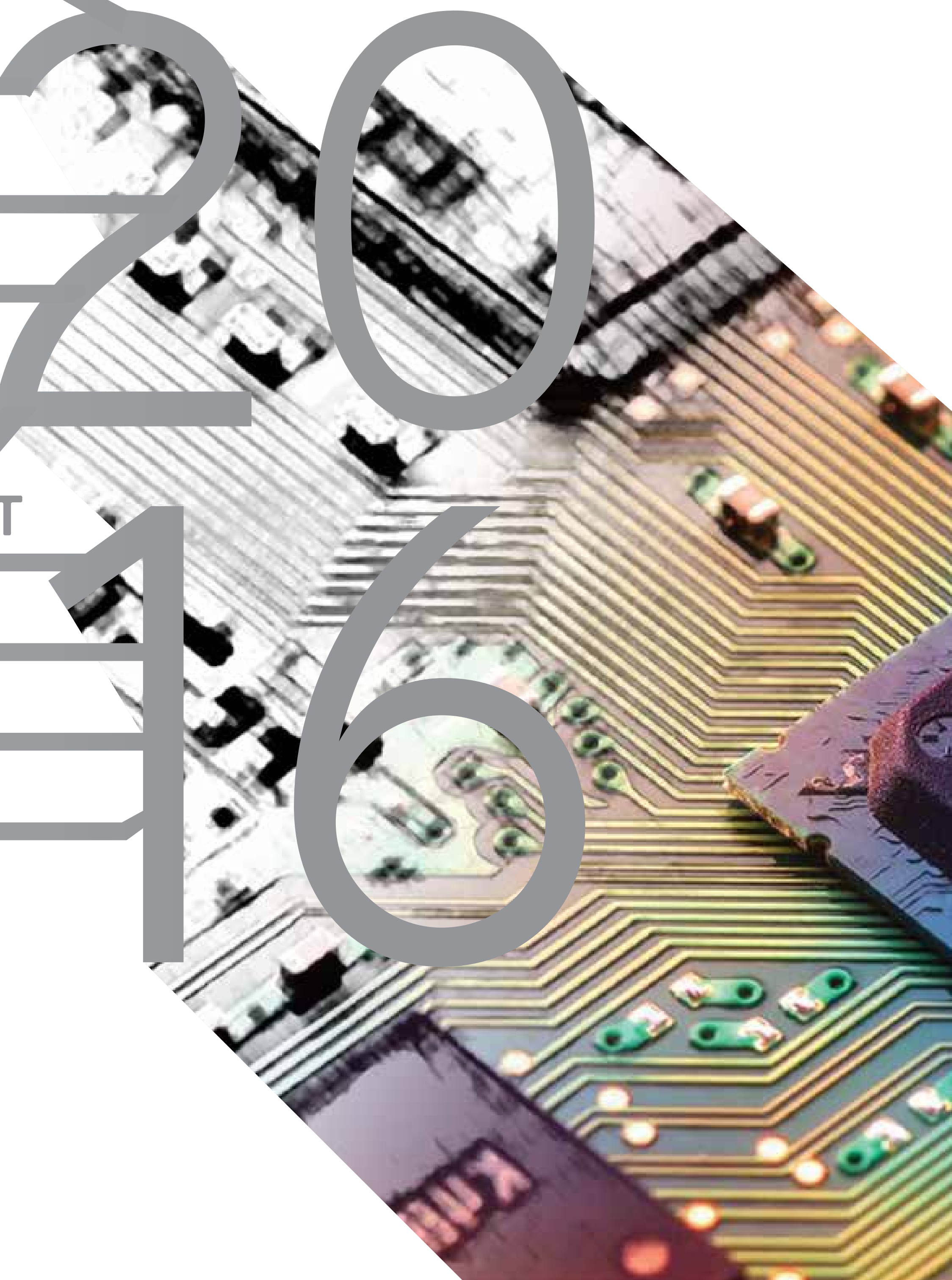
Unisem (M) Berhad (183314-V)

ANNUAL REPORT 2016



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COMPANY PROFILE

Unisem (M) Berhad ("Unisem") is a leading semiconductor assembly and test services provider in Malaysia. With approximately 7,500 employees worldwide, Unisem has 3 semiconductor packaging and testing facilities located in Ipoh, Perak, Malaysia, Chengdu, People's Republic of China (China), and Batam, Indonesia and 2 wafer bumping facilities in Ipoh, Perak, Malaysia and Chengdu, China.

