmos Semiconductor

**Collaboration Award**
from Maxim Integrated Products

**Supplier of the Year** from Swindon Silicon Systems


Invest in
our people
STAY
COMMITTED
Empowerment
Learning Culture

# corporate social responsibility report

## CORPORATE PRODUCTS AND SERVICES PROFILE

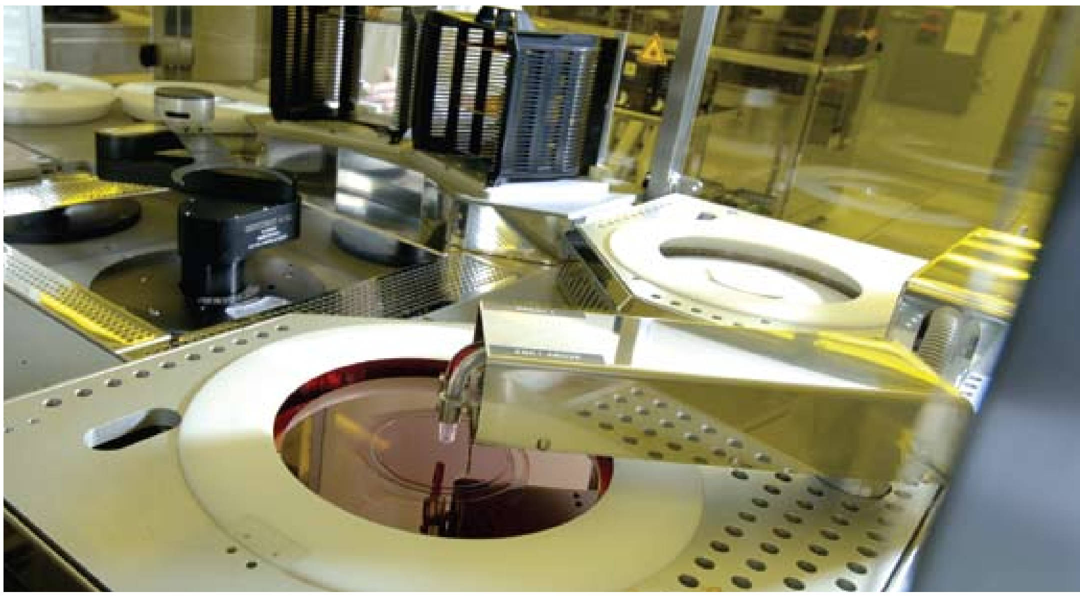
Unisem offers a broad range of leaded and array packages with various pin counts of PDIP, SOIC, PLCC, QSOP, SSOP, MSOP, TSSOP, SOT, SC70, TO, SLP (QFN), TQFP, BGA, modules (SiP) and WLCSP, a low cost solution that enables direct connectivity to substrate or board level.

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

As an integral part of its packaging and test services, Unisem provides general and 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.



Visitation By KBRI, Duta Indonesia (26 February 2011)

## 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.

# **corporate social** responsibility report

### 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.

Fishing

### EMPLOYEE DEVELOPMENT

The Company, Unisem Chengdu and PT Unisem run comprehensive continual training programs for all their operators and technicians who are given on average more than 20 hours of training each year. 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 to ensure that they are qualified for their tasks. Other training such as fire fighting, first aid and evacuation drill are also provided to all employees.

### EMPLOYEE RECOGNITION

We recognise 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 quality, cost, delivery and safety improvement. This scheme is opened to the Company's non-executive employees from production, maintenance, quality assurance and support departments to invite improvement ideas on job functions and to ensure continuous improvement in these areas. Participants will be rewarded with certificate and cash voucher. Quarterly champions from manufacturing and support groups are also selected by group of judges.

Netball

Football

Strategy Development for Managers (5 & 6 August 2011)

Sepak takraw

- ***Annual Appreciation Award***

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

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

- ***Long Service Award***

  We celebrate and award our employees who attain their career milestone every five-year with the Long Service Award banquet and company keepsakes. In March 2011, the Company rewarded a total of 408 employees who have completed 5, 10 and 15 years of service with the Company.

  In June 2011, Unisem Chengdu had its first 5-year long service award event. 29 employees were recognized for their dedication and long service.

- ***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.

- ***Poka-Yoke Reward Scheme***

  We encourage our employees from all levels to participate in the Poka-Yoke Reward Scheme. 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.

# **corporate social** responsibility report

## EMPLOYEE BENEFITS

The Company complies with the Malaysian statutory requirements to contribute to the Employees' Provident Fund, which was established under the Employees' Provident Fund Act 1991, by deducting 11% of its employees' salaries and matching this with a contribution of 12%. The Company also makes a monthly contribution of between 1.3% to 1.8% of total payroll or RM34.15 per employee, whichever is lower, to the Social Security Organisation (as established under the Employees' Social Security Act 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'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.

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.

Eye sight check

Dental check


Bowling

"Tarik tali" competition

Karaoke contest

## WORK/LIFE BALANCE

The Company being a caring employer organises sports and recreation activity with the aim to motivate and build up teamwork amongst the employees and to promote a work/life balance working environment for all employees.

In 2011, the Sports & Recreation Club of the Company (the "Club") organised events such as Badminton, Bowling, Carrom, Dart, Fishing, Futsal, Netball, Handcraft from recycle item, Snooker, "Sepak Takraw", Make-up competition, Photography contest and Tug of war competitions.

The Club also encouraged all employees to participate in the Ipoh Starwalk 2011 held in June 2011 in conjunction with the Ipoh City 23rd Anniversary. Interested employees were subsidised 50% of the entry fees by the Club. There were 90 employees participated in the Ipoh Starwalk 2011.

Unisem Chengdu encourages the employees to participate in the sports and games organized by the government, such as the table tennis competition and fun games. As a form of exercise, employees can play table tennis and badminton at the company premises after work.

PT Unisem also actively participates in sport community event such as Batamindo Annual Games and internal sport activity. This activity has objective to build strong relationship between tenant in Batamindo and among the PT Unisem employees.

## 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.

First-aid training

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 safety hazard, and once identified, on their rectification.
- Advise visitors to the Company's premises of any safety precaution, which are necessary in the areas they are entering and inform them that they will have to comply with these requirements.
- Recognise the Company's obligation to consumers and the public by endeavoring at all times to provide products, which are safe, if properly used for the purpose for which they were made.
- Implement and maintain systems for the management of all major aspects of occupational health and safety, including accident reporting, recording and measurement against objectives.

# **corporate social** responsibility report

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.

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

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

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

During 2011, the Company's in-house clinic organised several programmes on safety and health issues for its employees as follows:

- Free medical check-up conducted by in-house clinic to help female employees to detect and prevent cervical cancer in early stage. 162 employees taken the pap smear test.
- Eye care programme conducted by Optic Lily from Gunung Rapat, Ipoh. Free eye consultation, free eye test, free specstacles services and a special discount of up to 70% on normal merchandize were given to the employees. 273 employees attended the eye care programme.
- Dental awareness campaign conducted by Klinik Kesihatan Gunung Rapat. 118 employees attended the campaign.

Medical check-up

- Various Health Talk, such as Stress and Depression, Physiotherapist by Ipoh Specialist Hospital, stroke conducted by National Stroke Association of Malaysia ("NASAM") and management of Hyperlipidaemia from our Panel Clinic doctors.
- First Aid Training by St John, a total of 62 participants attended.
- Healthy Life Style Campaign conducted by Ipoh Specialist Hospital. This event promote employee to do Blood Presure Check, Body Mass Index (BMI), Blood Sugar Test, Fitness Test and Free Eye Screening Test. It is to promote and create awareness of healthy lifestyle habit.
- Health week promotion Health products for employee conducted by Hovid Pharmacy, employee were provided specialist discount rate up to 30%. A total of 391 employee participated.
- Exhibition on quit smoking by Klinik Kesihatan Kinta, Batu Gajah. This is to create awareness of the harmful effects of tobacco and the ways to stop smoking for good.

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

## II. ENVIRONMENT

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

Unisem has an environmental management system to measure its environmental performance through periodic monitoring on the emission of pollutants. In addition, waste and chemical management system are put in place to ensure that the environment 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.

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

### Resource Conservation

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

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

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

Unisem conducts awareness campaign and briefings on energy, water and waste to raise employees' awareness of the need to handle resources responsibly, which includes talk by Department Of Environment officer and notice board display in the Company. Energy efficiency and wastage control continues to be a high priority with key areas of focus such as turning off of lighting, air conditioners and computers before leaving each day, checking on air leakage and control de-ionised (DI) water consumption.

### Product Ecology

- ***Materials***

  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. We also observe the compliance and disclosure requirements on substances of very high concern (SVHC) as listed in REACH (Registration, Evaluation, Authorization and Restriction of Chemical Substances – EC1907/2006).

# **corporate social** responsibility report

## III. COMMUNITY

### Education

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

In 2011, the Company has taken in a total of 195 students from various local polytechnics and universities in Malaysia as trainees, of which 82% are pursuing Electronic and Electrical courses and 18% are from Business/Information Technology.

One of PT Unisem commitment is to contribute to the community development. Participation in supporting the education sector is one of the focus areas. PT Unisem, supports local vocational schools by sending our employees as assessor during final examination at these schools. PT Unisem also supports the intership programme conducted by the vocational schools. In 2011, PT Unisem accepted 100 students from from 24 vocational schools located in Batam, Riau island province, as well as from Java and Sumatera, as well as from Java and Sumatera. The programme is for a period of 3 to 6 months, where students will be assigned to handle some activities under mentor's supervision.

Aside from involving in internship program and assessing the student's competency, PT Unisem also contributes in education by donating the un-used equipment (the equipment that will be scrapped). In December 2011, PT Unisem donate a trim from equipment to a technical vocational school located in Batu Aji, Batam city.

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

Decoration from recycle items

Students Visit From UUM (31 March 2011)

Blood donation drive


Visit to Seri Bahagia

### Direct Employee Involvement

Unisem'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.

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

During Chinese New Year, the Club also organised visit to old folks home with management and Hari Raya Celebration with employees to promote employees' teamwork in terms of planning, creativity, innovation and time management.

On 16 August 2011 during the fasting month, PT Unisem in collaboration with the PT Unisem Moslem Brotherhood conduct a charity event named "BUKA PUASA PERSAMA ANAK YATIM" (break fasting with the orphans) where 100 orphans from 4 orphanages were invited. More than 100 PT Unisem employees were involved in this occasion. PT Unisem provide gifts to all the orphans whose age ranges from 5 to 15 years old.

As part of the involvement of Unisem's employee in local community, PT Unisem employees participate in providing medical care support to the community at surrounding Batam Island. Employees were distributing free medicine for local community who live in surrounding Batam island.

Unisem Europe supports local charities through third party orgainsed events, and in doing so raising money for such events.

### 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 March, April and August 2011, the Company organised blood donation campaigns in its premises. A total of 236 employees participated in the campaigns. The objective of this campaign is to impart a sense of responsibility among employees by saving life through blood donation.

In 2011, PT Unisem organized regular blood donation campaigns. 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 increasing road accidents and the patients in the area.

# **board of** directors

**From left to right,**

Prof. Tan Sri Dato' Dr. Mohd. Rashdan Bin Haji Baba

Sundra Moorthi S/O V.M. Krishnasamy

Francis Chia Mong Tet

Ang Chye Hock

John Chia Sin Tet

Tan Sri Dato' Wong See Wah

Martin Giles Manen

Yen Woon @ Low Sau Chee

Tee Yee Loh

# **directors'** profile

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

Mr John Chia Sin Tet, aged 62, was appointed Chairman of the Company on 13 June 1991, Managing Director on 11 March 1998 and the Group Managing Director on 1 November 2007. He is also the Chairman of the Executive Committee and Remuneration Committee.

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

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

**ANG CHYE HOCK,**
Executive Director,
Singaporean

Mr Ang Chye Hock, aged 62, is the Executive Director/Group Chief Operating Officer of the Company. He was appointed to the Board of the Company on 28 November 2002 as an Executive Director. He graduated from Salford University, England in 1972 with a Bachelor of Science in Electronics (Honours). He is also a member of the Executive Committee and Remuneration Committee. Mr Ang was the Chief Operating Officer of the Company from 2001 to 2005 and President from 2001 to 2007.

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

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

**FRANCIS CHIA MONG TET,**
Executive Director,
Malaysian

Mr Francis Chia Mong Tet, aged 60, 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.

# **directors'** profile

**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 76, was appointed to the Board of the Company on 26 March 1998 as an Independent Director. He is also the Chairman of the Nomination Committee.

Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan holds a Bachelor of Science degree from the University of Reading, United Kingdom and a Doctorate (PhD) from the University of Leeds, United Kingdom. He also completed the 83rd Advanced Management Programme at Harvard University, USA. Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan also received an 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 66, was appointed to the Board of the Company on 28 November 2002 as an Independent Director. He holds a Certificate in Teaching from the Malayan Teachers College, Pulau Pinang. He is also a member of the Audit Committee and Nomination Committee.

Y.Bhg. Tan Sri Dato' Wong began his political and ministerial careers in 1982. From 1982 to 1986, he was elected as the State Assemblyman for Kuala Klawang Constituency, Negeri Sembilan and the Negeri Sembilan State Government Executive Councilor (State EXCO) responsible for the Water and Electricity Supply Portfolios. From 1986 to 1990, Y.Bhg. Tan Sri Dato' Wong was elected as the State Assemblyman for Peradong Constituency, Negeri Sembilan and remained as the State EXCO responsible for the Water and Electricity Supply Portfolios. From 1990 to 1995, he was a Member of Parliament, Rasah Constituency, Negeri Sembilan and Deputy Minister in the Prime Minister Department. From 1995 to 1999, he remained as a Member of Parliament, Rasah Constituency, Negeri Sembilan and was appointed as Deputy Minister of the Finance Ministry. Since October 2001, Y. Bhg. Tan Sri Dato' Wong has been the Chief Administrative Director of MCA Headquarters.

Y.Bhg. Tan Sri Dato' Wong is currently the 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.

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

Mr Yen Woon @ Low Sau Chee, aged 64, 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 68, was appointed to the Board of the Company on 13 June 1991. He graduated with a Bachelor of Arts degree from University Malaya. He is a Barrister at Law and a Member of the Grays Inn, United Kingdom. Mr Sundra Moorthi is also a member of the Audit Committee and Remuneration Committee.

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

**TEE YEE LOH,**
Non-Executive Director,
Malaysian

Mr Tee Yee Loh, aged 57, was appointed to the Board of the Company on 13 June 1991. He is one of the founder members of Unisem (M) Berhad. He holds a Diploma in Mechanical Engineering from Federal Institute of Technology, Selangor Darul Ehsan. He is also a member of the Remuneration Committee.

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

**MARTIN GILES MANEN,**
Independent Director,
Malaysian

Mr Martin Giles Manen, aged 57, was appointed to the Board of the Company on 28 July 2009 as an Independent Director. Mr Manen is a Chartered Accountant and a member of the Malaysian Institute of Accountants ("MIA") and Malaysian Institute of Certified Public Accountants ("MICPA"). He is also the Chairman of the Audit Committee and a member of the Nomination Committee.

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

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

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.

# **statement on** corporate governance

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

The Company has complied with the Best Practices of Corporate Governance as set out in the Code throughout the financial year ended 31 December 2011. 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 2011.

## PRINCIPLES OF CORPORATE GOVERNANCE

## 1. THE BOARD OF DIRECTORS

The Board of Directors (the "Board") has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. There are no changes in the composition of the Board of Directors for the financial year ended 31 December 2011. Presently, there are 9 Board members in Unisem (M) Berhad comprising 3 executive directors and 6 non-executive directors. Out of the 6 non-executive directors, 3 are independent directors. The members of the Board possess a wealth of experience in the semiconductor and other industries. 5 members have been with the Company for more than 20 years. The profiles of the Directors are provided in pages 27 to 29 of the Annual Report. All these skills and experience enable the Board to effectively lead and control the Company.

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

### *Board Meetings*

A total of five Board meetings were held during the financial year ended 31 December 2011. 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 Ang Chye Hock | 5/5 |
| Mr Francis Chia Mong Tet | 5/5 |
| Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba | 5/5 |
| Y.Bhg. Tan Sri Dato' Wong See Wah | 5/5 |
| Mr Yen Woon @ Low Sau Chee | 5/5 |
| Mr Sundra Moorthi s/o V.M. Krishnasamy | 5/5 |
| Mr Tee Yee Loh | 5/5 |
| Mr Martin Giles Manen | 5/5 |

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

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

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

### *Supply of Information*

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

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

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

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

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

### *Executive Committee*

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

#### Charter

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

The charter of the Executive Committee encompasses:-
- corporate strategy development;
- approving major plans of action and policies and procedures; and
- the monitoring of operational performance.

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

#### Composition

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

The Executive Committee comprises of the following Directors:-

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

# **statement on** corporate governance

### *Nomination Committee*

The Nomination Committee was established in December 2001. There was one meeting held during the financial year ended 31 December 2011. The details of attendance of the Committee members are as follows:-

| Name of Committee Member | Number of meetings attended |
|---|---|
| Y.Bhg. Tan Sri Dato' Wong See Wah | 1/1 |
| Mr Martin Giles Manen | 1/1 |
| Mr Sundra Moorthi s/o V.M. Krishnasamy | 1/1 |

It consists of wholly Non-Executive Directors, majority are also independent directors. 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 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.