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

Unisem group has a customer base comprising primarily fabless companies (81%) and integrated device manufacturers (19%). About 40% of Unisem group's sales are to customers in North America, 15% to Europe and 45% to Asia.

Unisem is listed on the Main Market of Bursa Malaysia since 1998. The securities of the Company are Shariah-compliant. Unisem is also a constituent of the **FTSE Bursa Malaysia Mid 70 Index (FBM70)** and the **FTSE4Good Bursa Malaysia Index (F4GBM)**.

UNISEM GROUP

UNISEM (M) BERHAD (the "Company")

IPOH, MALAYSIA

- commenced operations in 1992
- 3,800 employees
- Total built-up area 570,000 square feet
- Provide full turnkey solutions; packaging capability includes all types of leadframe based packages, leadless packages, modules, wafer level CSP, flip chip and MIS based packaging
- Fully certified with ISO 9001:2008, ISO 14001:2004, ISO/TS 16949:2009, and ANSI/ESD S20.20-2007

Recognition and Appreciation of Outstanding WLCSP shipment support from UAT & Unisem awarded by Intersil Corporation

UNISEM ADVANCED TECHNOLOGIES SDN BHD ("UAT")

IPOH, MALAYSIA

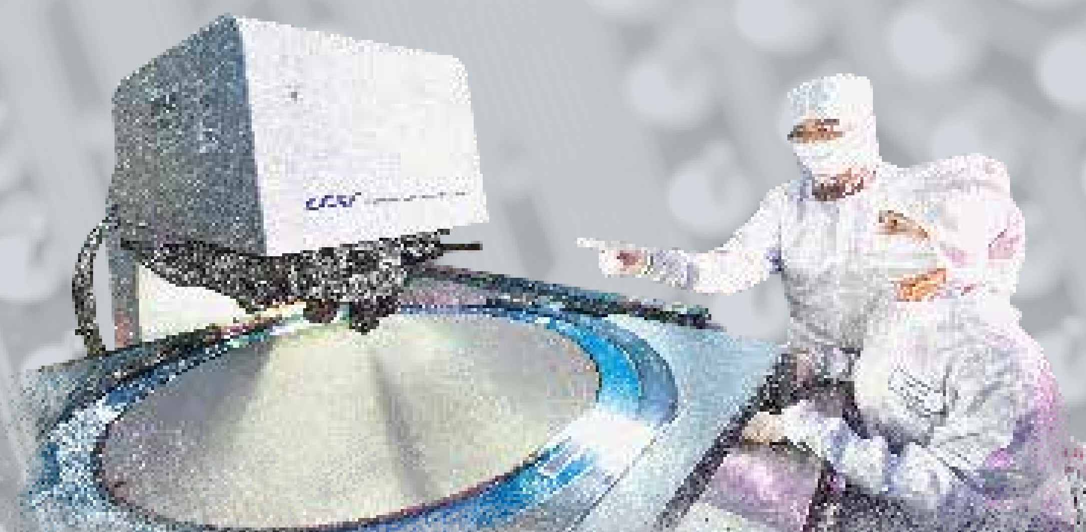
- Commenced operations in year 2006
- 300 employees
- Total built-up area of 22,000 square feet
- Offers a wide range of bumping services for wafer sizes of 100, 150 and 200 mm diameter. Services include gold bumps, copper pillar bumps and solder bumps as well as pad redistribution and re-passivation.
- Fully certified with various Quality and Environmental Standards such as ISO 9001:2008, ISO/TS 16949:2009, ISO 14001:2004 and ANSI/ESD S20.20-2007