The Nomination Committee comprises of the following Directors:-

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

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

### *Directors' Training*

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

All Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") organised by Research Institute of Investment Analysts Malaysia (now known as 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 |
|---|---|---|
| 13 January 2011 | ICLIF Leadership Programme "Too Many Bosses, Too Few Leaders" | Mr Martin Giles Manen |
| 25 January 2011 | "Recent Tax Developments" organized by International Fiscal Association, Malaysia Branch | Mr Martin Giles Manen |
| 23 March 2011 | Business Sustainability Programme organized by Bursa Malaysia | Tan Sri Dato' Wong See Wah<br>Mr Francis Chia Mong Tet<br>Mr Yen Woon @ Low Sau Chee<br>Mr Martin Giles Manen |
| 24 March 2011 | Assessing the Risk and Control Environment organized by Bursa Malaysia | Tan Sri Dato' Wong See Wah<br>Mr Martin Giles Manen |
| 6 April 2011 | Talk by Raja, Darryl & Loh Advocates & Solicitors "Whistleblower Protection Act 2010, Personal Data Protect Act 2010 and Price Control & Anti-Profiteering Act 2011" organized by IJM Corporation Bhd | Tan Sri Dato' Wong See Wah |
| 13 April 2011 | "Sustainability Programme for Corporate Malaysia" organized by Bursa Malaysia | Tan Sri Dato' Wong See Wah |
| 5 May 2011 | "Governance - The Board's Responsibility for Corporate Culture" organized by Bursa Malaysia | Tan Sri Dato' Wong See Wah |
| 12 May 2011 | In-House Community/Pacific Business Press 2011 In-House Congress | Mr Martin Giles Manen |
| 16 June 2011 | Directors' Continuing Education Programme 2011 organized by Guinness Anchor Berhad and Fraser & Neave Holdings Bhd<br>• "Retailing Trends and Strategies" by Andrew Powell, Client Service Director, Deloitte<br>• "Commodity Trends and Impact" by Nick Carracher, Senior Commodities Trader, ANZ Bank<br>• "Economic Transformation Programme/10th Malaysia Plan" by Stewart Forbes, Executive Director, MICCI | Mr Martin Giles Manen |
| 28 June 2011 | MICCI CEO Debate "Factors for Successful Investment in Malaysia and the Challenges to Continued Economic Growth" | Mr Martin Giles Manen |
| 21 & 22 July 2011 | Financial Institutions Directors' Education (FIDE) on "Board Risk Management Committee Programme" | Mr Martin Giles Manen |
| 26 July 2011 | Talk by Professor Jag Sheth "Chindia Rising? How China and India can help on your Business" organized by IJM Corporation Bhd | Tan Sri Dato' Wong See Wah |
| 11 August 2011 | "Improving Corporate Governance In Malaysia Capital Markets - The Role of the Audit Committee" organized by ICAA-MICPA | Tan Sri Dato' Wong See Wah |
| 30 September - 1 October 2011 | FIDE on "Corporate Finance Programme" | Mr Martin Giles Manen |
| 18 & 19 October 2011 | FIDE on "Board IT Governance & Risk Management Programme" | Mr Martin Giles Manen |
| 2 & 3 November 2011 | The MIA-AFA Conference 2011 - Converge, Transform, Sustain: Towards World Class Excellence | Mr Francis Chia Mong Tet |
| 29 & 30 November 2011 | Corporate Governance Conference organized by Securities Commission and Bursa Malaysia | Mr Martin Giles Manen |
| 15 December 2011 | Presentation on "Semiconductor Industry Outlook" by Mr Jim Walker of Gartner | Mr John Chia Sin Tet<br>Mr Francis Chia Mong Tet<br>Mr Ang Chye Hock<br>Mr Martin Giles Manen |

# **statement on** corporate governance

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

## 2. DIRECTORS' REMUNERATION

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

Aggregate remuneration of the 3 Executive Directors and 6 Non-Executive Directors during the financial year ended 31 December 2011 can be categorised into the following components:

| Category | Director's Fees (RM) | Salaries (RM) | Bonus (RM) | Others (RM) | Total (RM) |
|---|---|---|---|---|---|
| Executive Director | 420,000 | 5,359,200 | 1,348,375 | 2,169,091 | **9,296,666** |
| Non-Executive Director | 770,000 | - | - | - | **770,000** |

Directors' remunerations are broadly categorised into the following bands:

| | Number of Directors | |
|---|---|---|
| Range of remuneration | Executive | Non-Executive |
| RM100,001 to RM150,000 | - | 5 |
| RM150,001 to RM200,000 | - | 1 |
| RM2,300,001 to RM2,350,000 | 1 | - |
| RM2,550,001 to RM2,600,000 | 1 | - |
| RM4,350,001 to RM4,400,000 | 1 | - |

***Remuneration Committee***

The Remuneration Committee was formed in December 2001. There was one meeting held during the financial year ended 31 December 2011. The details of attendance of the Committee members are as follows:-

| Name of Committee Member | Number of meetings attended |
|---|---|
| Mr John Chia Sin Tet | 1/1 |
| Mr Ang Chye Hock | 1/1 |
| Mr Yen Woon @ Low Sau Chee | 1/1 |
| Mr Sundra Moorthi s/o V.M. Krishnasamy | 1/1 |
| Mr Tee Yee Loh | 1/1 |

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

The following Directors sit on the Remuneration Committee:

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

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

## 3. SHAREHOLDERS

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

- timely quarterly results announcements and various disclosures and announcements made to the Exchange and posted on the Company's website at www.unisemgroup.com;
- 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, an independent director to answer any queries or clarify any matters concerning the Company. Mr Martin Giles Manen can be contacted at the following correspondence address:

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

## 4. ACCOUNTABILITY AND AUDIT

### *Financial Reporting*

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

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

### *Internal Control*

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

# **statement on** corporate governance

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

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

The Company's operations involve the acceptance and management of a wide range of risks. The nature of these risks means that events may occur which could give rise to unanticipated or unavoidable losses. The Company's systems of internal controls are designed to provide reasonable but not absolute assurance against the risks of material errors, fraud or losses occurring. It is possible that internal control may be circumvented or overridden. Furthermore, because of changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The rationale of the system of internal controls is to enable the Company to achieve its corporate objectives within an acceptable risk profile and cannot be expected to eliminate all risks.

The Statement on Internal Control are set out on pages 43 to 44 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 38 to 42 of the Annual Report.

***Directors' Responsibility Statement on Annual Audited Financial Statements***

The Directors are responsible for preparing the annual audited financial statements and the Board ensures that the financial statements and other financial reports of the Company are prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

## ADDITIONAL COMPLIANCE INFORMATION

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

During the financial year under review,

**(i) Share buybacks**

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

**(ii) Issue of shares**

The Company did not issue any new shares.

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

Other than the options granted under the Company's Executive Share Option Scheme, 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 tax advisory services, corporate tax compliance and other advisory services rendered to the Company and its subsidiaries for the financial year by the Company's auditors and its affiliates amounted to RM1.8 million.

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

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

**(ix) Profit guarantee**

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

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

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

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

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

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

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

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

## BEST PRACTICES OF CORPORATE GOVERNANCE

The Company has complied with the Best Practices of Corporate Governance as set out in the Code throughout the financial year ended 31 December 2011 with the exception of the following:

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

# audit committee report

## MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee consists of:-

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

## MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2011, the Committee held five meetings. The details of attendance of the Committee members are as follows:-

| Name of Committee Member | Number of meetings attended |
|---|---|
| Mr Martin Giles Manen | 5/5 |
| Y.Bhg. Tan Sri Dato' Wong See Wah | 5/5 |
| Mr Sundra Moorthi s/o V.M. Krishnasamy | 5/5 |

## TERMS OF REFERENCE

### 1. Composition

a. The Committee shall be appointed by the Board from amongst the Directors and shall consist of no fewer than three (3) members.

b. All Committee members shall be non-executive directors.

c. The majority of the members including the Chairman of the Committee shall be Independent Directors as defined in Chapter 1 of the Main Market Listing Requirements of the Bursa Securities.

d. The members of the Committee shall elect a Chairman from amongst their number.

e. The Committee shall include at least one person who is a member of the Malaysian Institute of Accountants or who must have at least 3 years' working experience and have passed the examinations specified in Part 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

### 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. In relation to internal audit function:-

   (i) review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

   (ii) review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

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

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

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

   (v) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

## ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met five times during the financial year ended 31 December 2011. The activities of the Audit Committee for the financial year were summarised as follows:-

a. The Committee reviewed with management, the external auditors and internal auditors the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.

b. The Committee reviewed the unaudited quarterly financial results and the annual audited financial statements of the Company prior to their submission to the Board for approval and release to the public.

# **audit** committee report

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.

f. The Committee reviewed and verified the allocation of options pursuant to the Company's Executives' Share Option Scheme during the year and found that it was done in accordance with the provisions of the bye-laws and the criteria for allocations disclosed to the executives.

## INTERNAL AUDIT FUNCTION

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

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

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

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

The cost incurred for the Internal Audit function of the Company in respect of the financial year ended 31 December 2011 amounted to RM415,000.

# statement on internal control

## INTRODUCTION

Pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements, the Board of Directors ("the Board") of Unisem (M) Berhad is pleased to provide the following statement on the state of internal control of the Group comprising Unisem (M) Berhad and its subsidiaries ("Group") for the financial year ended 31 December 2011, which has been prepared in accordance with the "Statement of Internal Control – Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

## BOARD RESPONSIBILITY

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

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

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

## KEY ELEMENTS OF INTERNAL CONTROL

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

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

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

- **Formalised strategic planning processes**

  The Group has formulated the appropriate business plans within which the business objectives, strategies and targets are articulated. Business planning and budgeting is undertaken annually, to establish plans and targets against which performance is monitored on an ongoing basis. Key business risks are identified during the business planning process and are reviewed regularly during the year.

# **statement on** internal control

- **Reporting and review**

  The Group's management team carries out monthly monitoring and review of financial results including monitoring and reporting thereon, of performance against the operating plans. The Group's management team communicates regularly to monitor operational and financial performance as well as formulate action plans to address any areas of concern. There is regular reporting by senior management of the Group to the Board of Directors on significant changes in the business and the external environment in which the Group operates.

- **Documented policies and procedures**

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

- **Continuous employee education**

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

- **Quality Control**

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

- **Financial performance**

  The preparation of period and full year results and the state of affairs, as published to shareholders, are reviewed and approved by the Board. The full year financial statements are also audited by the external auditors.

- **Internal Audit**

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

# FINANCIAL STATEMENTS

# **directors'** report

The directors of UNISEM (M) BERHAD are pleased to present their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2011.

## 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.

## RESULTS OF OPERATIONS

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

| | THE GROUP RM'000 | THE COMPANY RM'000 |
|---|---|---|
| Profit for the year | 19,581 | 6,842 |
| Profit attributable to: | | |
| Owners of the Company | 19,725 | 6,842 |
| Non-controlling interests | (144) | - |
| | 19,581 | 6,842 |

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 10% or 5 sen per share, tax-exempt, amounting to RM33,708,069 proposed in the previous financial year and dealt with in the previous year directors' report, was paid on July 8, 2011.

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 which amounts to approximately RM13,483,228 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.

## 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 granted and exercised 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 1.1.2011 '000 UNITS | GRANTED '000 UNITS | EXERCISED '000 UNITS | BALANCE AS OF 31.12.2011 '000 UNITS |
| 05.01.2011 | 2.25 | - | 18,050 | - | **18,050** |
| 18.01.2011 | 2.25 | - | 1,300 | - | **1,300** |
| Total | | - | 19,350 | - | **19,350** |

The number of share options vested as of December 31, 2011 is 5,805,000 units. The share options granted to the directors and senior management represents 11.4% of the maximum options that can be granted under the ESOS as of December 31, 2011.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders, who have been granted options under the ESOS for less than 300,000 ordinary shares each.

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.

As of the end of the reporting period, the entire allotted Warrants remained unexercised.

# **directors'** report

## OTHER FINANCIAL INFORMATION

Before the income statements 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 have 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 for 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 which 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. Ang Chye Hock
Mr. Francis Chia Mong Tet
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. Tee Yee Loh
Mr. Martin Giles Manen

## DIRECTORS (CONT'D)

In accordance with Article 124 of the Company's Articles of Association, Mr. Francis Chia Mong Tet, Y.Bhg. Tan Sri Dato' Wong See Wah and Mr. Tee Yee Loh retire by rotation.

Mr. Francis Chia Mong Tet and Y. Bhg. Tan Sri Dato' Wong See Wah, being eligible, offer themselves for re-election. Mr. Tee Yee Loh will not be seeking for re-election.

In accordance with Section 129(6) of the Companies Act 1965, Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba who attained the age of 70, retires and 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 1.1.2011 | BOUGHT/ TRANSFERRED* | SOLD/ TRANSFERRED* | BALANCE AS OF 31.12.2011 |
| **Shares in the Company** | | | | |
| **Registered in the name of directors** | | | | |
| Mr. John Chia Sin Tet | 21,800,000 | 800,000 | (4,470,000)* | **18,130,000** |
| Mr. Ang Chye Hock | 383,500 | - | - | **383,500** |
| Mr. Francis Chia Mong Tet | 12,090,000 | - | - | **12,090,000** |
| Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba | 676,000 | - | - | **676,000** |
| Mr. Yen Woon @ Low Sau Chee | - | 600,000 | - | **600,000** |
| Mr. Sundra Moorthi s/o V.M. Krishnasamy | 35,100 | - | - | **35,100** |
| **Indirect interest by virtue of shares held by companies in which a director has interests** | | | | |
| Mr. John Chia Sin Tet | 199,467,840 | 200,000/ 4,470,000* | (1,000,000) | **203,137,840** |
| Mr. Francis Chia Mong Tet | 616,980 | - | - | **616,980** |
| Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba | 149,370 | - | - | **149,370** |
| Mr. Yen Woon @ Low Sau Chee | 176,046,000 | 300,000 | (1,000,000) | **175,346,000** |
| Mr. Sundra Moorthi s/o V.M. Krishnasamy | 7,800 | - | - | **7,800** |
| Mr. Tee Yee Loh | 5,982,300 | 4,422,300* | (4,161,000)/ (4,422,300)* | **1,821,300** |

# **directors'** report

## DIRECTORS' INTERESTS (CONT'D)

| | NO. OF WARRANTS | | | |
|---|---|---|---|---|
| | BALANCE AS OF 1.1.2011 | BOUGHT | SOLD | BALANCE AS OF 31.12.2011 |
| **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** |
| Mr. Francis Chia Mong Tet | 3,031,500 | - | - | **3,031,500** |
| 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. Francis Chia Mong Tet | 160,300 | - | - | **160,300** |
| Mr. Yen Woon @ Low Sau Chee | 44,017,100 | 300,000 | - | **44,317,100** |
| Mr. Sundra Moorthi s/o V.M. Krishnasamy | 1,950 | - | - | **1,950** |
| Mr. Tee Yee Loh | 390,700 | - | - | **390,700** |

| | NO. OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH | | | |
|---|---|---|---|---|
| | BALANCE AS OF 1.1.2011 | GRANTED | EXERCISED | BALANCE AS OF 31.12.2011 |
| **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** |
| Total | - | 4,500,000 | - | **4,500,000** |

The number of share options in name of directors vested as of December 31, 2011 is 1,350,000 units.

By virtue of their interests in the shares of the Company, Messrs. John Chia Sin Tet and 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 and Mr. Martin Giles Manen 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 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 23, 2012

# **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, 2011 and the income statements, statements of 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 54 to 112.

### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and 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 have been properly drawn up in accordance with Financial Reporting Standards and 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, 2011 and of their financial performance and cash flows for the year then ended.

**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;

(b) we have considered the accounts and auditors' reports of the subsidiaries, of which we have not acted as auditors, as mentioned in Note 13 to the financial statements, being accounts that have been included in the financial statements of the Group;

(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 these purposes; and

(d) the auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any adverse comment made under Section 174 (3) of the Act.

**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 towards any other person for the contents of this report.

**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.

**DELOITTE KASSIMCHAN**
AF 0080
Chartered Accountants

**DATO' WONG GUANG SENG**
Partner - 787/03/13(J/PH)
Chartered Accountant

March 23, 2012

# **income** statements
for the year ended December 31, 2011

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | NOTE | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | **1,160,863** | 1,395,078 | **536,337** | 684,842 |
| Investment income | 8 | **174** | 168 | **820** | 1,626 |
| Other gains and (losses) | 5 | **7,911** | 13,786 | **(1,031)** | 7,895 |
| Other operating income | 5 | **28,754** | 17,171 | **10,955** | 11,806 |
| Changes in inventories of finished goods and work-in-progress | | **(1,817)** | 1,260 | **(632)** | (2,132) |
| Raw materials and consumables used | | **(511,563)** | (580,488) | **(183,955)** | (234,671) |
| Depreciation of property, plant and equipment | 11 | **(159,219)** | (150,343) | **(82,674)** | (81,316) |
| Employee benefits expenses | 5 | **(276,338)** | (265,099) | **(132,564)** | (132,515) |
| Directors' remuneration | 6 | **(12,876)** | (8,498) | **(9,938)** | (7,340) |
| Amortisation of prepaid interest in leased lands | 12 | **(450)** | (459) | **(44)** | (44) |
| Finance costs | 7 | **(17,842)** | (17,227) | **(10,798)** | (11,026) |
| Other operating expenses | 5 | **(203,342)** | (212,060) | **(122,154)** | (135,151) |
| Profit before tax | | **14,255** | 193,289 | **4,322** | 101,974 |
| Taxation | 9(a) | **5,326** | (10,331) | **2,520** | (4,114) |
| **Profit for the year** | | **19,581** | 182,958 | **6,842** | 97,860 |
| **Attributable to:** | | | | | |
| Owners of the Company | | **19,725** | 181,942 | **6,842** | 97,860 |
| Non-controlling interests | | **(144)** | 1,016 | **-** | - |
| | | **19,581** | 182,958 | **6,842** | 97,860 |
| **Earnings per share** | | | | | |
| Basic and diluted (sen) | 10 | **2.93** | 26.99 | | |

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

# **statements** of comprehensive income

for the year ended December 31, 2011

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2011 RM'000** | **2010 RM'000** | **2011 RM'000** | **2010 RM'000** |
| **Profit for the year** | **19,581** | 182,958 | **6,842** | 97,860 |
| **Other comprehensive income/(loss)** | | | | |
| Exchange differences on translating foreign operations arising during the year | **38,474** | (53,223) | **-** | - |
| **Total comprehensive income for the year** | **58,055** | 129,735 | **6,842** | 97,860 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | **58,199** | 128,719 | **6,842** | 97,860 |
| Non-controlling interests | **(144)** | 1,016 | **-** | - |
| | **58,055** | 129,735 | **6,842** | 97,860 |

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

# **statements of** financial position
as of December 31, 2011

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | NOTE | RM'000 | RM'000 | RM'000 | RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | **1,331,997** | 1,244,727 | **524,730** | 560,386 |
| Prepaid interest in leased lands | 12 | **19,740** | 19,537 | **3,782** | 3,826 |
| Investment in subsidiaries | 13 | **-** | - | **567,477** | 565,526 |
| Goodwill | 14 | **67,219** | 65,229 | **-** | - |
| Intangible assets | 15 | **16,534** | 18,739 | **-** | - |
| Deferred tax assets | 9(c) | **8,783** | 8,785 | **616** | 616 |
| **Total non-current assets** | | **1,444,273** | 1,357,017 | **1,096,605** | 1,130,354 |
| **Current assets** | | | | | |
| Inventories | 16 | **160,998** | 160,592 | **86,036** | 86,157 |
| Trade receivables | 17 | **165,118** | 196,282 | **77,757** | 100,873 |
| Other receivables, deposits and prepaid expenses | 17 | **10,873** | 11,345 | **1,962** | 2,294 |
| Amount owing by subsidiaries | 18 | **-** | - | **16,644** | 15,907 |
| Tax recoverable | 9(b) | **6,831** | 2,175 | **1,672** | 1,203 |
| Cash and bank balances | 19 | **63,528** | 108,339 | **17,497** | 22,891 |
| **Total current assets** | | **407,348** | 478,733 | **201,568** | 229,325 |
| **Total assets** | | **1,851,621** | 1,835,750 | **1,298,173** | 1,359,679 |

| | NOTE | THE GROUP 2011 RM'000 | THE GROUP 2010 RM'000 | THE COMPANY 2011 RM'000 | THE COMPANY 2010 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 20 | **337,081** | 337,081 | **337,081** | 337,081 |
| Reserves | 21 | **752,193** | 722,855 | **607,357** | 629,349 |
| Equity attributable to owners of the Company | | **1,089,274** | 1,059,936 | **944,438** | 966,430 |
| Non-controlling interests | | **12,504** | 12,621 | **-** | - |
| **Total equity** | | **1,101,778** | 1,072,557 | **944,438** | 966,430 |
| **Non-current liabilities** | | | | | |
| Amount owing to subsidiaries | 18 | **-** | - | **15,864** | - |
| Borrowings - non-current portion | 22 | **215,693** | 215,490 | **54,827** | 72,071 |
| Obligations under finance leases | 23 | **1,327** | 1,133 | **-** | - |
| Deferred income | 24 | **7,771** | 7,636 | **-** | - |
| Deferred tax liabilities | 9(c) | **-** | 5,115 | **-** | - |
| Retirement benefit obligations | 25 | **19,041** | 16,044 | **-** | - |
| **Total non-current liabilities** | | **243,832** | 245,418 | **70,691** | 72,071 |
| **Current liabilities** | | | | | |
| Trade payables | 26 | **101,536** | 101,112 | **37,918** | 31,347 |
| Other payables and accrued expenses | 26 | **103,343** | 188,805 | **53,240** | 98,387 |
| Amount owing to subsidiaries | 18 | **-** | - | **15,740** | 25,633 |
| Borrowings | 22 | **299,738** | 227,264 | **176,146** | 165,811 |
| Obligations under finance leases | 23 | **1,375** | 579 | **-** | - |
| Provision for taxation | 9(b) | **19** | 15 | **-** | - |
| **Total current liabilities** | | **506,011** | 517,775 | **283,044** | 321,178 |
| **Total liabilities** | | **749,843** | 763,193 | **353,735** | 393,249 |
| **Total equity and liabilities** | | **1,851,621** | 1,835,750 | **1,298,173** | 1,359,679 |

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

# **statements of** changes in equity
for the year ended December 31, 2011

| THE GROUP | NOTE | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | ← NON-DISTRIBUTABLE RESERVES | | | | → | | | | |
| **Balance as of January 1, 2010** | | 259,293 | 205,449 | 6,542 | - | - | 9,268 | 468,006 | 948,558 | 11,362 | 959,920 |
| Total comprehensive income for the year | | - | - | - | - | - | (53,223) | 181,942 | 128,719 | 1,016 | 129,735 |
| Transfer to statutory reserve fund | 21 | - | - | 6,132 | - | - | - | (6,132) | - | - | - |
| Dividends | 27 | - | - | - | - | - | - | (33,189) | (33,189) | - | (33,189) |
| Bonus issue | 20 | 77,788 | (77,788) | - | - | - | - | - | - | - | - |
| Issue of Warrants | 21 | - | - | - | - | 16,011 | - | - | 16,011 | - | 16,011 |
| Dissolution of non-controlling interests | | - | - | - | - | - | 70 | (233) | (163) | 243 | 80 |
| **Balance as of January 1, 2011** | | 337,081 | 127,661 | 12,674 | - | 16,011 | (43,885) | 610,394 | 1,059,936 | 12,621 | 1,072,557 |
| Total comprehensive income for the year | | - | - | - | - | - | 38,474 | 19,725 | 58,199 | (144) | 58,055 |
| Dividends | 27 | - | - | - | - | - | - | (33,708) | (33,708) | - | (33,708) |
| Transfer to statutory reserve fund | 21 | - | - | 2,999 | - | - | - | (2,999) | - | - | - |
| Recognition of share-based payments | 21 | - | - | (27) | 4,874 | - | - | - | 4,847 | 27 | 4,874 |
| **Balance as of December 31, 2011** | | **337,081** | **127,661** | **15,646** | **4,874** | **16,011** | **(5,411)** | **593,412** | **1,089,274** | **12,504** | **1,101,778** |

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

| THE COMPANY | NOTE | SHARE CAPITAL RM'000 | ← NON-DISTRIBUTABLE RESERVE → 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, 2010** | | 259,293 | 205,449 | - | - | 421,006 | 885,748 |
| Total comprehensive income for the year | | - | - | - | - | 97,860 | 97,860 |
| Dividends | 27 | - | - | - | - | (33,189) | (33,189) |
| Issue of Warrants | 21 | - | - | - | 16,011 | - | 16,011 |
| Bonus issue | 20 | 77,788 | (77,788) | - | - | - | - |
| **Balance as of January 1, 2011** | | 337,081 | 127,661 | - | 16,011 | 485,677 | 966,430 |
| Total comprehensive income for the year | | - | - | - | - | 6,842 | 6,842 |
| Dividends | 27 | - | - | - | - | (33,708) | (33,708) |
| Recognition of share-based payments | 21 | - | - | 4,874 | - | - | 4,874 |
| **Balance as of December 31, 2011** | | **337,081** | **127,661** | **4,874** | **16,011** | **458,811** | **944,438** |

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

# **statements of** cash flows

for the year ended December 31, 2011

| | NOTE | THE GROUP 2011 RM'000 | 2010 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | |
| Profit for the year | | **19,581** | 182,958 |
| Adjustments for non-cash items: | | | |
| Depreciation of property, plant and equipment | | **159,219** | 150,343 |
| Finance costs | | **17,842** | 17,227 |
| Expense recognised in respect of equity-settled share-based payments | | **4,874** | - |
| Provision for retirement benefit | 25 | **2,659** | 2,774 |
| Amortisation of intangible assets | | **2,468** | 2,836 |
| Amortisation of prepaid interest in leased lands | | **450** | 459 |
| Bad debts written off | | **44** | 48 |
| Property, plant and equipment written off | | **37** | 72 |
| Taxation recognised in the income statements | | **(5,326)** | 10,331 |
| Unrealised gain on foreign exchange | | **(4,018)** | (16,647) |
| Amortisation of deferred income | | **(462)** | (467) |
| (Write-back of)/Allowance for inventories obsolescence | | **(390)** | 62 |
| Interest income | | **(174)** | (168) |
| Gain on disposal of property, plant and equipment | | **(50)** | (876) |
| Net gain arising on financial liabilities designated as fair value through profit and loss | | **-** | (1,640) |
| | | **196,754** | 347,312 |
| Movements in working capital: | | | |
| (Increase)/Decrease in: | | | |
| Inventories | | **3,760** | (39,517) |
| Trade receivables | | **37,894** | (35,707) |
| Other receivables, deposits and prepaid expenses | | **1,350** | (690) |
| Increase/(Decrease) in: | | | |
| Trade payables | | **(7,341)** | 9,762 |
| Other payables and accrued expenses | | **(3,270)** | (4,269) |
| Cash Generated From Operations | | **229,147** | 276,891 |
| Income tax paid | | **(4,236)** | (9,341) |
| Defined benefit obligations paid | 25 | **(266)** | (705) |
| Net Cash From Operating Activities | | **224,645** | 266,845 |

| | | THE GROUP | |
|---|---|---|---|
| | NOTE | 2011 RM'000 | 2010 RM'000 |
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of property, plant and equipment | | **565** | 4,683 |
| Interest received | | **201** | 142 |
| Additions to property, plant and equipment | 30(a) | **(282,446)** | (259,118) |
| Additions to intangible assets | 15 | **(206)** | (361) |
| Net Cash Used In Investing Activities | | **(281,886)** | (254,654) |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Proceeds from term loans | | **126,596** | 182,320 |
| Proceeds from revolving credit | | **39,271** | 33,338 |
| Proceeds from/(Repayment of) bankers' acceptances | | **182** | (3,778) |
| Repayment of term loans | | **(131,914)** | (126,413) |
| Dividends paid | 27 | **(33,708)** | (33,189) |
| Interest paid | | **(17,488)** | (17,233) |
| Repayment of finance leases | | **(839)** | (586) |
| Proceeds from issue of Warrants | | **-** | 16,011 |
| Debt issue expenses | | **-** | (1,371) |
| Net Cash (Used In)/From Financing Activities | | **(17,900)** | 49,099 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(75,141)** | 61,290 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **108,339** | 53,916 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | **3,728** | (6,867) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 30(b) | **36,926** | 108,339 |

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

# **statements of** cash flows

for the year ended December 31, 2011

| | | THE COMPANY | |
|---|---|---|---|
| | NOTE | 2011 RM'000 | 2010 RM'000 |
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | |
| Profit for the year | | **6,842** | 97,860 |
| Adjustments for non-cash items: | | | |
| Depreciation of property, plant and equipment | | **82,674** | 81,316 |
| Finance costs | | **10,798** | 11,026 |
| Expense recognised in respect of equity-settled share-based payments | | **2,923** | - |
| Unrealised loss/(gain) on foreign exchange | | **1,523** | (12,842) |
| Amortisation of prepaid interest in leased lands | | **44** | 44 |
| Property, plant and equipment written off | | **37** | 72 |
| Loss/(Gain) on disposal of property, plant and equipment | | **16** | (77) |
| Taxation recognised in the income statements | | **(2,520)** | 4,114 |
| Interest income | | **(820)** | (1,626) |
| Net gain arising on financial liabilities designated as fair value through profit and loss | | **-** | (1,640) |
| | | **101,517** | 178,247 |
| Movements in working capital: | | | |
| (Increase)/Decrease in: | | | |
| Inventories | | **121** | (13,595) |
| Trade receivables | | **25,540** | (24,281) |
| Other receivables, deposits and prepaid expenses | | **332** | 1,262 |
| Increase/(Decrease) in: | | | |
| Trade payables | | **3,399** | (3,620) |
| Other payables and accrued expenses | | **587** | (7,928) |
| Cash Generated From Operations | | **131,496** | 130,085 |
| Income tax refunded/(paid) | | **2,051** | (5,025) |
| Net Cash From Operating Activities | | **133,547** | 125,060 |

| | NOTE | THE COMPANY 2011 RM'000 | THE COMPANY 2010 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Repayment from subsidiaries | | **4,994** | 8,419 |
| Proceeds from disposal of property, plant and equipment | | **1,389** | 3,465 |
| Interest received | | **1** | 26 |
| Additions to property, plant and equipment | 30(a) | **(94,060)** | (82,613) |
| Investment in a subsidiary company | | **-** | (23,974) |
| Net Cash Used In Investing Activities | | **(87,676)** | (94,677) |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Proceeds from revolving credit | | **40,000** | 18,000 |
| Proceeds from/(Repayment of) bankers' acceptances | | **182** | (3,778) |
| Repayment of term loans | | **(71,572)** | (112,452) |
| Dividends paid | 27 | **(33,708)** | (33,189) |
| Interest paid | | **(10,521)** | (9,579) |
| Proceeds from term loans | | **-** | 95,765 |
| Proceeds from issue of Warrants | | **-** | 16,011 |
| Advances from subsidiary companies | | **-** | 6,024 |
| Debt issue expenses | | **-** | (1,371) |
| Net Cash Used In Financing Activities | | **(75,619)** | (24,569) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(29,748)** | 5,814 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **22,891** | 17,120 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | **2,521** | (43) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 30(b) | **(4,336)** | 22,891 |

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.

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 23, 2012.

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

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

### (a) Adoption of new and revised FRSs and IC Interpretations ("Int.")

During the financial year, the Group and the Company have adopted all the new and revised FRSs and IC Int. issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for accounting periods beginning on or after March 1, 2010. The adoption of these new and revised FRSs and IC Int. have not resulted in material changes to the Group's and the Company's accounting policies except for:

***FRS 127 Consolidated and Separate Financial Statements (Revised in 2010)***

The Group has applied FRS 127 where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

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

At the date of authorisation for issue of these financial statements, the FRSs, IC Int. and amendments to FRSs and IC Int. which were in issue but not yet effective are as listed below:

| FRS AND IC INT. | | EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER |
|---|---|---|
| FRS 1 | First-time Adoption of Financial Reporting Standards (Amendments relating to Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters) | January 1, 2012 |
| FRS 7 | Financial Instruments: Disclosures | |
| | (Amendments relating to Transfer of Financial Assets) | January 1, 2012 |
| | (Amendments relating to Mandatory Effective Date of FRS 9 and Transition Disclosure) | March 1, 2012 |
| | (Amendments relating to Offsetting Financial Assets and Financial Liabilities) | January 1, 2013 |

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

### (b) Standards and IC Int. in issue but not yet effective (Cont'd)

| FRS AND IC INT. | | EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER |
|---|---|---|
| FRS 9 | Financial Instruments (International Financial Reporting Standards ("IFRS") 9 issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010) | January 1, 2015* |
| FRS 10 | Consolidated Financial Statements | January 1, 2013 |
| FRS 11 | Joint Arrangements | January 1, 2013 |
| FRS 12 | Disclosure of Interests in Other Entities | January 1, 2013 |
| FRS 13 | Fair Value Measurement | January 1, 2013 |
| FRS 101 | Presentation of Financial Statements (Revised in 2009) (Amendments relating to Presentation of items of Other Comprehensive Income) | July 1, 2012 |
| FRS 112 | Income Taxes (Amendments relating to Deferred Tax: Recovery of Underlying Assets) | January 1, 2012 |
| FRS 119 | Employee Benefits (as amended in November 2011) | January 1, 2013 |
| FRS 124 | Related Party Disclosure (Revised in 2010) | January 1, 2012 |
| FRS 127 | Separate Financial Statements (as amended in November 2011) | January 1, 2013 |
| FRS 128 | Investments in Associates and Joint Ventures | January 1, 2013 |
| FRS 132 | Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities) | January 1, 2014 |
| IC Int. 14 | The Limit on Defined Benefits Asset, Minimum Funding Requirements and their interaction (Amendments relating to Prepayments of a Minimum Funding Requirement) | July 1, 2011 |
| IC Int. 19 | Extinguishing Financial Liabilities with Equity Instruments | July 1, 2011 |
| IC Int. 20 | Stripping Cost in the Production Phase of a Surface Mine | January 1, 2013 |

* Effective for annual periods beginning on or after January 1, 2015 immediately upon the issuance of Amendments to FRS 9 (IFRS 9 issued by IASB on November 2009 and October 2010 respectively) and FRS 7 relating to "Mandatory Effective Date of FRS 9 and Transition Disclosure" on March 1, 2012.

The directors anticipate that the abovementioned Standards and IC Int. that are relevant to the operations of the Group and of the Company will be adopted in the annual financial statements of the Group and of the Company when they become effective, apart from additional disclosures as required by FRS 7, FRS 9, and FRS 101, the adoption of these Standards and IC Int. will have no material impact on the financial statements of the Group and of the Company in the period of initial application, except as discussed below:

***FRS 119 Employee Benefits (as amended in November 2011)***

The directors anticipate that the amendments to FRS 119 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the amendments to FRS 119 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

# **notes to the** financial statements

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

### (b) Standards and IC Int. in issue but not yet effective (Cont'd)

***Malaysian Financial Reporting Standards***

On November 19, 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework") in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on January 1, 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all entities other than private entities for annual periods beginning on or after January 1, 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for the Construction of Real Estate* are given an option to defer adoption of the MFRS Framework for an additional one year. Transitioning Entities also includes those entities that consolidates, equity accounts or proportionately consolidates an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after January 1, 2012.

Accordingly, the Group and the Company which are not Transitioning Entities will be required to apply MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") in their financial statements for the financial year ending December 31, 2012, being the first set of financial statements prepared in accordance with the new MFRS Framework. Further, an explicit and unreserved statement of compliance with IFRSs will be made in these financial statements.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's and the Company's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

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

### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiaries controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intragroup transactions, balances and income and expenses are eliminated in full on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

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

### Basis of Consolidation (Cont'd)

Non-controlling interests represent the portion of total comprehensive income and net assets in subsidiaries that is not held by the Group.

### 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, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 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.

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

### 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 income statements.

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.

# notes to the financial statements

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

### 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 income statements 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 gain 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 on 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.

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 income statements when the gain or loss on disposal is recognised.

On consolidation, exchange differences arising from the translation of net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

### 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.

Borrowing costs are recognised in the income statements 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 statements of financial position and transferred to the income statements on a systematic and rational basis over the useful lives of the related assets.

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

### Government Grants (Cont'd)

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the income statements 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 retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

***Defined benefit plans***

The Group's net obligations in respect of post employment defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by an independent qualified actuary using the projected unit credit method under the local legislation.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statements on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statements.

In calculating the Group's obligations in respect of a plan, any actuarial gain or loss is recognised in the income statements over the expected average remaining working lives of the employees participating in the plan.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

***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 the 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.

# **notes to the** financial statements

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

### Taxation

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

***Current tax***

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

***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 its 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.

Depreciation of these assets commences when the assets are ready for their intended use.

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 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.

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

### Property, Plant and Equipment (Cont'd)

The annual depreciation rates are as follows:

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

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 sales proceeds and the carrying amount of the asset and is recognised in the income statements.

### Prepaid Interest In Leased Land

Leasehold land that normally has a definite 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.

### Investment in Subsidiaries

Investment in subsidiaries is stated in the Company's financial statements at cost less accumulated impairment losses, if any.

### 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 circumstance indicate that the carrying amount may be impaired. Any impairment loss is recognised immediately in the income statements and any impairment loss recognised for goodwill is not subsequently reversed. Gain and loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

### Intangible Assets

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

The estimated useful life 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.

# **notes to the** financial statements

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

### Intangible Assets (Cont'd)

***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 income statements in the year in which it is 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.