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

- commenced operations in 2006
- 1,900 employees
- total built-up area of about 620,000 square feet
- provides full turnkey solutions; packaging capability includes a wide range of advanced leadframe and substrate packages, leadless packages, modules, MEMs, wafer level CSP and flip chip
- offers a wide range of bumping services for wafer size of 200 mm diameter. Services include copper pillar bumps and solder bumps as well as pad redistribution and re-passivation.
- fully certified with ISO 9001:2008, ISO 14001:2004, ISO/TS 16949:2009 and ANSI/ESD-S20.20-2007

PT. UNISEM
("Unisem Batam")
BATAM, INDONESIA

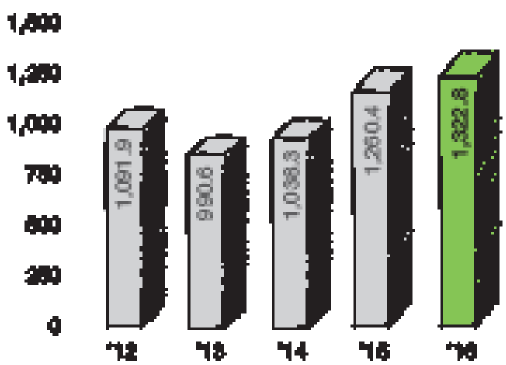
- commenced operations in 1991
- 1,500 employees
- total built-up area of 345,000 square feet
- Provide full turnkey solutions; IC packaging capability includes all types of leadframe and laminate based packages, leadless packages and modules.
- Center of excellence for automotive IC's
- Fully certified with ISO 9001:2008, ISO 14001:2004 and ISO/TS 16949:2009



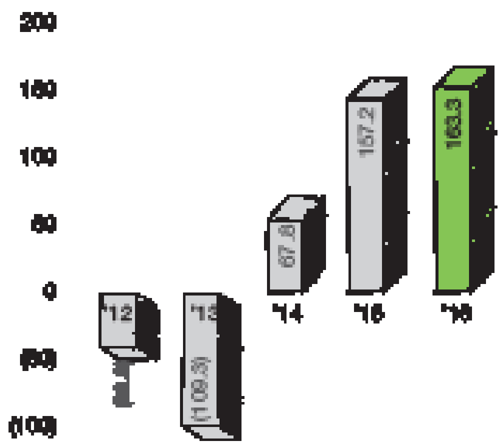
FIVE-YEAR FINANCIAL HIGHLIGHTS

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Highlights from Consolidated Income Statements for the year ended 31 December					
Revenue	1,091,948	990,554	1,038,279	1,260,425	**1,322,780**
EBITDA	149,530	169,964	258,509	355,621	**356,812**
Profit /(Loss) before taxation	(35,432)	(94,791)	84,519	173,105	**187,158**
Profit /(Loss) after taxation	(33,292)	(109,289)	67,750	157,248	**163,343**
Highlights from Consolidated Statements of Financial Position As of 31 December					
Property, plant and equipment	1,272,707	1,193,942	1,109,554	1,177,693	**1,128,975**
Current Assets	393,991	346,168	345,944	485,520	**632,624**
Non-Current Assets	111,482	32,705	28,504	27,537	**24,565**
Total Assets	**1,778,180**	**1,572,815**	**1,484,002**	**1,690,750**	**1,786,164**
Current Liabilities	471,930	419,687	370,971	278,241	**303,207**
Deferred Tax Liabilities	0	0	2,904	3,896	**8,326**
Other Non-Current Liabilities	266,775	184,990	77,958	52,467	**55,623**
Total Liabilities	**738,705**	**604,677**	**451,833**	**334,604**	**367,156**
Share Capital	337,115	337,115	337,115	366,915	**366,915**
Reserves	690,832	623,407	688,137	984,930	**1,046,738**
Non-controlling interests	11,528	7,616	6,917	4,301	**5,355**
Shareholders' Equity	**1,039,475**	**968,138**	**1,032,169**	**1,356,146**	**1,419,008**
Key Financial Ratios					
EBITDA margin	14%	17%	25%	28%	**27%**
Net earnings/(loss) per share - Basic (sen)	(4.79)	(15.63)	10.15	22.04	**22.12**
Net dividend per share (sen)	2.00	2.00	6.00	10.00	**11.00**
Debt / Equity ratio	0.50	0.45	0.25	0.08	**0.04**
Net assets per share (RM)	1.52	1.42	1.52	1.84	**1.93**

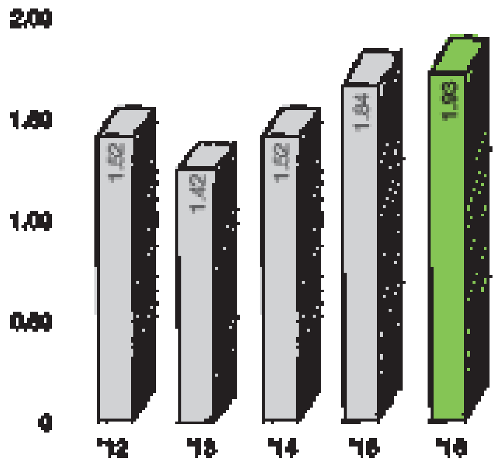
REVENUE
(RM'million)



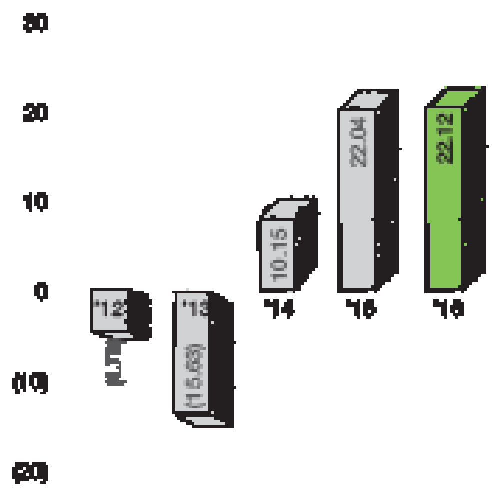
PROFIT/(LOSS) AFTER TAXATION
(RM'million)



NET ASSETS PER SHARE
(RM)



NET EARNINGS/(LOSS) PER SHARE
(Sen)



CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present the 28th Annual Report and the Audited Consolidated Financial Statements of Unisem (M) Berhad and its subsidiaries for the financial year ended 31 December 2016.

JOHN CHIA SIN TET
Chairman

The year 2016 was yet another satisfactory year at Unisem. The year started on a cautious note due to inventory correction particularly in the smartphone segment of our business. Towards the end of third quarter there was a significant improvement in demand across all segments particularly in the automotive and consumer electronic segments and this carried through to the end of the financial year. The performance of the Group was also enhanced by the strength of the US Dollar versus the currencies of the jurisdictions where our operations are located, namely the Malaysian Ringgit, the Chinese Yuan or Renminbi and the Indonesian Rupiah.

The Group recorded revenue of RM1.323 billion in 2016, an increase of 5% from the revenue of RM1.260 billion achieved in 2015. Net profit for 2016 was RM163.3 million against RM157.2 million achieved in 2015, an increase of 4%. EBITDA for 2016 came in at RM356.8 million and EBITDA margin was about 27%.

The financial position of the Group remains strong. Total borrowings of the Group were reduced further to RM51.6 million as at 31 December 2016 from RM109.8 million as at 31 December 2015. Deposits and other cash and cash equivalents increased to RM253.8 million as at 31 December 2016 from RM133.0 million as at 31 December 2015. Capital expenditure of approximately RM130.5 million was incurred for the Group during the year mainly to enhance our wafer bumping, packaging and test capabilities and processes.

CHAIRMAN'S LETTER TO THE SHAREHOLDERS (cont'd)

The macro outlook for 2017 remains challenging due to continuing volatility in oil prices, commodities, currencies and interest rates as well as a rise in greater protectionism and realignment of trade pacts between and amongst countries in different regionsthat may impact global trade and therefore demand for our goods and services.

Recent market research data from industry analysts project the semiconductor industry to grow in the range of 3.3% to 7.2% in 2017. According to Gartner, "Areas to watch for in 2017 are the industrial, automotive and storage markets, which are growing quickly but represent a smaller portion of the overall market. Additionally, the slow-growth outlook for traditional applications such as smartphones and PCs highlights the importance of semiconductor markets outside of these categories, notably the Internet of Things (IoT)."