### Impairment of Assets

At the end of each reporting period, the Group and the Company review the carrying amounts of its tangible and intangible assets (other than inventories, deferred tax assets and other 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 the income statements. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

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

### 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 comprise 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.

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

### Financial Instruments (Cont'd)

***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 instrument, 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.

***(a) Financial Assets***

Financial assets of the Group and of the Company are classified into "loan 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 the income statements.

***(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.

# **notes to the** financial statements

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

**Financial Instruments (Cont'd)**

***Effective interest method (Cont'd)***

***(b) Financial Liabilities and Equity Instruments***

***(i) Classification as debt or equity***

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

***(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 into "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.

## 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 this is necessary.

For the purpose of assessing impairment, goodwill is allocated to CGU 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 net assets of the CGUs at the end of the five years.

The key assumptions for value-in-use includes 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 9.2% (2010: 11.9%) 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 are 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 net assets of the CGUs at the end of the five years.

The key assumptions for value-in-use includes 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 6.9% (2010: 10.4%) 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 value of property, plant and equipment.

# **notes to the** financial statements

## 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 numerous 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 income tax provisions in the period in which such determination is made.

(e) Deferred Tax Assets

Deferred tax assets is 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 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 consulting 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.

## 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, in the manufacture 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, the United Kingdom, the 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 focused on the business operations of the Group by geographical regions in Asia, United Kingdom 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.

## 4. SEGMENT INFORMATION (CONT'D)

### Geographical segment (Cont'd)

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 2011 RM'000 | ASIA 2010 RM'000 | EUROPE 2011 RM'000 | EUROPE 2010 RM'000 | UNITED STATES OF AMERICA 2011 RM'000 | UNITED STATES OF AMERICA 2010 RM'000 | CONSOLIDATED 2011 RM'000 | CONSOLIDATED 2010 RM'000 |
|---|---|---|---|---|---|---|---|---|
| ***Geographical segments by location of assets*** | | | | | | | | |
| **Income Statements** | | | | | | | | |
| **Revenue** | | | | | | | | |
| External sales | 1,131,062 | 1,356,043 | 17,540 | 25,720 | 12,261 | 13,315 | 1,160,863 | 1,395,078 |
| **Results** | | | | | | | | |
| Segment results | 35,747 | 205,781 | (1,943) | 3,806 | (1,881) | 761 | 31,923 | 210,348 |
| Finance costs | (17,474) | (17,073) | (152) | (154) | (216) | - | (17,842) | (17,227) |
| Investment income | 174 | 168 | - | - | - | - | 174 | 168 |
| Profit/(Loss) before tax | 18,447 | 188,876 | (2,095) | 3,652 | (2,097) | 761 | 14,255 | 193,289 |
| Taxation | 5,326 | (10,329) | - | - | - | (2) | 5,326 | (10,331) |
| Profit/(Loss) for the year | 23,773 | 178,547 | (2,095) | 3,652 | (2,097) | 759 | 19,581 | 182,958 |
| **Statements of Financial Position** | | | | | | | | |
| **Assets** | | | | | | | | |
| Segment assets | 1,796,888 | 1,778,293 | 39,165 | 42,869 | 15,568 | 14,588 | 1,851,621 | 1,835,750 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | 739,909 | 752,201 | 5,771 | 8,179 | 4,163 | 2,813 | 749,843 | 763,193 |
| **Other information** | | | | | | | | |
| Capital expenditure | 189,844 | 324,764 | 1,212 | 1,466 | 7,723 | 3,733 | 198,779 | 329,963 |
| Depreciation of property, plant and equipment | 155,969 | 147,575 | 2,713 | 2,545 | 537 | 223 | 159,219 | 150,343 |
| Amortisation of intangible assets | 2,468 | 2,836 | - | - | - | - | 2,468 | 2,836 |
| Amortisation of deferred income | 158 | 159 | 304 | 308 | - | - | 462 | 467 |
| Gain on disposal of property, plant and equipment | 35 | 811 | 15 | 65 | - | - | 50 | 876 |
| Amortisation of prepaid interest in leased lands | 450 | 459 | - | - | - | - | 450 | 459 |

# **notes to the** financial statements

## 4. SEGMENT INFORMATION (CONT'D)

### Geographical segment (Cont'd)

Revenue from sales to external customers by location of customers:

| | THE GROUP | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| United States of America | **709,361** | 897,484 |
| Europe | **228,438** | 257,380 |
| Asia | **219,524** | 236,356 |
| Others | **3,540** | 3,858 |
| | **1,160,863** | 1,395,078 |

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

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

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | NOTE | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Grant income received | | **11,177** | 304 | **-** | - |
| Foreign exchange: | | | | | |
| Unrealised gain/(loss) | | **4,018** | 16,647 | **(1,523)** | 12,842 |
| Realised gain/(loss) | | **3,843** | (3,737) | **508** | (5,024) |
| Rental income | | **825** | 898 | **1,225** | 1,289 |
| Amortisation of deferred income | 24 | **462** | 467 | **-** | - |
| (Write-back of)/Allowance for inventories obsolescence | | **390** | (62) | **-** | - |
| Gain/(Loss) on disposal of property, plant and equipment | | **50** | 876 | **(16)** | 77 |
| Management fees | 18 | **-** | - | **576** | 432 |
| Research and development expenses | | **(6,781)** | (6,151) | **(3,844)** | (3,068) |
| Amortisation of intangible assets | 15 | **(2,468)** | (2,836) | **-** | - |
| Rental of premises | | **(2,060)** | (1,993) | **(723)** | (647) |
| Rental of equipment | | **(816)** | (408) | **-** | - |
| Fees paid/payable to external auditors: | | | | | |
| Statutory audit: | | | | | |
| Current year | | **(785)** | (923) | **(250)** | (273) |
| Prior year | | **-** | (3) | **-** | - |
| Others | | **(13)** | (46) | **(13)** | (46) |
| Bad debts written off | | **(44)** | (48) | **-** | - |
| Property, plant and equipment written off | | **(37)** | (72) | **(37)** | (72) |

## 5. OTHER GAINS AND (LOSSES), OTHER OPERATING INCOME/(EXPENSES) AND EMPLOYEE BENEFITS EXPENSES (CONT'D)

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

| | NOTE | THE GROUP 2011 RM'000 | THE GROUP 2010 RM'000 | THE COMPANY 2011 RM'000 | THE COMPANY 2010 RM'000 |
|---|---|---|---|---|---|
| Equity-settled share-based payments | | **3,452** | - | **1,790** | - |
| Defined benefit plans | 25 | **2,659** | 2,774 | **-** | - |
| Defined contribution plans | | **13,772** | 12,594 | **8,614** | 8,508 |

## 6. DIRECTORS' REMUNERATION

| | THE GROUP 2011 RM'000 | THE GROUP 2010 RM'000 | THE COMPANY 2011 RM'000 | THE COMPANY 2010 RM'000 |
|---|---|---|---|---|
| **Directors of the Company** | | | | |
| Executive: | | | | |
| Fees | **420** | 420 | **420** | 420 |
| Other emoluments | **6,799** | 5,485 | **6,799** | 5,485 |
| Equity-settled share-based payments | **1,133** | - | **1,133** | - |
| Defined contribution plans | **816** | 665 | **816** | 665 |
| | **9,168** | 6,570 | **9,168** | 6,570 |
| Non-executive fees | **770** | 770 | **770** | 770 |
| | **9,938** | 7,340 | **9,938** | 7,340 |
| **Directors of subsidiaries** | | | | |
| Executive: | | | | |
| Other emoluments | **2,525** | 1,122 | **-** | - |
| Equity-settled share-based payments | **289** | - | **-** | - |
| Defined contribution plans | **124** | 36 | **-** | - |
| | **2,938** | 1,158 | **-** | - |
| | **12,876** | 8,498 | **9,938** | 7,340 |

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 RM128,000 (2010: RM154,000).

# notes to the financial statements

## 7. FINANCE COSTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Interest on: | | | | |
| Term loans | **8,786** | 9,280 | **1,737** | 3,298 |
| Revolving credit | **5,295** | 3,306 | **5,295** | 3,306 |
| Bank overdrafts | **1,635** | 1,462 | **1,475** | 1,462 |
| Finance leases | **368** | 154 | **-** | - |
| Bankers' acceptances | **117** | 526 | **117** | 220 |
| Advances from a subsidiary company | **-** | - | **842** | 882 |
| Bank charges and commissions | **618** | 942 | **352** | 301 |
| Loan and facility arrangement fee | **454** | 839 | **411** | 839 |
| Commitment fee | **569** | 718 | **569** | 718 |
| | **17,842** | 17,227 | **10,798** | 11,026 |

## 8. INVESTMENT INCOME

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Interest income from: | | | | |
| Short-term deposits | **174** | 168 | **1** | 26 |
| Advances to a subsidiary | **-** | - | **819** | 1,600 |
| | **174** | 168 | **820** | 1,626 |

## 9. TAXATION

### (a) Taxation recognised in the income statements

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Tax income/(expense) comprises: | | | | |
| Current tax expense in respect of the current year: | | | | |
| Malaysian | **(560)** | (4,114) | **(560)** | (4,114) |
| Foreign | **(1,999)** | (4,644) | **-** | - |
| Deferred tax income/(expense) relating to origination and reversal of temporary differences | **5,403** | (1,740) | **-** | - |
| Adjustments recognised in the current year in relation to the taxes of prior years: | | | | |
| - income tax | **2,785** | 167 | **3,080** | - |
| - deferred tax | **(303)** | - | **-** | - |
| Total tax income/(expense) | **5,326** | (10,331) | **2,520** | (4,114) |

## 9. TAXATION (CONT'D)

### (a) Taxation recognised in the income statements (Cont'd)

Malaysian income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Profit before tax | **14,255** | 193,289 | **4,322** | 101,974 |
| Tax expense calculated using the Malaysian statutory income tax rate of 25% (2010: 25%) | **(3,564)** | (48,322) | **(1,081)** | (25,493) |
| Different tax rates of subsidiaries operating in other jurisdictions | **1,040** | 106 | **-** | - |
| Tax effects of: | | | | |
| Tax incentive on investment in foreign subsidiaries | **12,307** | 12,307 | **12,307** | 12,307 |
| Adjustment for deferred tax due to change in income tax rate | **6,102** | 11,368 | **-** | - |
| Income that is exempted from taxation | **3,340** | 8,240 | **57** | 3,662 |
| Temporary differences of property, plant and equipment | **74** | (413) | **-** | - |
| Expenses that are not deductible in determining taxable profit | **(9,174)** | (6,197) | **(4,614)** | (3,485) |
| (Reversal)/Recognition of tax benefits | **(6,565)** | 11,125 | **(7,229)** | 8,895 |
| Unabsorbed capital allowances and unutilised losses not recognised as deferred tax assets | **(716)** | - | **-** | - |
| Utilisation of losses previously not recognised | **-** | 1,215 | **-** | - |
| Others | **-** | 73 | **-** | - |
| | **2,844** | (10,498) | **(560)** | (4,114) |
| Adjustments recognised in the current year in relation to the taxes of prior years: | | | | |
| - income tax | **2,785** | 167 | **3,080** | - |
| - deferred tax | **(303)** | - | **-** | - |
| Taxation recognised in the income statements | **5,326** | (10,331) | **2,520** | (4,114) |

### (b) Tax Recoverable and Provision for Taxation

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

# **notes to the** financial statements

## 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 | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Deferred tax assets | **8,783** | 8,785 | **616** | 616 |
| Deferred tax liabilities | **-** | (5,115) | **-** | - |
| | **8,783** | 3,670 | **616** | 616 |

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| At beginning of year | **3,670** | 4,926 | **616** | 616 |
| Transfer from/(to) the income statements | **5,100** | (1,740) | **-** | - |
| Translation reserve | **13** | 484 | **-** | - |
| At end of year | **8,783** | 3,670 | **616** | 616 |

Analysis of deferred tax balances presented in the statements of financial position after appropriate offsetting is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Tax effect of: | | | | |
| Unabsorbed capital allowances and unutilised tax losses | **23,865** | 14,854 | **2,310** | - |
| Unutilised reinvestment allowances and investment tax allowances | **81,399** | 90,302 | **76,375** | 85,491 |
| Retirement benefits | **5,028** | 4,248 | **-** | - |
| Provisions | **2,625** | 2,776 | **-** | 231 |
| Prepaid expenses | **-** | 58 | **-** | - |
| | **112,917** | 112,238 | **78,685** | 85,722 |
| Offsetting | **(104,134)** | (103,453) | **(78,069)** | (85,106) |
| Deferred tax assets | **8,783** | 8,785 | **616** | 616 |

## 9. TAXATION (CONT'D)

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Tax effect of: | | | | |
| Temporary differences arising from property, plant and equipment | **(104,134)** | (108,568) | **(78,069)** | (85,106) |
| Offsetting | **104,134** | 103,453 | **78,069** | 85,106 |
| Deferred tax liabilities | **-** | (5,115) | **-** | - |

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 | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Deferred tax assets: | | | | |
| Unabsorbed capital allowances and unutilised tax losses | **44,556** | 42,958 | **-** | - |
| Reinvestment allowances | **61,277** | 53,400 | **61,277** | 53,400 |
| Unutilised investment tax allowances | **21,404** | 18,601 | **-** | - |
| Others | **78** | 164 | **-** | - |
| | **127,315** | 115,123 | **61,277** | 53,400 |

As of December 31, 2011, the Group and the Company have the following unutilised tax losses and tax credits, which are subject to the agreement by the tax authorities, available to offset against future taxable profits:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Unabsorbed capital allowances and unutilised tax losses | **109,801** | 108,420 | **9,239** | - |
| Unutilised investment tax allowances | **105,714** | 93,650 | **-** | - |
| | **215,515** | 202,070 | **9,239** | - |

# notes to the financial statements

## 9. TAXATION (CONT'D)

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

The unutilised tax losses 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 | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Tax losses expiring: | | |
| Within 2 years | **781** | 653 |
| Within 3 years | **-** | - |
| Within 4 years | **-** | 2,774 |
| Within 5 years | **-** | - |
| More than 5 years | **25,384** | 18,154 |
| | **26,165** | 21,581 |
| Tax effect of 25% (2010: 25%) | **6,541** | 5,395 |

### (d) Tax-exempt Income Accounts

As of December 31, 2011, the Group and the Company have tax-exempt income accounts arising from the following:

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Reinvestment allowances claimed under Schedule 7A of the Income Tax Act, 1967 | **83,925** | 93,704 |
| Chargeable income waived in 1999 in accordance with the Income Tax (Amendment) Act, 1999 | **5,871** | 5,871 |
| Tax-exempt income account under Schedule 6 and para 3 (b) of the Income Tax Act, 1967 | **1,247** | 1,247 |
| Tax-exempt income account (Exemption No.22) Order 2007 of Income Tax Act, 1967 | **5,292** | 5,292 |
| | **96,335** | 106,114 |

These tax-exempt income accounts are available to frank the distribution of profits as tax-exempt dividends to the shareholders of the Company.

## 10. EARNINGS PER SHARE

| | THE GROUP 2011 | THE GROUP 2010 |
|---|---|---|
| **Basic and Diluted** | | |
| Profit for the year attributable to owners of the Company (RM'000) | **19,725** | 181,942 |
| Number of ordinary shares in issue as of January 1 | **674,161,383** | 518,585,679 |
| Effect of bonus issue | **-** | 155,575,704 |
| Weighted average number of ordinary shares in issue | **674,161,383** | 674,161,383 |
| Basic and diluted earnings per ordinary share (sen) | **2.93** | 26.99 |

The diluted earnings 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 earnings per share.

## 11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in 2011 consist of the following:

| | COST | | | | | | |
|---|---|---|---|---|---|---|---|
| THE GROUP 2011 | AT BEGINNING OF YEAR RM'000 | ADDITIONS RM'000 | TRANSLATION RESERVE RM'000 | DISPOSALS RM'000 | WRITE OFF RM'000 | TRANSFER RM'000 | AT END OF YEAR RM'000 |
| Freehold land | 4,822 | - | 132 | - | - | - | 4,954 |
| Buildings | 259,249 | 989 | 10,086 | (4) | - | 202 | 270,522 |
| Plant and machinery | 2,393,995 | 60,602 | 54,871 | (14,484) | (26) | 75,966 | 2,570,924 |
| Electrical installation | 13,598 | 733 | - | - | - | - | 14,331 |
| Office equipment | 53,345 | 3,195 | 1,605 | (93) | (56) | - | 57,996 |
| Air-conditioners | 10,170 | 132 | 302 | - | - | - | 10,604 |
| Motor vehicles | 5,009 | 400 | 65 | - | - | - | 5,474 |
| Furniture and fittings | 13,142 | 403 | 260 | (2) | - | - | 13,803 |
| Production support equipment | 6,445 | 774 | 446 | (31) | - | 23,952 | 31,586 |
| Capital work-in-progress | 40,520 | 131,551 | 9,740 | - | - | (100,120) | 81,691 |
| Total | 2,800,295 | 198,779 | 77,507 | (14,614) | (82) | - | 3,061,885 |