To stay competitive in the industry, Unisem plans to forge ahead by continuing to invest in resources to further drive efficiency and productivity, enhance competencies of our people and to focus on higher margin products and services.

We are optimistic that with our continuing pursuit of excellence, steadfast execution of our strategies, and our presence in the faster growing segments of the industry, Unisem will continue to perform well in the year ahead.

Whilst pursuing manufacturing excellence and profits, we remain totally committed to our corporate social responsibilities (CSR) across the Group to ensure we address, implement and monitor aspects of CSR that are relevant to our business. These include good ethical behavior, concern for the welfare and development of all our employees, care for the environment and community involvement. We strive to meet globally recognised corporate responsibility standards. Unisem has again been included in the FTSE4Good Bursa Malaysia Index in 2016.

I am pleased to report that the Board of Directors is recommending a tax-exempt final dividend of 4 sen per share of approximately RM29.35 million. This is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

This final dividend is in addition to the two tax-exempt interim dividends of 3.5 sen each paid during the financial year.

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

Last but not least, I would like to thank our shareholders for their continued support and confidence in the Company.

On behalf of the Board

JOHN CHIA SIN TET
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

1. BUSINESS OBJECTIVES AND STRATEGIES

Unisem (M) Berhad ("Unisem") is principally involved in the manufacture of semiconductor devices and offers an integrated suite of assembly and test services which include:

- Advanced packaging and leadframe packaging services by providing advanced integrated circuit (IC) packaging technology such as wafer bump, redistribution layer design and fabrication, flip chip interconnect, wafer level CSP, and a wide range of leadframe and substrate IC packages.
- Test services by providing wafer probe and final testing on a wide range of test equipment covering the major test platforms such as radio frequency, analog, digital and mixed-signal. We also offer test-related services such as reliability testing, thermal and electrical characterization, dry pack, and tape and reel.
- Our turnkey services include design, assembly, test, failure analysis, warehousing and drop-ship services.

Unisem has 3 semiconductor packaging and testing facilities located in Ipoh, Perak, Malaysia, Chengdu, People's Republic of China (China), and Batam, Indonesia and 2 wafer bumping facilities in Ipoh, Perak, Malaysia and Chengdu, China.

2. BUSINESS SEGMENT

Unisem only operates in a single business segment of manufacturing of semiconductor devices and other related services.

The resource allocation and assessment of performance are mainly based on geographical segments by location of customers, namely Asia, Europe and United States of America.

For additional information, please refer to Note 4 'Segment Information' under the Notes to the financial statements.

3. OPERATIONS REVIEW

Financial Results

The Group recorded a net profit of RM163.3 million in the financial year ended 31 December 2016 (FY2016), an increase of 4% compared to RM157.2 million in the financial year ended 31 December 2015 (FY2015). The increase in net profit was mainly attributed to the Group achieving revenue of RM1.32 billion in FY2016, an improvement of 5% against RM1.26 billion recorded in FY2015. The increase in revenue was mainly attributable to the appreciation in the US$/RM and US$/RMB exchange rates as well as greater demand for the products and services of the Group. Both the packaging/testing services and wafer bumping volumes have increased by 4% and 6% respectively whilst the average selling prices have remained fairly constant.

The other main factors contributing to the increase in net profit are as follows:

a) Foreign currency exchange gain of RM13.9 million in FY2016 as compared to RM7.6 million foreign currency exchange loss in FY2015;

b) Depreciation of property, plant and equipment has reduced by RM6.7 million due to certain property, plant and equipment being fully depreciated;

c) Finance costs have decreased by RM4.8 million due to repayment of term loans and reduction of short-term bank borrowings; and

d) Interest income increased by RM2.0 million due to the increase in funds placed into long and short-term deposits.

The following factors have, however, mitigated and reduced the net profit impact contributed by the aforementioned:

a) The gross margin has deteriorated mainly due to changes in product mix sold;

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

b) Increase in taxation expense by RM8.0 million mainly due to increase in profits and reversal of deferred tax assets arising from expiry of tax losses carried forward in prior years from our Indonesian subsidiary.

Liquidity and Capital Resources

As at 31 December, 2016, the Group has deposits and other cash and cash equivalents amounting to RM253.8 million as well as unutilized banking facilities amounting to RM125.7 million.

The Group's bank borrowings have reduced from RM109.8 million in FY2015 to RM51.6 million in FY2016. The overall significant improvement in the cash and cash equivalents held and reduction in bank borrowings was mainly to due to healthy EBITDA being generated from operations.

Capital expenditure is largely driven by the demand for our services, primarily to increase the packaging and testing capacity, to replace packaging and test equipment from time to time and to expand our facilities and service offerings. Generally, the Group will spend approximately 30% to 40% of the EBITDA generated on capital expenditure. The Group's capital expenditure for FY2016 amounted to RM130.5 million.

4. OPERATIONAL AND FINANCIAL RISKS

Operational Risks

Political, economic and regulatory risks

Political and economic conditions and regulatory development in Malaysia and other countries where our Group operates could have a significant effect on the financial performance of our Group. Any adverse development or uncertainties in the above external factors could materially affect the financial condition and business prospects of our Group. These political, economic and regulatory uncertainties include (but not limited to) risks of war, expropriation, nationalisation, changes in political leadership and environment, changes in government policies, global economic downturn, epidemic outbreaks, social unrests, changes in currency exchange rates, interest rates and accounting standards and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs and taxation methods.

While our Group continues to take measures to mitigate these risks including close monitoring of the Government's masterplan in respect of long-term economic and development policies so that we can stay ahead as well as capitalise on any regulatory changes in the industries that our Group operates, there is no assurance that any changes to the political, economic and regulatory factors will not have a material and adverse effect on our business, profitability, prospects in the semiconductor industry in which we operate.

Dependence on management and experienced personnel

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

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

Dependence on major customers

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

Operational Risks relating to semiconductor industry

Cyclical nature of the semiconductor industry

Our portfolio of products and services in wafer bumping, assembly and test operations through our Group are affected by the cyclical changes of the semiconductor industry and have experienced downturns, driven by factors such as demand volatility and excessive buildup of inventories. Depending on the severity of the downturn, our Group's business and financial performance may be adversely affected resulting in lower utilisation rates which will ultimately result in an erosion in average selling prices

Although our Group is taking the necessary steps to mitigate the cyclical nature of the semiconductor industry, there is no assurance that the measures we have taken will be adequate and will not have material adverse effect on us if there is an industry downturn.

Competitive industry environment

The semiconductor assembly and test industry is highly competitive. There is no assurance that our Group will be able to continue competing successfully with its competitors. As many of our Group's competitors are larger players in the semiconductor industry, they may have greater research and development resources to keep abreast of technological changes, greater manufacturing, financial and marketing resources as well as wider access to capital. They may therefore be able to compete more successfully over a longer period of time. Should our existing or new competitors offer manufacturing services at a lower cost or engage in aggressive pricing in order to increase market share, Our Group's turnover may decline if our Group is not able to provide more competitive pricing in order to retain our existing customers and attract new customers. A reduction in the pricing without any cost reduction will adversely affect our Group's profitability. Any investment and/or capacity expansion in new plant will result in our Group being able to compete with the larger players due to the potential synergies that will arise such as cost effectiveness and economies of scale.

Financial Risks

The Group's financial risks are set out in Note 26 under the Notes to the financial statements.

5. PROSPECTS AND OUTLOOK

Recent market research data from industry analysts project the semiconductor industry to grow in the range of 3.3% to 7.2% in 2017. According to Gartner, "Areas to watch for in 2017 are the industrial, automotive and storage markets, which are growing quickly but represent a smaller portion of the overall market. Additionally, the slow-growth outlook for traditional applications such as smartphones and PCs highlights the importance of semiconductor markets outside of these categories, notably the Internet of Things (IoT)."

We are optimistic that Unisem will continue to perform satisfactorily in line with the industry and also due to our emphasis on higher value-added packages and services and presence in the faster growing segments of the industry such as communications, automotive and consumer electronics. The management will continue to strive for greater productivity and innovation, with tight control over costs.