# **notes to the** financial statements

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

| THE GROUP 2011 | ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES AT BEGINNING OF YEAR RM'000 | CHARGE FOR THE YEAR RM'000 | TRANSLATION RESERVE RM'000 | DISPOSALS RM'000 | WRITE OFF RM'000 | AT END OF YEAR RM'000 | NET BOOK VALUE RM'000 |
|---|---|---|---|---|---|---|---|
| Freehold land | - | - | - | - | - | - | 4,954 |
| Buildings | 88,039 | 7,695 | 3,170 | (4) | - | 98,900 | 171,622 |
| Plant and machinery | 1,401,036 | 143,984 | 23,201 | (13,985) | (3) | 1,554,233 | 1,016,691 |
| Electrical installation | 11,587 | 617 | - | - | - | 12,204 | 2,127 |
| Office equipment | 33,899 | 3,630 | 1,016 | (91) | (42) | 38,412 | 19,584 |
| Air-conditioners | 6,192 | 816 | 144 | - | - | 7,152 | 3,452 |
| Motor vehicles | 2,854 | 383 | 59 | - | - | 3,296 | 2,178 |
| Furniture and fittings | 10,810 | 593 | 274 | (2) | - | 11,675 | 2,128 |
| Production support equipment | 1,151 | 1,501 | 1,381 | (17) | - | 4,016 | 27,570 |
| Capital work-in-progress | - | - | - | - | - | - | 81,691 |
| Total | 1,555,568 | 159,219 | 29,245 | (14,099) | (45) | 1,729,888 | 1,331,997 |

| THE GROUP 2010 | COST AT BEGINNING OF YEAR RM'000 | ADDITIONS RM'000 | TRANSLATION RESERVE RM'000 | DISPOSALS RM'000 | WRITE OFF RM'000 | TRANSFER RM'000 | AT END OF YEAR RM'000 |
|---|---|---|---|---|---|---|---|
| Freehold land | 5,490 | - | (668) | - | - | - | 4,822 |
| Buildings | 270,351 | 1,894 | (17,640) | (44) | - | 4,688 | 259,249 |
| Plant and machinery | 2,244,865 | 170,997 | (89,509) | (69,964) | (261) | 137,867 | 2,393,995 |
| Electrical installation | 12,759 | 741 | - | - | - | 98 | 13,598 |
| Office equipment | 49,737 | 5,817 | (2,838) | (340) | (157) | 1,126 | 53,345 |
| Air-conditioners | 10,073 | 363 | (289) | - | - | 23 | 10,170 |
| Motor vehicles | 5,360 | 1,831 | (154) | (2,028) | - | - | 5,009 |
| Furniture and fittings | 13,542 | 584 | (902) | (82) | - | - | 13,142 |
| Production support equipment | 773 | 333 | - | (8) | - | 5,347 | 6,445 |
| Capital work-in-progress | 50,808 | 147,403 | (6,646) | (1,896) | - | (149,149) | 40,520 |
| Total | 2,663,758 | 329,963 | (118,646) | (74,362) | (418) | - | 2,800,295 |

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

| THE GROUP 2010 | ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES AT BEGINNING OF YEAR RM'000 | CHARGE FOR THE YEAR RM'000 | TRANSLATION RESERVE RM'000 | DISPOSALS RM'000 | WRITE OFF RM'000 | AT END OF YEAR RM'000 | NET BOOK VALUE RM'000 |
|---|---|---|---|---|---|---|---|
| Freehold land | - | - | - | - | - | - | 4,822 |
| Buildings | 87,921 | 8,103 | (7,941) | (44) | - | 88,039 | 171,210 |
| Plant and machinery | 1,392,829 | 134,804 | (58,151) | (68,257) | (189) | 1,401,036 | 992,959 |
| Electrical installation | 10,923 | 664 | - | - | - | 11,587 | 2,011 |
| Office equipment | 32,937 | 3,711 | (2,252) | (340) | (157) | 33,899 | 19,446 |
| Air-conditioners | 5,437 | 854 | (99) | - | - | 6,192 | 3,978 |
| Motor vehicles | 4,234 | 581 | (132) | (1,829) | - | 2,854 | 2,155 |
| Furniture and fittings | 11,005 | 711 | (824) | (82) | - | 10,810 | 2,332 |
| Production support equipment | 257 | 915 | (19) | (2) | - | 1,151 | 5,294 |
| Capital work-in-progress | - | - | - | - | - | - | 40,520 |
| Total | 1,545,543 | 150,343 | (69,418) | (70,554) | (346) | 1,555,568 | 1,244,727 |

| THE COMPANY 2011 | COST AT BEGINNING OF YEAR RM'000 | ADDITIONS RM'000 | DISPOSALS RM'000 | WRITE OFF RM'000 | TRANSFER RM'000 | AT END OF YEAR RM'000 |
|---|---|---|---|---|---|---|
| Buildings | **81,864** | **670** | **-** | **-** | **-** | **82,534** |
| Plant and machinery | **1,315,735** | **35,139** | **(9,727)** | **(26)** | **-** | **1,341,121** |
| Electrical installation | **13,373** | **704** | **-** | **-** | **-** | **14,077** |
| Office equipment | **24,604** | **2,571** | **-** | **(56)** | **-** | **27,119** |
| Air-conditioners | **6,573** | **132** | **-** | **-** | **-** | **6,705** |
| Motor vehicles | **3,194** | **400** | **-** | **-** | **-** | **3,594** |
| Furniture and fittings | **4,452** | **110** | **-** | **-** | **-** | **4,562** |
| Capital work-in-progress | **12,361** | **8,734** | **-** | **-** | **-** | **21,095** |
| Total | **1,462,156** | **48,460** | **(9,727)** | **(82)** | **-** | **1,500,807** |

# **notes to the** financial statements

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

| THE COMPANY 2011 | ACCUMULATED DEPRECIATION AT BEGINNING OF YEAR RM'000 | CHARGE FOR THE YEAR RM'000 | DISPOSALS RM'000 | WRITE OFF RM'000 | AT END OF YEAR RM'000 | NET BOOK VALUE RM'000 |
|---|---|---|---|---|---|---|
| Buildings | 15,060 | 1,644 | - | - | 16,704 | 65,830 |
| Plant and machinery | 853,919 | 77,409 | (8,322) | (3) | 923,003 | 418,118 |
| Electrical installation | 10,604 | 593 | - | - | 11,197 | 2,880 |
| Office equipment | 13,035 | 2,009 | - | (42) | 15,002 | 12,117 |
| Air-conditioners | 4,730 | 486 | - | - | 5,216 | 1,489 |
| Motor vehicles | 1,125 | 289 | - | - | 1,414 | 2,180 |
| Furniture and fittings | 3,297 | 244 | - | - | 3,541 | 1,021 |
| Capital work-in-progress | - | - | - | - | - | 21,095 |
| Total | 901,770 | 82,674 | (8,322) | (45) | 976,077 | 524,730 |

| THE COMPANY 2010 | COST AT BEGINNING OF YEAR RM'000 | ADDITIONS RM'000 | DISPOSALS RM'000 | WRITE OFF RM'000 | TRANSFER RM'000 | AT END OF YEAR RM'000 |
|---|---|---|---|---|---|---|
| Buildings | 80,658 | 1,206 | - | - | - | 81,864 |
| Plant and machinery | 1,236,909 | 115,296 | (36,210) | (261) | 1 | 1,315,735 |
| Electrical installation | 12,612 | 663 | - | - | 98 | 13,373 |
| Office equipment | 20,039 | 4,696 | - | (157) | 26 | 24,604 |
| Air-conditioners | 6,187 | 363 | - | - | 23 | 6,573 |
| Motor vehicles | 3,351 | 1,775 | (1,932) | - | - | 3,194 |
| Furniture and fittings | 4,308 | 144 | - | - | - | 4,452 |
| Capital work-in-progress | 8,123 | 4,386 | - | - | (148) | 12,361 |
| Total | 1,372,187 | 128,529 | (38,142) | (418) | - | 1,462,156 |

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

| THE COMPANY 2010 | ACCUMULATED DEPRECIATION AT BEGINNING OF YEAR RM'000 | CHARGE FOR THE YEAR RM'000 | DISPOSALS RM'000 | WRITE OFF RM'000 | AT END OF YEAR RM'000 | NET BOOK VALUE RM'000 |
|---|---|---|---|---|---|---|
| Buildings | 13,442 | 1,618 | - | - | 15,060 | 66,804 |
| Plant and machinery | 811,069 | 76,061 | (33,022) | (189) | 853,919 | 461,816 |
| Electrical installation | 9,958 | 646 | - | - | 10,604 | 2,769 |
| Office equipment | 11,425 | 1,767 | - | (157) | 13,035 | 11,569 |
| Air-conditioners | 4,207 | 523 | - | - | 4,730 | 1,843 |
| Motor vehicles | 2,456 | 402 | (1,733) | - | 1,125 | 2,069 |
| Furniture and fittings | 2,998 | 299 | - | - | 3,297 | 1,155 |
| Capital work-in-progress | - | - | - | - | - | 12,361 |
| Total | 855,555 | 81,316 | (34,755) | (346) | 901,770 | 560,386 |

Property, plant and equipment of a foreign incorporated subsidiary with total carrying amount of approximately RM453,364,000 (2010: RM383,930,000) 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 of foreign incorporated subsidiaries are plant and machinery acquired under finance lease obligations with cost and net book value amounting to approximately RM5,328,000 (2010: RM3,077,000) and RM3,227,000 (2010: RM2,185,000) respectively.

## 12. PREPAID INTEREST IN LEASED LANDS

| | THE GROUP 2011 RM'000 | THE GROUP 2010 RM'000 | THE COMPANY 2011 RM'000 | THE COMPANY 2010 RM'000 |
|---|---|---|---|---|
| At cost: | | | | |
| At beginning of year | **24,473** | 25,698 | **4,354** | 4,354 |
| Translation reserve | **827** | (1,225) | **-** | - |
| At end of year | **25,300** | 24,473 | **4,354** | 4,354 |
| Less: Amortisation | | | | |
| At beginning of year | **4,936** | 4,879 | **528** | 484 |
| Charge for the year | **450** | 459 | **44** | 44 |
| Translation reserve | **174** | (402) | **-** | - |
| At end of year | **5,560** | 4,936 | **572** | 528 |
| Net | **19,740** | 19,537 | **3,782** | 3,826 |

# notes to the financial statements

## 13. INVESTMENT IN SUBSIDIARIES

| | THE COMPANY 2011 RM'000 | THE COMPANY 2010 RM'000 |
|---|---|---|
| **Unquoted shares, at cost** | | |
| At beginning of year | **655,397** | 631,423 |
| Additions | **1,951** | 23,974 |
| At end of year | **657,348** | 655,397 |
| **Accumulated impairment losses** | | |
| At beginning/end of year | **(89,871)** | (89,871) |
| Net | **567,477** | 565,526 |

During the financial year, the additions relate to share options granted to the executive staffs of subsidiaries. In 2010, included in additions was an amount of RM275,000 recognised in accordance with FRS139 which relate to inter-company loan granted to a subsidiary.

In 2010, unquoted shares of a subsidiary with a carrying amount of approximately RM246,283,000 had been charged to a local financial institution for term loan facility granted to the Company as disclosed in Note 22. The charge has been discharged due to the full repayment of the term loan facility during the financial year.

Details of the subsidiaries are as follows:

| NAME OF COMPANIES | COUNTRY OF INCORPORATION | PROPORTION OF OWNERSHIP INTEREST 2011 % | PROPORTION OF OWNERSHIP INTEREST 2010 % | PRINCIPAL ACTIVITIES |
|---|---|---|---|---|
| ***Direct subsidiaries*** | | | | |
| Unisem (Ipoh) Sdn. Bhd.# (formerly known as Unisem II 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 International (Chengdu) Ltd.^ # | People's Republic of China | 100.00 | 100.00 | Marketing of semiconductor devices and provision of related services. |

## 13. INVESTMENT IN SUBSIDIARIES (CONT'D)

| NAME OF COMPANIES | COUNTRY OF INCORPORATION | PROPORTION OF OWNERSHIP INTEREST 2011 % | 2010 % | PRINCIPAL ACTIVITIES |
|---|---|---|---|---|
| ***Indirect subsidiaries*** | | | | |
| Unisem (Europe) Limited | England and Wales | 100.00 | 100.00 | Sub-contract assembly and test solutions. |
| 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. |
| 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.

## 14. GOODWILL

| | THE GROUP 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **Cost** | | |
| At beginning of year | **120,177** | 126,779 |
| Translation reserve | **1,990** | (6,602) |
| At end of year | **122,167** | 120,177 |
| **Accumulated impairment losses** | | |
| At beginning/end of year | **(54,948)** | (54,948) |
| **Net** | **67,219** | 65,229 |

The goodwill of approximately RM67,219,000 (2010: RM65,229,000) relates to the assembly and test operations and related sales and administrative functions of PT. Unisem.

# **notes to the** financial statements

## 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, 2010 | **22,203** | 22,253 | **1,304** | 45,760 |
| Additions | **261** | - | **100** | 361 |
| Translation reserve | **(529)** | (1,796) | **(141)** | (2,466) |
| As of December 31, 2010 | **21,935** | 20,457 | **1,263** | 43,655 |
| Additions | **-** | 151 | **55** | 206 |
| Translation reserve | **165** | 541 | **48** | 754 |
| As of December 31, 2011 | **22,100** | 21,149 | **1,366** | 44,615 |
| ***Amortisation*** | | | | |
| As of January 1, 2010 | **6,442** | 17,890 | **-** | 24,332 |
| Charge for the year | **2,323** | 513 | **-** | 2,836 |
| Translation reserve | **(456)** | (1,796) | **-** | (2,252) |
| As of December 31, 2010 | **8,309** | 16,607 | **-** | 24,916 |
| Charge for the year | **1,945** | 523 | **-** | 2,468 |
| Translation reserve | **157** | 540 | **-** | 697 |
| As of December 31, 2011 | **10,411** | 17,670 | **-** | 28,081 |
| ***Carrying amounts*** | | | | |
| As of December 31, 2010 | **13,626** | 3,850 | **1,263** | 18,739 |
| As of December 31, 2011 | **11,689** | 3,479 | **1,366** | 16,534 |

The amortisation expense has been included in "other operating expenses" in the income statements.

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 of approximately RM11,466,000 (2010: RM13,194,000) and RM3,479,000 (2010: RM3,850,000) respectively will be fully amortised in 7 years (2010: 8 years).

Capitalised development expenses of the Group represent patent search expenditure on packages which are currently in the development stage. Amortisation of capitalised development expenses is expected to begin upon commencement of mass production of the packages.

## 16. INVENTORIES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| At cost: | | | | |
| Raw materials | **96,668** | 99,968 | **43,477** | 46,393 |
| Factory supplies | **48,880** | 44,162 | **32,693** | 29,266 |
| Work-in-progress | **16,105** | 17,252 | **9,562** | 9,775 |
| Finished goods | **1,848** | 2,026 | **304** | 723 |
| | **163,501** | 163,408 | **86,036** | 86,157 |
| Less: Allowance for slow-moving inventories: | | | | |
| At beginning of year | **(2,816)** | (3,118) | **-** | - |
| Additions | **(217)** | (181) | **-** | - |
| Write back | **607** | 119 | **-** | - |
| Translation reserve | **(77)** | 364 | **-** | - |
| At end of year | **(2,503)** | (2,816) | **-** | - |
| | **160,998** | 160,592 | **86,036** | 86,157 |

The cost of inventories of the Group and of the Company recognised as an expense during the year were approximately RM728,997,000 (2010: RM1,054,994,000) and RM497,314,000 (2010: RM563,581,000) respectively.

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

Trade receivables comprise amounts receivable for sales of goods and services rendered. The credit terms granted ranges from 30 to 60 days (2010: 30 to 60 days).

One of the indirect foreign subsidiaries has an overdraft and revolving credit facilities with a foreign bank which is secured by a floating charge over all the indirect subsidiary's trade receivables as disclosed in Note 22.

The trade receivables are entirely denominated in US Dollar.

Other receivables, deposits and prepaid expenses consist of:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Other receivables | **2,013** | 2,724 | **55** | 337 |
| Deposits | **3,350** | 3,503 | **437** | 426 |
| Prepaid expenses | **5,510** | 5,118 | **1,470** | 1,531 |
| | **10,873** | 11,345 | **1,962** | 2,294 |

# **notes to the** financial statements

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

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

Deposits comprise mainly advance payment for purchase of machinery and security deposits for construction of factory building and utilities services.

Transactions with related parties are disclosed in Note 18.

The currency profile of other receivables is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Chinese Yuan | **963** | 496 | **-** | - |
| US Dollar | **526** | 618 | **-** | - |
| British Pound | **307** | 530 | **-** | - |
| Ringgit Malaysia | **126** | 912 | **55** | 337 |
| Singapore Dollar | **79** | 153 | **-** | - |
| Euro | **6** | 6 | **-** | - |
| Others | **6** | 9 | **-** | - |
| | **2,013** | 2,724 | **55** | 337 |

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

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

a) An amount owing to a subsidiary amounting to approximately RM15,864,000 (2010: RM15,324,000) which bears interest at 5.55% (2010: 5.55%) per annum; and

b) An amount owing by a subsidiary amounting to approximately RM9,282,000 (2010: RM8,544,000) which bears interest at 6.70% (2010: 6.70%) per annum.

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

| | THE COMPANY | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| ***Amount owing to subsidiaries*** | | |
| Amount due within 12 months (shown under current liabilities) | **15,740** | 25,633 |
| Amount due in year 2013 | **15,864** | - |
| | **31,604** | 25,633 |

The amount owing to subsidiaries is entirely denominated in US Dollar.

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

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 |
|---|---|
| Hiti Engineering (M) Sdn. Bhd. | - A company in which a director of the Company has substantial financial interest. |
| Adnan Sundra & Low | - A firm of advocates and solicitors in which a director of the Company is a partner. |
| FlipChip International, LLC<br>Advanpack Solutions Pte. Ltd. | - Shareholders of Unisem Advanced Technologies Sdn. Bhd.. |

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

| | THE COMPANY | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| **Subsidiaries** | | |
| Purchase of property, plant and equipment | **1,057** | 4,449 |
| Interest received/receivable | **819** | 1,600 |
| Interest paid/payable | **842** | 882 |
| Disposal of property, plant and equipment | **949** | 856 |
| Management fees | **576** | 432 |
| Rental income | **400** | 400 |
| Trade sales | **47** | 93 |

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Construction and facilitisation of plant expansion | **-** | 955 | **-** | - |
| Legal fee | **23** | 155 | **23** | 155 |
| Royalty | **18** | 100 | **-** | - |
| Sales commission | **-** | 247 | **-** | - |
| Trade purchases | **-** | 35 | **-** | - |

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

| | THE GROUP | |
|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 |
| **Related parties** | | |
| Included in other payables | **322** | 470 |

# **notes to the** financial statements

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

### 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 | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Equity-settled share-based payments | **869** | - | **592** | - |
| Short-term benefit | **3,682** | 5,143 | **1,252** | 1,741 |
| Post employment benefit | **-** | 372 | **-** | 99 |
| | **4,551** | 5,515 | **1,844** | 1,840 |

## 19. CASH AND BANK BALANCES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Short-term deposits with licensed banks | **9,512** | 17,867 | **-** | - |
| Cash on hand and at banks | **54,016** | 90,472 | **17,497** | 22,891 |
| | **63,528** | 108,339 | **17,497** | 22,891 |

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| US Dollar | **60,504** | 98,017 | **16,970** | 21,779 |
| British Pound | **983** | 1,695 | **2** | 2 |
| Ringgit Malaysia | **782** | 1,209 | **519** | 1,103 |
| Chinese Yuan | **671** | 6,744 | **-** | - |
| Singapore Dollar | **392** | 438 | **1** | 1 |
| Indonesian Rupiah | **153** | 145 | **-** | 1 |
| Euro | **42** | 81 | **4** | 4 |
| Others | **1** | 10 | **1** | 1 |
| | **63,528** | 108,339 | **17,497** | 22,891 |

## 19. CASH AND BANK BALANCES (CONT'D)

The average effective interest rates are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 % | 2010 % | 2011 % | 2010 % |
| Short-term deposits | **0.10 - 2.40** | 1.04 - 1.75 | **2.40** | 1.75 |

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Short-term deposits (days) | **1 - 7** | 1 - 23 | **1** | 1 |

## 20. SHARE CAPITAL

| | | THE GROUP AND THE COMPANY | | | |
|---|---|---|---|---|---|
| | PAR VALUE RM | 2011 NUMBER OF ORDINARY SHARES | 2010 NUMBER OF ORDINARY SHARES | 2011 RM'000 | 2010 RM'000 |
| **Authorised:** | | | | | |
| At beginning/end of year | 0.50 | **1,000,000,000** | 1,000,000,000 | **500,000** | 500,000 |
| **Issued and fully paid:** | | | | | |
| At beginning of year | 0.50 | **674,161,383** | 518,585,679 | **337,081** | 259,293 |
| Bonus Issue | 0.50 | **-** | 155,575,704 | **-** | 77,788 |
| At end of year | 0.50 | **674,161,383** | 674,161,383 | **337,081** | 337,081 |

## 21. RESERVES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Non-distributable reserves: | | | | |
| Share premium | **127,661** | 127,661 | **127,661** | 127,661 |
| Foreign currency translation reserve | **(5,411)** | (43,885) | **-** | - |
| Capital reserve | **15,646** | 12,674 | **-** | - |
| Equity-settled employee benefits reserve | **4,874** | - | **4,874** | - |
| Warrants reserve | **16,011** | 16,011 | **16,011** | 16,011 |
| Distributable reserve: | | | | |
| Retained earnings | **593,412** | 610,394 | **458,811** | 485,677 |
| | **752,193** | 722,855 | **607,357** | 629,349 |

# **notes to the** financial statements

## 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

As of the end of the reporting period, the Company has not elected for the irrevocable option to disregard the Section 108 tax credits in accordance with the Finance Act, 2007. Accordingly, subject to the agreement of the Inland Revenue Board, the Company has tax credit under Section 108 of the Income Tax Act, 1967 and tax-exempt account balances as mentioned in Note 9 to frank approximately RM140,000,000 (2010: RM162,000,000) of dividends out of its retained earnings as of December 31, 2011. If the balance of the retained earnings of approximately RM319,000,000 (2010: RM324,000,000) were to be distributed as dividend, the Company would switch to a single tier tax system and the balance of the dividends would be single tier dividends.

## 22. BORROWINGS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Secured: | | | | |
| Term loans | **232,279** | 201,021 | **-** | 36,641 |
| Revolving credit | **15,853** | 15,338 | **-** | - |
| Bank overdrafts | **4,769** | - | **-** | - |
| Unsecured: | | | | |
| Term loans | **106,193** | 132,073 | **74,636** | 106,919 |
| Revolving credit | **131,500** | 91,500 | **131,500** | 91,500 |
| Bankers' acceptances | **3,004** | 2,822 | **3,004** | 2,822 |
| Bank overdrafts | **21,833** | - | **21,833** | - |
| | **515,431** | 442,754 | **230,973** | 237,882 |
| Less: Amount due within 12 months (shown under current liabilities) | **(299,738)** | (227,264) | **(176,146)** | (165,811) |
| Non-current portion | **215,693** | 215,490 | **54,827** | 72,071 |

The non-current portion is repayable as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Financial years ending December 31: | | | | |
| 2012 | **-** | 88,152 | **-** | 19,126 |
| 2013 | **59,586** | 42,172 | **19,867** | 19,184 |
| 2014 | **102,845** | 57,616 | **19,926** | 19,242 |
| 2015 | **48,950** | 27,550 | **15,034** | 14,519 |
| After 5 years | **4,312** | - | **-** | - |
| | **215,693** | 215,490 | **54,827** | 72,071 |

Analysis of borrowings by currency:

| THE GROUP 2011 | RINGGIT MALAYSIA RM'000 | US DOLLAR RM'000 | TOTAL RM'000 |
|---|---|---|---|
| Term loans | **-** | **338,472** | **338,472** |
| Bankers' acceptances | **3,004** | **-** | **3,004** |
| Revolving credit | **131,500** | **15,853** | **147,353** |
| Bank overdrafts | **21,833** | **4,769** | **26,602** |
| | **156,337** | **359,094** | **515,431** |

# **notes to the** financial statements

## 22. BORROWINGS (CONT'D)

| THE GROUP 2010 | RINGGIT MALAYSIA RM'000 | US DOLLAR RM'000 | TOTAL RM'000 |
|---|---|---|---|
| Term loans | 15,780 | 317,314 | 333,094 |
| Bankers' acceptances | 2,822 | - | 2,822 |
| Revolving credit | 91,500 | 15,338 | 106,838 |
| | 110,102 | 332,652 | 442,754 |
| **THE COMPANY 2011** | | | |
| Term loans | **-** | **74,636** | **74,636** |
| Bank overdrafts | **21,833** | **-** | **21,833** |
| Bankers' acceptances | **3,004** | **-** | **3,004** |
| Revolving credit | **131,500** | **-** | **131,500** |
| | **156,337** | **74,636** | **230,973** |
| **THE COMPANY 2010** | | | |
| Term loans | 15,780 | 127,780 | 143,560 |
| Bankers' acceptances | 2,822 | - | 2,822 |
| Revolving credit | 91,500 | - | 91,500 |
| | 110,102 | 127,780 | 237,882 |

The Company has the following banking facilities of approximately:

i) RM95,190,000 (2010: RM354,941,000) unsecured syndicated term loan facilities with two (2010: seven) local banks which are repayable over five (2010: four to five) years commencing from date of drawdown; and

ii) RM216,500,000 (2010: RM216,500,000) unsecured revolving credit, overdrafts, trade financing and bank guarantee facilities with six (2010: seven) local banks.

In 2010, the Company had approximately RM153,235,000 secured term loan facility with a local bank, which has been fully repaid during the financial year. This facility was secured by unquoted shares of a subsidiary as mentioned in Note 13.

The subsidiaries have the following banking facilities of approximately:

i) RM331,578,000 (2010: RM211,464,000) term loan facilities with two (2010: two) foreign banks which are secured by fixed charges over the property, plant and equipment as mentioned in Note 11. The repayment periods ranges from three to six (2010: five to six) years commencing from the dates of drawdown;

ii) RM31,730,000 (2010: RM30,647,000) unsecured Islamic term loan facility with a local bank which is repayable over five (2010: five) years commencing from date of drawdown;

## 22. BORROWINGS (CONT'D)

iii) RM33,430,000 (2010: RM32,346,000) revolving credit, overdraft and bank guarantee facilities with three (2010: three) foreign and local banks. Certain of these banking facilities to the extent of RM31,730,000 (2010: RM30,648,000) are secured by fixed charges over the property, plant and equipment, a floating charge over trade receivables and a deed of subordination as mentioned in Notes 11 and 17 respectively.

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 |
| Revolving credit | - ranging from 1.00% to 1.75% per annum plus cost of funds |
| | - 2.50% per annum plus LIBOR |
| 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 | |
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | **1,680** | 733 | **1,375** | 579 |
| In the second to fifth year inclusive | **1,505** | 1,399 | **1,327** | 1,133 |
| | **3,185** | 2,132 | **2,702** | 1,712 |
| Less: Future finance charges | **(483)** | (420) | **-** | - |
| Present value of lease obligations | **2,702** | 1,712 | **2,702** | 1,712 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | **(1,375)** | (579) |
| Amount due for settlement after 12 months | | | **1,327** | 1,133 |

The average lease term ranges from 3 to 5 years (2010: 5 years). For the year ended December 31, 2011, the effective borrowing rates are ranging from 1.95% to 11.78% (2010: 1.95%) per annum. All leases are on a fixed repayment basis.

The finance leases are entirely denominated in US Dollar.

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

# notes to the financial statements

## 24. DEFERRED INCOME

| | THE GROUP | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| At beginning of year | **7,636** | 8,789 |
| Amortisation | **(462)** | (467) |
| Translation reserve | **597** | (686) |
| At end of year | **7,771** | 7,636 |

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

## 25. RETIREMENT BENEFIT OBLIGATIONS

The amount included in the statements of financial position arising from the entity's obligation in respect of its retirement benefit obligations is as follows:

| | THE GROUP | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Unrecognised actuarial gain | **1,073** | 898 |
| Unrecognised past service costs | **343** | (253) |
| Present value of defined benefit obligations | **17,625** | 15,399 |
| Liability for defined benefit obligations | **19,041** | 16,044 |

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

| | THE GROUP | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Indonesian Rupiah | **14,330** | 12,308 |
| US Dollar | **4,711** | 3,736 |
| Liability for defined benefit obligations | **19,041** | 16,044 |

Amount recognised in the income statements in respect of the retirement benefit obligations is as follows:

| | THE GROUP | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Past service costs | **77** | 84 |
| Current service costs | **1,246** | 1,027 |
| Interest on obligations | **1,336** | 1,171 |
| Other adjustments | **-** | 492 |
| | **2,659** | 2,774 |

## 25. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

| | THE GROUP | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| At beginning of year | **16,044** | 15,723 |
| Benefits paid | **(266)** | (705) |
| Expense recognised during the year | **2,659** | 2,774 |
| Translation reserve | **604** | (1,748) |
| At end of year | **19,041** | 16,044 |

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

| | THE GROUP | |
|---|---|---|
| | 2011 % | 2010 % |
| Discount rate : US Dollar based salary | **5.00** | 5.80 |
| : Indonesian Rupiah ("IDR") based salary | **8.00** | 9.50 |
| Future salary increases : US Dollar based salary | **4.00** | 4.00 |
| : IDR based salary | **5.00** | 5.00 |

## 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 (2010: 30 to 60 days).

The currency profile of trade payables is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| US Dollar | **94,009** | 92,444 | **35,383** | 28,822 |
| Ringgit Malaysia | **2,532** | 2,521 | **2,532** | 2,521 |
| British Pound | **2,195** | 2,792 | **-** | - |
| Singapore Dollar | **1,481** | 1,441 | **3** | 4 |
| Japanese Yen | **735** | 1,079 | **-** | - |
| Euro | **342** | 641 | **-** | - |
| Chinese Yuan | **116** | 105 | **-** | - |
| Indonesian Rupiah | **77** | 77 | **-** | - |
| Others | **49** | 12 | **-** | - |
| | **101,536** | 101,112 | **37,918** | 31,347 |

# notes to the financial statements

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

Other payables and accrued expenses consist of:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Other payables | **72,580** | 157,529 | **37,841** | 81,094 |
| Accrued expenses | **30,763** | 31,276 | **15,399** | 17,293 |
| | **103,343** | 188,805 | **53,240** | 98,387 |

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 (2010: 30 to 60 days).

Transactions with related parties are disclosed in Note 18.

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| US Dollar | **43,089** | 129,628 | **21,696** | 61,500 |
| Ringgit Malaysia | **31,583** | 37,278 | **30,183** | 35,583 |
| Chinese Yuan | **18,304** | 9,810 | **-** | - |
| Indonesian Rupiah | **6,096** | 7,016 | **20** | 19 |
| Singapore Dollar | **3,407** | 3,671 | **1,341** | 1,211 |
| British Pound | **738** | 882 | **-** | - |
| Euro | **79** | 184 | **-** | 74 |
| Japanese Yen | **47** | 336 | **-** | - |
| | **103,343** | 188,805 | **53,240** | 98,387 |

## 27. DIVIDENDS

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Interim dividend paid: | | |
| Nil for 2011 (6%, tax-exempt for 2010) | **-** | 20,225 |
| Final dividend paid: | | |
| 10% for 2010 (5%, tax-exempt for 2009) | **33,708** | 12,964 |
| | **33,708** | 33,189 |

## 27. DIVIDENDS (CONT'D)

Dividend per share for the year is as follows:

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2011 SEN | 2010 SEN |
| Interim dividend paid<br>- Nil (2010: 6%, tax-exempt) | - | 3.0 |
| Final dividend paid:<br>- 10% (2009: 5%, tax-exempt) | **5.0** | 2.5 |

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 which amounts to approximately RM13,483,228 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;

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 subsidiary companies) 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;

# **notes to the** financial statements

## 28. SHARE-BASED PAYMENTS (CONT'D)

g) The options granted may be exercised at anytime 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 granted and exercised during the financial year are as follows:

| DATE OF GRANT | EXERCISE PRICE PER ORDINARY SHARE RM | NO. OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH | | | |
|---|---|---|---|---|---|
| | | BALANCE AS OF 1.1.2011 '000 UNITS | GRANTED '000 UNITS | EXERCISED '000 UNITS | BALANCE AS OF 31.12.2011 '000 UNITS |
| 05.01.2011 | 2.25 | - | 18,050 | - | **18,050** |
| 18.01.2011 | 2.25 | - | 1,300 | - | **1,300** |
| Total | | - | 19,350 | - | **19,350** |

The number of share options vested as of December 31, 2011 is 5,805,000 units.

Other than the Executive Directors whose interest are disclosed separately in Directors' Interest, eligible executives who have been granted options under the ESOS for and in excess of 300,000 ordinary shares each are as follows:

| | NO. OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH | | | |
|---|---|---|---|---|
| | BALANCE AS OF 1.1.2011 '000 UNITS | GRANTED '000 UNITS | EXERCISED '000 UNITS | BALANCE AS OF 31.12.2011 '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** |
| Michael Martin Griffin | - | 600 | - | **600** |
| Quek Suan Hong | - | 500 | - | **500** |
| Alexander Chia Jhet-Wern | - | 350 | - | **350** |
| Andrew Douglas Hawkins | - | 350 | - | **350** |
| Chai Chan Wah | - | 350 | - | **350** |
| Cheng Kee Leang | - | 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** |

## 28. SHARE-BASED PAYMENTS (CONT'D)

| | NO. OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH | | | |
|---|---|---|---|---|
| | BALANCE AS OF 1.1.2011 '000 UNITS | GRANTED '000 UNITS | EXERCISED '000 UNITS | BALANCE AS OF 31.12.2011 '000 UNITS |
| Michael Hannan Mckerreghan | - | 350 | - | **350** |
| Ngiam Tee Yip | - | 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** |

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.

## 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, all of the Group's revenues are denominated in US Dollars. The cost of revenues, operating expenses, capital expenditure and bank borrowings are denominated primarily in US Dollars, Ringgit Malaysia, Chinese Yuan and British Pound.

The Group attempt 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.

# notes to the financial statements

## 29. FINANCIAL INSTRUMENTS (CONT'D)

**Financial risk management objectives and policies (Cont'd)**

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

***(i) Foreign currency risk management (Cont'd)***

*Foreign currency sensitivity analysis*

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

For illustration purposes, the following sensitivity analysis includes on the outstanding foreign currency denominated monetary items. If the foreign currency denominated monetary items at the end of the reporting period were translated into Ringgit Malaysia with a 5.0% (2010: 5.0%) increase/decrease in the exchange rates against the following relevant foreign currencies, the effect on the income statements and equity will be lower/higher by approximately:

| | INCOME STATEMENTS | | EQUITY | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| US Dollar impact | **12,864** | 13,464 | **1,009** | 415 |
| Chinese Yuan impact | **-** | - | **839** | 134 |
| British Pound impact | **-** | - | **82** | 72 |

The sensitivity rate of 5.0% represents management's assessment of the possible fluctuation in the exchange rates of the relevant foreign currencies in the next 12 months.

***(ii) Interest rate risk management***

The Group's exposure to interest rate risks 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 0.5% (2010: 0.5%) with all other variables including tax rate being held constant, the effect on the income statements will be lower/higher by approximately RM2,444,000 (2010: RM2,214,000). 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 exposures to credit risk arise 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 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.

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management objectives and policies (Cont'd)

#### *(b) Credit risk (Cont'd)*

As the Group and 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 | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Corporate guarantee provided to banks for subsidiaries' facilities | **284,818** | 241,305 |

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

The age analysis of trade receivables is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Neither past due nor impaired | **145,935** | 176,490 | **70,587** | 88,750 |
| Past due but not impaired: | | | | |
| 61 - 90 days | **13,500** | 15,576 | **5,360** | 9,787 |
| 91 - 120 days | **2,716** | 3,191 | **747** | 2,057 |
| Above 120 days | **2,967** | 1,025 | **1,063** | 279 |
| | **165,118** | 196,282 | **77,757** | 100,873 |
| Average age days | **34** | 36 | **31** | 34 |

*Receivable 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.

*Receivable 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.

#### *(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.

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management objectives and policies (Cont'd)

### *(c) Liquidity risk (Cont'd)*

The Group and the Company have unutilised banking facilities of approximately RM106,193,000 and RM54,571,000 (2010: RM143,004,000 and RM116,178,000) 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.

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, 2011** | | | |
| Trade payables, other payables and accrued expenses | **204,879** | **-** | **-** |
| Bank borrowings | **309,256** | **224,550** | **4,495** |
| Obligations under finance leases | **1,375** | **1,327** | **-** |
| **As of December 31, 2010** | | | |
| Trade payables, other payable and accrued expenses | 289,917 | - | - |
| Bank borrowings | 227,264 | 187,940 | 27,550 |
| Obligations under finance leases | 579 | 1,133 | - |
| **THE COMPANY** | | | |
| **As of December 31, 2011** | | | |
| Trade payables, other payables and accrued expenses | **91,158** | **-** | **-** |
| Amount owing to subsidiaries | **15,740** | **15,864** | **-** |
| Bank borrowings | **177,619** | **56,568** | **-** |
| **As of December 31, 2010** | | | |
| Trade payables, other payables and accrued expenses | 129,734 | - | - |
| Amount owing to subsidiaries | 25,633 | - | - |
| Bank borrowings | 165,811 | 57,552 | 14,519 |

### *(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 'equity attributable to owners of the Company' respectively as shown in the statements of financial position.

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management objectives and policies (Cont'd)

### *(d) Capital risk (Cont'd)*

| | THE GROUP | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Total borrowings | **515,431** | 442,754 |
| Total equity attributable to owners of the Company | **1,089,274** | 1,059,936 |
| Gearing ratio | **0.47** | 0.42 |

*Fair value of financial instruments carried at amortised cost*

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

The fair value of long-term financial liabilities are 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. STATEMENTS OF CASH FLOWS

(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 | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Additions during the year | **198,779** | 329,963 | **48,460** | 128,529 |
| Finance lease obligations | **(1,947)** | - | **-** | - |
| Outstanding balances | **(35,288)** | (120,902) | **(20,876)** | (66,476) |
| Cash payment in respect of additions in: | | | | |
| Current year | **161,544** | 209,061 | **27,584** | 62,053 |
| Prior year | **120,902** | 50,057 | **66,476** | 20,560 |
| | **282,446** | 259,118 | **94,060** | 82,613 |

(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 | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Short-term deposits | **9,512** | 17,867 | **-** | - |
| Cash and bank balances | **54,016** | 90,472 | **17,497** | 22,891 |
| Bank overdrafts | **(26,602)** | - | **(21,833)** | - |
| | **36,926** | 108,339 | **(4,336)** | 22,891 |

# notes to the financial statements

## 30. STATEMENTS OF CASH FLOWS (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 acquired property, plant and equipment under finance leases of approximately RM1,947,000 (2010: Nil);

(ii) Additional capital injections to subsidiaries of approximately RM1,951,000 (2010: RM275,000) as described in Note 13; and

(iii) In 2010, bonus issue of 155,575,704 new ordinary shares of RM0.50 each has been debited to the share premium account as indicated in Notes 20 and 21 respectively.

## 31. 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 | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Within one year | **1,378** | 1,798 | **277** | 465 |
| In the second to fifth year inclusive | **334** | 1,427 | **14** | 161 |
| | **1,712** | 3,225 | **291** | 626 |

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

(b) Capital expenditure

As of December 31, 2011, the Group and the Company have the following commitments in respect of property, plant and equipment:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Contracted but not provided for | **16,424** | 65,791 | **13,684** | 20,037 |

## 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, 2011 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 | |
|---|---|---|---|---|
| | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| **Total retained earnings of the Company and its subsidiary companies** | | | | |
| Realised | **497,052** | 505,979 | **459,718** | 471,033 |
| Unrealised | **12,802** | 21,460 | **(907)** | 14,644 |
| | **509,854** | 527,439 | **458,811** | 485,677 |
| Add: Consolidation adjustments | **83,558** | 82,955 | **-** | - |
| **Total retained earnings as per statements of financial position** | **593,412** | 610,394 | **458,811** | 485,677 |

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 have been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia 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 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, 2011 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 23, 2012

# **declaration by** the officer

## primarily responsible for the financial management of the company

I, **GOO SWEE ENG @ GOH SWEE ENG**, the officer 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.

**GOO SWEE ENG @ GOH SWEE ENG**

Subscribed and solemnly declared by the abovenamed
**GOO SWEE ENG @ GOH SWEE ENG** at **IPOH**
this 23rd day of March, 2012

Before me,

**COMMISSIONER FOR OATHS**

# **analysis of** share/warrant holdings

as at 23 March, 2012

1. **Authorised Share Capital** : RM500,000,000.00
   **Issued and paid-up Share Capital** : RM337,080,691.50
   **Class of Shares** : Ordinary shares of RM0.50 each
   **Voting Right** : 1 vote per share

2. **Analysis of Shareholdings**

| NO. OF HOLDERS | HOLDINGS | TOTAL HOLDINGS | % |
|---|---|---|---|
| 128 | Less than 100 shares | 4,937 | 0.00 |
| 684 | 100 to 1,000 shares | 551,397 | 0.08 |
| 7,096 | 1,001 to 10,000 shares | 34,162,932 | 5.07 |
| 2,675 | 10,001 to 100,000 shares | 74,152,247 | 11.00 |
| 333 | 100,001 to less than 5% of issued shares | 395,509,870 | 58.67 |
| 1 | 5% and above of issued shares | 169,780,000 | 25.18 |
| **10,917** | | **674,161,383** | **100.00** |

3. **List of substantial shareholders (5% and above excluding bare trustees) and their direct and deemed interests as shown in the Register of Substantial Shareholders**

| 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 | 203,137,840 | 30.13 [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] |

***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 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. List of thirty largest shareholders according to the Record of Depositors (without aggregating the securities from different securities accounts belonging to the same person)**

| | NAME OF SHAREHOLDERS | NO. OF SHARES HELD (DIRECT INTEREST) | % |
|---|---|---|---|
| 1. | Bandar Rasah Sdn Bhd | 169,780,000 | 25.18 |
| 2. | Lembaga Tabung Haji | 29,111,760 | 4.32 |
| 3. | Mayban Nominees (Tempatan) Sdn Bhd<br>Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100) | 18,223,500 | 2.70 |
| 4. | John Chia Sin Tet | 18,130,000 | 2.69 |
| 5. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Exempt AN for Eastspring Investments Berhad | 16,844,300 | 2.50 |
| 6. | Mayban Nominees (Tempatan) Sdn Bhd<br>Mayban Trustees Berhad for Public Ittikal Fund (N14011970240) | 15,068,000 | 2.24 |
| 7. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>Pledged Securities Account for John Chia Sin Tet (01-00825-000) | 15,000,000 | 2.22 |
| 8. | Jayvest Holdings Sdn Bhd | 13,866,840 | 2.06 |
| 9. | Francis Chia Mong Tet | 12,090,000 | 1.79 |
| 10. | Chiam Joy Young | 11,916,100 | 1.77 |
| 11. | Jo-Ann Chiam Puay Hoon | 11,207,300 | 1.66 |
| 12. | Amanahraya Trustees Berhad<br>Public Islamic Select Treasures Fund | 9,241,180 | 1.37 |
| 13. | Amanahraya Trustees Berhad<br>Public Islamic Optimal Growth Fund | 9,017,230 | 1.34 |
| 14. | Amanahraya Trustees Berhad<br>Public Smallcap Fund | 8,837,940 | 1.31 |
| 15. | Amanahraya Trustees Berhad<br>Public Index Fund | 8,238,810 | 1.22 |
| 16. | Amanahraya Trustees Berhad<br>Public Islamic Equity Fund | 7,865,450 | 1.17 |
| 17. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Dimensional Emerging Markets Value Fund | 7,837,200 | 1.16 |
| 18. | Koo Hong @ Ku Hong Hai | 6,823,945 | 1.01 |
| 19. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board (HDBS) | 6,665,400 | 0.99 |
| 20. | Amanahraya Trustees Berhad<br>PB Growth Fund | 6,393,700 | 0.95 |

# **analysis of** share/warrant holdings
as at 23 March, 2012

**4. List of thirty largest shareholders according to the Record of Depositors (without aggregating the securities from different securities accounts belonging to the same person) (Cont'd)**

| | NAME OF SHAREHOLDERS | NO. OF SHARES HELD (DIRECT INTEREST) | % |
|---|---|---|---|
| 21. | Amanahraya Trustees Berhad<br>Public Savings Fund | 5,636,000 | 0.84 |
| 22. | Low Kim Bee @ Lau Kim Bee | 5,216,900 | 0.77 |
| 23. | HSBC Nominees (Asing) Sdn Bhd<br>TNTC for LSV Emerging Markets Equity Fund L.P. | 5,197,500 | 0.77 |
| 24. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>Great Eastern Life Assurance (Malaysia) Berhad (PAR 2) | 4,800,750 | 0.71 |
| 25. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for JPMorgan Chase Bank, National Association (Australia) | 4,684,120 | 0.69 |
| 26. | Lancar Indah Sdn.Bhd. | 4,491,000 | 0.67 |
| 27. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Providend Fund Board (Pheim) | 4,467,310 | 0.66 |
| 28. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for JPMorgan Chase Bank, National Association (USA) | 3,977,816 | 0.59 |
| 29. | Amanahraya Trustees Berhad<br>Public Islamic Opportunities Fund | 3,843,600 | 0.57 |
| 30. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>Great Eastern Life Assurance (Malaysia) Berhad (DR) | 3,214,750 | 0.48 |
| | | **447,688,401** | **66.41** |

**5. Analysis of warrants holdings**

| NO. OF HOLDERS | HOLDINGS | TOTAL HOLDINGS | % |
|---|---|---|---|
| 61 | Less than 100 shares | 2,128 | 0.00 |
| 1,009 | 100 to 1,000 shares | 708,164 | 0.42 |
| 1,831 | 1,001 to 10,000 shares | 8,779,999 | 5.21 |
| 1,253 | 10,001 to 100,000 shares | 45,275,602 | 26.86 |
| 184 | 100,001 to less than 5% of issued shares | 60,550,197 | 35.93 |
| 2 | 5% and above of issued shares | 53,224,000 | 31.58 |
| **4,340** | | **168,540,090** | **100.00** |

**6. List of thirty largest warrants holders (without aggregating the securities from different securities accounts belonging to the same person)**

| | NAME OF WARRANT HOLDERS | NO. OF WARRANTS | % |
|---|---|---|---|
| 1. | Bandar Rasah Sdn Bhd | 42,445,000 | 25.18 |
| 2. | Amanahraya Trustees Berhad<br>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<br>Pledged Securities Account for John Chia Sin Tet (01-00825-000) | 2,636,428 | 1.56 |
| 6. | Lancar Indah Sdn Bhd | 1,326,800 | 0.79 |
| 7. | Mayban Nominees (Tempatan) Sdn Bhd<br>Mayban Trustees Berhad for CIMB-Principal Strategic Bond Fund (290077) | 1,000,000 | 0.59 |
| 8. | Rajendran A/L Karuppiah | 1,000,000 | 0.59 |
| 9. | Tang Sze Chen | 900,000 | 0.53 |
| 10. | Wong Wai Lee | 848,000 | 0.50 |
| 11. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>Great Eastern Life Assurance (Malaysia) Berhad (DR) | 815,262 | 0.48 |
| 12. | Cimsec Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ooi Poh Kim (TTDI-CL) | 700,000 | 0.42 |
| 13. | Tieu Hak Liang | 670,000 | 0.40 |

# **analysis of** share/warrant holdings

as at 23 March, 2012

**6. List of thirty largest warrants holders (without aggregating the securities from different securities accounts belonging to the same person) (Cont'd)**

| | NAME OF WARRANT HOLDERS | NO. OF WARRANTS | % |
|---|---|---|---|
| 14. | Yeong Kow Chai @ Yong Kok Shiang | 600,000 | 0.35 |
| 15. | RHB Capital Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chi Kain Sang (LBU) | 585,300 | 0.35 |
| 16. | Chong Cheng Sing | 567,400 | 0.34 |
| 17. | Cimsec Nominees (Tempatan) Sdn Bhd<br>CIMB Bank for Tan Seng Kow (MY0085) | 565,000 | 0.34 |
| 18. | Sho Boon Chin | 560,900 | 0.33 |
| 19. | Cimsec Nominees (Tempatan) Sdn Bhd<br>CIMB Bank for Teh Swee Heng (MM1118) | 556,800 | 0.33 |
| 20. | Tay Choon Hiong | 550,000 | 0.33 |
| 21. | Yaw Choong Yew | 550,000 | 0.33 |
| 22. | Shi Geok Wah | 545,300 | 0.32 |
| 23. | Cheong Chen Yue | 543,100 | 0.32 |
| 24. | Francis Chia Mong Tet | 531,500 | 0.32 |
| 25. | TA Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chong Kit Leong | 519,300 | 0.31 |
| 26. | Cimsec Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Teh Tik Guan (B Sunway-CL) | 512,100 | 0.30 |
| 27. | Mayban Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tee Soon Cheong | 508,900 | 0.30 |
| 28. | Ee Hock Lim @ Chong Hock Lim | 500,000 | 0.30 |
| 29. | M.I.T. Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Success Secrets Sdn. Bhd. (MG0179-192) | 500,000 | 0.30 |
| 30. | Mayban Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tan Kim Seng (Margin) | 500,000 | 0.30 |
| | | **81,158,690** | **48.15** |

# **statement of** directors' interests

as at 23 March, 2012

## 1. No. of shares held:-

| DIRECTORS | DIRECT INTEREST | % | DEEMED INTEREST | % |
|---|---|---|---|---|
| John Chia Sin Tet | 18,130,000 | 2.69 | 203,137,840 | 30.13 [a] |
| Ang Chye Hock | 383,500 | 0.06 | - | - |
| Francis Chia Mong Tet | 12,090,000 | 1.79 | 616,980 | 0.09 [b] |
| 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 | - | - | - | - |
| 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] |
| Tee Yee Loh | - | - | 963,600 | 0.14 [f] |
| Martin Giles Manen | - | - | - | - |

***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 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.*
*(f) Held indirectly through his spouse and nominee companies under pledged securities accounts.*

## 2. No. of Warrants held:-

| DIRECTORS | DIRECT INTEREST | % | DEEMED INTEREST | % |
|---|---|---|---|---|
| John Chia Sin Tet | 5,370,600 | 3.19 | 49,880,228 | 29.60 [a] |
| Ang Chye Hock | 95,900 | 0.06 | - | - |
| Francis Chia Mong Tet | 531,500 | 0.31 | 160,300 | 0.10 [b] |
| Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba | 169,000 | 0.10 | - | - |
| Tan Sri Dato' Wong See Wah | - | - | - | - |
| Yen Woon @ Low Sau Chee | - | - | 44,317,100 | 26.29 [c] |
| Sundra Moorthi s/o V.M. Krishnasamy | 8,775 | 0.01 | 1,950 | 0.00 [d] |
| Tee Yee Loh | - | - | 290,700 | 0.18 [e] |
| Martin Giles Manen | - | - | - | - |

***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 nominee company under pledged securities account.*
*(c) Held indirectly through his spouse, Bandar Rasah Sdn Bhd and Lancar Indah Sdn Bhd.*
*(d) Held indirectly through his spouse.*
*(e) Held indirectly through his spouse and nominee companies under pledged securities accounts.*

# **list of** properties

held by the group as at December 31, 2011

| 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 2011 (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 | - | **2,503** |
| | Factory building Phase I | Factory | - | 130,000 sft | March 1992 | 20 | **7,399** |
| | Factory building Phase II | Factory | - | 110,000 sq ft | August 1996 | 16 | **10,409** |
| | Factory building Phase III | Factory | - | 330,000 sq ft | September 2000 | 11 | **45,576** |
| | Factory building wafer bumping | Factory | - | 22,000 sq ft | August 2005 | 6 | **2,445** |
| PN 289781 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia | Industrial land | Vacant | 99 years leasehold expiring 2100 | 115,500 sq m | October 2000 | - | **6,571** |
| PT 19130 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia | Residential | Vacant | 99 years leasehold expiring 2104 | 20,429 sq m | June 2005 | - | **1,278** |
| Parkway, Pen-y-fan Industrial Estate, Croespenmaen, Crumlin, Gwent, United Kingdom NP11 3XT | Industrial land | Factory | Freehold | 9.915 hectare | February 1994 | - | **4,954** |
| | Factory building | Factory | - | 130,000 sq ft | July 1995 | 16 | **7,242** |

| 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 2011 (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 | - | **3,355** |
| | Industrial land | Factory | 49 years leasehold expiring 2057 | 9.002 hectare | September 2007 | - | **4,153** |
| | Factory building | Factory | - | 320,000 sq ft | December 2005 | 6 | **75,276** |
| 3801/3802 Tian Fu Square Chengdu, Sichuan, P.R. China | Residential | Apartments | 70 years leasehold expiring 2075 | 296 sq m | December 2006 | 5 | **1,803** |
| Jalan S.Parman, Kav 201 Batamindo Industrial Park, Mukim Kuning, Batam, Indonesia | Industrial land | Factory | 30 years leasehold expiring 2019 | 21,280 sq $m^2$ | November 1994 | - | **860** |
| | Industrial land | Factory | 30 years leasehold expiring 2019 | 8,991 sq $m^2$ | May 1998 | - | **1,015** |
| | Factory Building Main Building | Factory | - | 14,640 sq $m^2$ | November 1991 | 20 | **5,261** |
| | Factory Building East Wing | Factory | - | 17,500 sq $m^2$ | 1998 | 13 | **13,377** |
| | Factory Building East Wing Extension | Factory | - | 1,600 sq $m^2$ | 2007 | 4.5 | **2,291** |
| Desa Lubuk Baja Utara-Bengkong, Batam, Indonesia | Residential | Quarters | 30 years leasehold expiring 2016 | 2,376 sq $m^2$ | May 1994 | 17 | **-** |
| Palm Spring Housing Complex, Batam, Indonesia | Residential | Quarters | 30 years leasehold expiring 2020 | 1,056 sq $m^2$ | September 1993 | 18 | **-** |

# **notice of** annual general meeting

**NOTICE IS HEREBY GIVEN** that the 23rd Annual General Meeting of the Company will be held at Nirwana Ballroom 2, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on 22 May 2012, Tuesday at 10.00 a.m. to transact the following businesses:

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2011 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 2011. **Resolution 2**

3. To approve the payment of Directors' fees amounting to RM1,190,000 for the financial year ended 31 December 2011. **Resolution 3**

4. To re-elect the following Directors who retire pursuant to Article 124 of the Company's Articles of Association:-

   (i) Mr Francis Chia Mong Tet **Resolution 4**

   (ii) Y.Bhg. Tan Sri Dato' Wong See Wah **Resolution 5**

5. To re-appoint Y. Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba who retires pursuant to Section 129(6) of the Companies Act, 1965 until the conclusion of the next Annual General Meeting. **Resolution 6**

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

7. As Special Business:

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

   **Authority To Allot Shares** **Resolution 8**

   "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 shares (other than bonus or rights 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 (other than by way of bonus or rights issues) does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval of Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **Proposed Amendments to Articles of Association of the Company** **Special Resolution**

   "That the deletions, alterations, modifications or additions to the Articles of Association of the Company as set out in Appendix 1 to this Annual Report be and are hereby approved and adopted and THAT the Directors of the Company be and are hereby authorized to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities."

9. 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 1 June 2012 to determine shareholders' entitlement to the final dividend of 4% or 2 sen per share tax-exempt for the financial year ended 31 December 2011. The dividend, if approved, will be paid on 15 June 2012.

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 1 June 2012 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

27 April 2012
Kuala Lumpur

*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. *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.*

3. *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.*

4. *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.*

5. *Explanatory Note on Special Business (Resolution 8)*

   *The proposed Resolution 8, 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 22nd Annual General Meeting held on 15 June 2011, 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 8 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.*

6. *Explanatory Note on Special Business (Special Resolution)*

   *Special Resolution – Proposed Amendments to the Articles of Association of the Company*
   *This Special Resolution, if passed, will bring the Articles of Association of the Company in line with the recent changes in the MMLR and relevant statutory and regulatory requirements.*

## APPENDIX 1

# proposed amendments
# to the articles of association

In recent years, there were several changes made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and other relevant statutory requirements. The Board of Directors proposes to amend the Articles of Association of the Company to incorporate and reflect the recent amendments made to the MMLR, where relevant, and to comply with other relevant statutory requirements.

The details of the Proposed Amendments to the Articles of Association of the Company are set out below:

1. By deleting the definition in Article 1 ***"Approved Market Place"***

Existing definition

| | |
|---|---|
| *Approved Market Place* | *"means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption (No. 2) Order, 1998."* |

2. By amending the definition in Article 1 ***"the Central Depository"*** in the following manner:

Existing definition:

| | |
|---|---|
| *the Central Depository* | *"means the **MALAYSIAN CENTRAL DEPOSITORY SDN. BHD**."* |

Proposed amendment:

| | |
|---|---|
| the Central Depository | "means the **BURSA MALAYSIA DEPOSITORY SDN. BHD. (COMPANY NO. 165570-W)**" |

3. By amending the definition in Article 1 ***"the Central Depositories Act"*** in the following manner:

Existing definition:

| | |
|---|---|
| *the Central Depositories Act* | *"means **THE SECURITIES INDUSTRY (CENTRAL DEPOSITORIES) ACT 1991.**"* |

Proposed amendment:

| | |
|---|---|
| the Central Depositories Act | "means **THE SECURITIES INDUSTRY (CENTRAL DEPOSITORIES) ACT 1991**, or any statutory modification, amendment or re-enactment thereof for the time being in force." |

4. By inserting a new definition in Article 1 for ***"Exempt Authorised Nominee"***

| | |
|---|---|
| Exempt Authorised Nominee | "means an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of sub-section 25A(1) of the Central Depositories Act". |

5. By amending the definition in Article 1 ***"member"*** in the following manner:

Existing definition

| | |
|---|---|
| *Member* | *"means any person/persons for the time being holding shares in the Company and whose names appear in the Register of Member (except the **MALAYSIAN CENTRAL DEPOSITORY NOMINEES SDN. BHD.**) including depositors whose names appear on the Record of Depositors."* |

Proposed amendment:

| | |
|---|---|
| Member | "means any person/persons for the time being holding shares in the Company and whose names appear in the Register of Member including depositors whose names appear on the Record of Depositors (except Bursa Malaysia Depository Nominees Sdn Bhd) and who shall be treated as if he was a member pursuant to section 35 of the Central Depositories Act but excludes Depository in its capacity as a bare trustee." |

6. By deleting the definition in Article 1 ***"Notification Date"***

Existing definition:

| | |
|---|---|
| *Notification Date* | *"means the date on which the notice pursuant to subsection 14(2) of the Central Depositories Act is given by the Stock Exchange."* |

7. By amending the definition in Article 1 ***"the Exchange/ Stock Exchange(s)"*** in the following manner:

Existing definition:

| | |
|---|---|
| *the Exchange/Stock Exchange(s)* | *"means **KUALA LUMPUR STOCK EXCHANGE** or any other stock exchange(s) on which the shares or other Securities of the Company are quoted from time to time."* |

Proposed amendment:

| | |
|---|---|
| the Exchange/Stock Exchange(s) | "means **BURSA SECURITIES MALAYSIA BERHAD (COMPANY NO. 635998-W)** or any other stock exchange(s) on which the shares or other Securities of the Company are quoted from time to time." |

8. By inserting a new definition in Article 1 for ***"the securities"***

| | |
|---|---|
| *the securities* | *"has the meaning assigned thereto by section 2(1) of the Capital Markets and Services Act 2007."* |

## APPENDIX 1

# **proposed amendments**
# to the articles of association

9. By amending the existing Article 56 in the following manner:

Existing Article 56:

| | |
|---|---|
| *Notice of intention to close register* | *"At least twelve (12) clear market days notice, or such other period as may be prescribed by the Exchange, of intention to close the Register stating the period and the purpose for closing the Register shall be published in a daily newspaper and despatched to the relevant Stock Exchange. The Company shall give notice to the Central Depository to enable the Central Depository to prepare the appropriate Records of Depositors."* |

Proposed amendment:

| | |
|---|---|
| Notice of intention to close register | "At least **ten (10) market days** notice, or such other period as may be prescribed by the Exchange, of intention to close the Register stating the period and the purpose for closing the Register shall be published in a daily newspaper and despatched to the relevant Stock Exchange. The Company shall give notice to the Central Depository to enable the Central Depository to prepare the appropriate Records of Depositors." |

10. By amending the existing Article 63 in the following manner:

Existing Article 63:

| | |
|---|---|
| *Transmission of securities from Foreign Register* | *"(1) In the event that:<br>(a) the securities of the Company are listed on Approved Market Place; and<br>(b) the Company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Central Depository in respect of such securities, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the Registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") PROVIDED THAT there shall be no change in ownership of such securities.<br>(2) The Company shall not allow any transmission of securities from the Malaysian Register into the Foreign Register."* |

Proposed amendment:

| | |
|---|---|
| *Transmission of securities* | "Where:<br>(a) the securities of the Company are listed on **another stock exchange**; and<br>(b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the **other stock exchange**, to the register of holders maintained by the Registrar of the Company in Malaysia **and vice versa** PROVIDED THAT there shall be no change in ownership of such securities." |

11. By amending the existing Article 70 in the following manner:

Existing Article 70:

| | |
|---|---|
| *Offer of new shares or securities to existing members* | *"Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such members as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may subject to these Articles dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities or by reason of any other difficulty in apportioning the same) cannot, in the opinion of the Directors, be conveniently offered under this Article. Notwithstanding the foregoing, the Company may apply to the Exchange or any other Stock Exchange on which the Company's shares or securities are listed, for waiver of convening Extraordinary General Meeting to obtain shareholders approval for further issues of shares (other than bonus or rights issues) where in accordance with section 132(D) of the Act, there is still in effect a resolution approving the issuance of shares by the Company and the aggregate of the shares issued in any one financial year (other than bonus or rights issues) does not exceed ten percent (10%) of the issued capital of the Company".* |

Proposed amendment:

| | |
|---|---|
| Offer of new shares or securities to existing members | "Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such members as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may subject to these Articles dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Article.<br><br>70A. Notwithstanding the foregoing and subject to the Act and the Listing Requirements, the Company must ensure that it shall not issue any shares or convertible securities if the nominal value of those shares or convertible securities, when aggregated with the nominal value of such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten (10) percent of the nominal value of the issue and paid up capital (excluding treasury shares) of the Company except where the shares or convertible securities are issued with the prior shareholder approval in a general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible securities that may be issued by the Company, if the security is a convertible security, each such security is counted as the maximum number of shares in which it can be converted or exercised." |

**APPENDIX 1**

# proposed amendments
to the articles of association

12. By deleting existing Articles 77 to 84 as Rule 7.06 of the Rules of the Central Depository is no longer in effect.

Existing Articles 77 to 84

| | |
|---|---|
| *Issuance of Scrips* | *"77. Upon receipt of the documents from the Central Depository pursuant to Rule 7.06 of the Rules, the Company shall, within two (2) weeks after the receipt of such documents:-<br>(a) complete and have ready for delivery to the Depositor the appropriate scrip (hereinafter referred to as "the withdrawn scrip") registered in the name of the Depositor or in the name of any person nominated by him;<br>(b) unless otherwise instructed by the Depositor, deliver the withdrawn scrip together with such other documents as may be necessary to the Depositor or to any person nominated by him."* |
| *Splitting* | *"78. Where in connection with the issuance of the withdrawn scrips, the original scrip delivered by the Central Depository were split into small denominations, the Company, shall register the remaining scrips underlying such securities not withdrawn from the Central Depository (hereinafter referred to as the "unwithdrawn scrip") in the name of the Central Depository or that of its nominee company."* |
| *Delivery* | *"79. The Company shall not later than fourteen (14) market days upon receipt of the scrips and documents in accordance with Rule 7.06 of the Rules, deliver to the Central Depository the unwithdrawn scrip duly registered in its name or that of its nominee company."* |
| *Updating of the Register of Members* | *"80. In relation to any withdrawn scrip registered in the name of a Depositor or his nominee, the Company shall ensure that the necessary entries are made in the Register."* |
| *Prescription of security by the Stock Exchange* | *"81. Where, pursuant to section 14 of the Central Depositories Act, the Stock Exchange prescribes that any security of the Company proposed to be listed for quotation on the official list of the Exchange be deposited with the Central Depository the Company shall do all such acts and things as may be necessary in order to comply with section 37 of the Central Depository Act."* |
| *Compliance with section 38 of the Central Depositories Act* | *"82. When the Company, in relation to any Deposited Security:-<br>(a) makes a bonus issue, or issues securities pursuant to a rights issue or the conversion of any debt securities; or<br>(b) issue securities pursuant to an exercise of any rights or option to acquire securities in the share capital of the Company; it shall do all such acts and things as may be necessary in order to comply with section 38 of the Central Depositories Act."* |
| *Qualification for entitlement* | *"83. No depositor shall be entitled to any rights or bonus by virtue of any Deposited Security credited into his securities account unless:-<br>(a) the scrip representing such Deposited Security has been deposited cum entitlement with the Central Depository or its authorised depository agent for the purposes of allowing the Company to confirm whether the security is capable of being registered into the name of the Central Depository or its nominee company in accordance with section 18 of the Central Depositories Act;<br>(b) such Deposited Securities have not been "withdrawn cum entitlement";<br>(c) such Deposited Security has been "bought cum entitlement" on the Stock Market of the Stock Exchanges; or<br>(d) such Deposited Security has been "transferred cum entitlement" into his securities account."* |
| *Fractional entitlement* | *"84. For the purposes of allotting or allocating any Deposited Securities pursuant to this Article (hereinafter such securities shall be referred to as "the allotted securities") fractional entitlement shall be determined by the Directors in accordance with such procedures as may be stated in the relevant prospectus, if any."* |

13. By amending the existing Article 115 in the following manner:

Existing Article 115:

| | |
|---|---|
| *Instrument appointing proxy to be in writing* | *"A Power of Attorney or a certified copy thereof or the instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor. A member may appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) or more proxies, he shall specify in the instrument appointing the proxies, the proportion of his shareholdings to be represented by each proxy PROVIDED THAT in the case of a vote on any question by show of hands, only one (1) of the proxies so appointed shall be entitled to vote."* |

Proposed amendment:

| | |
|---|---|
| Instrument appointing proxy to be in writing | "A Power of Attorney or a certified copy thereof or the instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor. A member may appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) or more proxies, he shall specify in the instrument appointing the proxies, the proportion of his shareholdings to be represented by each proxy PROVIDED THAT in the case of a vote on any question by show of hands, only one (1) of the proxies so appointed shall be entitled to vote. **A proxy may but need not be a member of the Company and the provisions of section 149(1)(b) of the Act shall not apply to the Company and a proxy appointed shall have the same rights as the member to speak at the meeting. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.**" |

14. By amending the existing Article 116A in the following manner:

Existing Article 116A:

| | |
|---|---|
| *Appointment of more than one proxy* | *"Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds, with ordinary shares of the Company standing to the credit of the said securities account."* |

Proposed amendment:

| | |
|---|---|
| Appointment of more than one proxy | "(1) Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds, with ordinary shares of the Company standing to the credit of the said securities account.<br><br>(2) **Where a member of the Company is an Exempt Authorised Nominee which holds ordinary share in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting.**" |

## APPENDIX 1

# **proposed amendments** to the articles of association

15. By amending existing Article 142 in the following manner:

Existing Article 142:

| | |
|---|---|
| *Restriction on Directors power of undertaking of the Company* | *"Any sale or disposal by the Directors of a substantial portion of the Company's main undertaking or property shall be subject to ratification by shareholders in general meeting."* |

Proposed amendment:

| | |
|---|---|
| *Restriction on Directors power of undertaking of the Company* | "The Directors shall not without the prior approval of the Company in general meeting carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of substantial value, or the disposal of a substantial portion of the Company's undertaking or property." |

16. By amending existing Article 172 in the following manner:

Existing Article 172:

| | |
|---|---|
| *Copies of accounts to members, etc.* | *"A copy of the Balance Sheet, Accounts and (so far required by the Act) Reports shall not less than fourteen (14) days(which period shall include not less than ten (10) market days) before the date of the meeting be delivered or sent by post to the registered address of all persons entitled to receive notices of general meetings of the Company and the requisite copies as may be determined from time to time of each such documents shall at the same time be likewise sent to the relevant Stock Exchanges. Such documents shall be issued within six (6) calendar months of the close of the Company's financial year and such shorter period as may be prescribed by the relevant Stock Exchanges. The Auditor's report shall be attached to the balance sheet and shall be read before the Company in general meeting and be opened to inspection by any member as required by the Act. Nothing in this Article shall require a copy of such documents to be sent to any person of whose address the Company is not aware."* |

Proposed amendment:

| | |
|---|---|
| Copies of accounts to members, etc. | "A copy of the Balance Sheet, Accounts and (so far required by the Act) Reports in **printed form or CD-ROM or other electronic form** permitted under the Listing Requirements or any combination thereof, shall not less than **twenty-one (21) days** before the date of the meeting be delivered or sent by post to the registered address of all persons entitled to receive notices of general meetings of the Company and the requisite copies as may be determined from time to time of each such documents shall at the same time be likewise sent to the relevant Stock Exchanges. Such documents shall be issued within six (6) calendar months of the close of the Company's financial year and such shorter period as may be prescribed by the relevant Stock Exchanges. The Auditor's report shall be attached to the balance sheet and shall be read before the Company in general meeting and be opened to inspection by any member as required by the Act. Nothing in this Article shall require a copy of such documents to be sent to any person of whose address the Company is not aware." |

17. By amending existing Article 193 to accommodate e-dividend in the following manner:

Existing Article 193:

| | |
|---|---|
| *Payment of dividend* | *"Any dividend may be paid by bankers' draft, money order, cheque or warrant sent through the post to the registered address of the member or person entitled thereto or to such person and to such address as the holder may direct. Every such draft, money order, cheque or warrant shall be made payable to the order of the persons to whom it is sent or to such person as the holder may direct and payment of same if purporting to be endorsed shall be a good discharge to the Company. Every such draft, money order, cheque or warrant, shall be sent at the risk of the persons entitled to the money represented thereby."* |

Proposed amendment:

| | |
|---|---|
| Payment of dividend | "Any dividend **or other money payable** may be paid by bankers' draft, money order, cheque or warrant sent through the post to the registered address of the member or person entitled thereto or to such person and to such address as the holder may direct **or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment**. Every such draft, money order, cheque, warrant, telegraphic transfer, electronic transfer or remittance shall be made payable to the order of the persons to whom it is sent or to such person as the holder may direct and payment of same shall be a good and full discharge to the Company in respect of the payment represented thereby notwithstanding that in the case of payment by banker's draft, money order, cheque or warrant it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such draft, money order, cheque, warrant, telegraphic transfer, electronic transfer or remittance shall be sent at the risk of the persons entitled to the money represented thereby." |

18. By deleting the existing Article 218 as the alteration of Articles does not require the approval of the Exchange pursuant to Paragraph 2.10 of the MMLR.

Existing Article 218:

| | |
|---|---|
| *Alteration of Articles* | *"The Company once admitted to the Official List shall not delete, amend or add to any of its existing articles, which have previously been approved by the Kuala Lumpur Stock Exchange, unless prior written approval has been sought and obtained from the Kuala Lumpur Stock Exchange for such deletion, amendment or addition."* |

# **statement accompanying** notice of annual general meeting

## DIRECTORS WHO ARE SEEKING RE-ELECTION AT THE TWENTY THIRD ANNUAL GENERAL MEETING OF THE COMPANY

The details of the three (3) directors seeking re-election/re-appointment are set out in their respective profiles in pages 27 to 29 of this Annual Report. The details of their interest in the securities of the Company are set out in the Statement of Directors' Interests in page 121 of this Annual Report.

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

# **proxy** form

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 Third Annual General Meeting of the Company to be held at Nirwana Ballroom 2, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on 22 May 2012, Tuesday at 10.00 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 2011 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 2011. | | |
| **Resolution 3** | To approve the payment of Directors' fees amounting to RM1,190,000 for the financial year ended 31 December 2011. | | |
| **Resolution 4** | To re-elect Mr Francis Chia Sin Tet as a Director who retires pursuant to Article 124 of the Company's Articles of Association. | | |
| **Resolution 5** | To re-elect Y.Bhg. Tan Sri Dato' Wong See Wah as a Director who retires pursuant to Article 124 of the Company's Articles of Association. | | |
| **Resolution 6** | To re-appoint Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan bin Haji Baba 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 7** | To appoint Deloitte KassimChan as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | | |
| **Resolution 8** | 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. | | |
| **Special Resolution** | To approve the proposed amendments to the Articles of Association of the Company | | |

Dated this __________ day of ______________________, 2012.

| | |
|---|---|
| CDS ACCOUNT NO. | |
| NO. OF SHARES HELD | |

______________________________
Signature/Common Seal

Tel No. : ______________________________

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. *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.*
3. *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.*
4. *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.*

*Fold here*

STAMP

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

*Fold here*

# **corporate** information

## BOARD OF DIRECTORS

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

**Mr Ang Chye Hock**
Executive Director

**Mr Francis Chia Mong Tet**
Executive Director

**Ybhg. Prof. Tan Sri Dato' Dr. Mohd. Rashdan Bin Haji Baba**
Independent Director

**Ybhg. Tan Sri Dato' Wong See Wah**
Independent Director

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

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

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

**Mr Martin Giles Manen**
Independent Director

## AUDIT COMMITTEE

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

**Ybhg. Tan Sri Dato' Wong See Wah**
Member/Independent Director

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

## COMPANY SECRETARIES

**Mr Chua Heng Fatt (MACS 00264)**

**Ms Chin Hock Yee (LS 8922)**

## REGISTERED OFFICE

Letter Box #95
9th Floor, UBN Tower
No. 10, Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia
Tel: (603) 2072 3760
Fax: (603) 2072 4018
Website: www.unisemgroup.com

## SHARE REGISTRARS

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

## AUDITORS

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

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

United States of America • United Kingdom • Indonesia • Malaysia • China

www.**unisemgroup**.com