CORPORATE SOCIAL RESPONSIBILITY REPORT

CORPORATE PRODUCTS AND SERVICES PROFILE

Unisem offers a broad range of leaded, leadless and array packages with various pin counts, modules (SiP) and Wafer-Level Chip-Scale Package (WLCSP), a cost effective solution that enables direct connectivity to substrate or board level.

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

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

Unisem is also a one-stop center for wafer bumping services with in-house photomask and stencil design capabilities. Bumping services include solder bumps, copper pillar bumps, bond pad redistribution and repassivation on wafer sizes from 150mm to 200mm diameter.

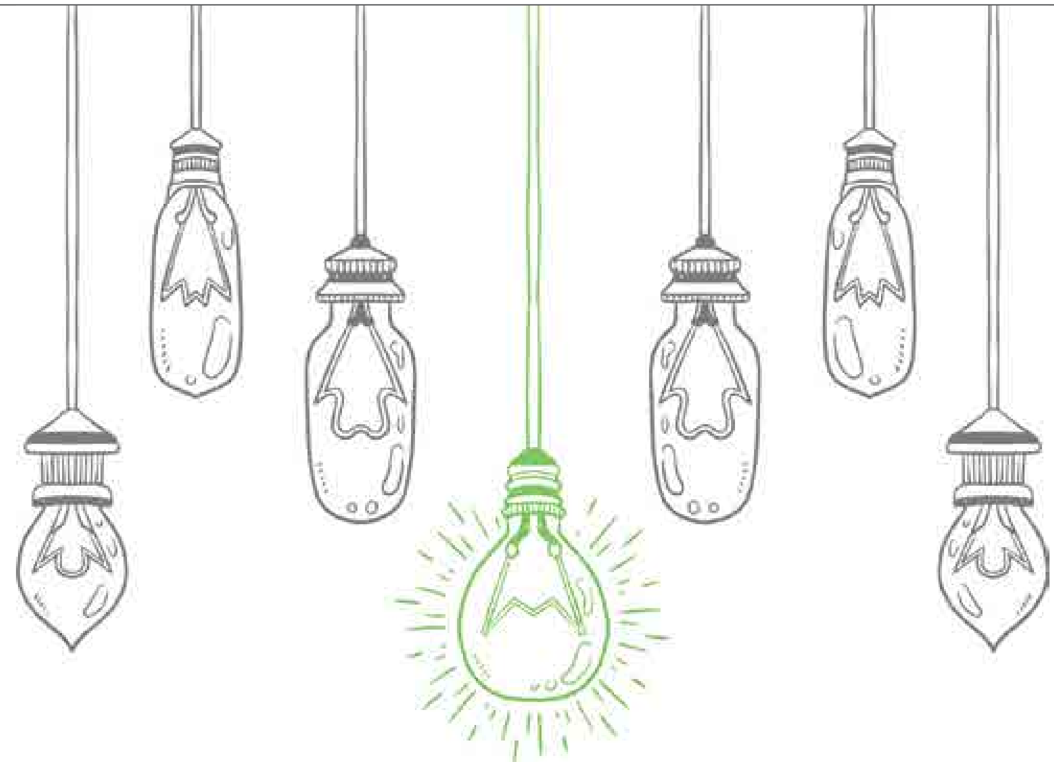
Overall, Unisem offers full turnkey solution from WAFER BUMPING, WAFER PROBING, PACKAGING, TEST, TAPE & REEL, DROPSHIP, QA ANALYSES and R&D.

Unisem Included in the FTSE4Good Bursa Malaysia Index in 2016

The Company has been included in the FTSE4Good Bursa Malaysia Index in December 2016.

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Unisem (M) Berhad has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalise on the benefits of responsible business practice.

There are 42 constituents on the FTSE4Good Bursa Malaysia Index as at the December 2016 Index review. Please refer to the Bursa Malaysia website for further details http://www.bursamalaysia.com/market/sustainability/ftse4good-bursa-malaysia-index/overview



Our CSR Commitment

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

Unisem is a part of the electronics industry supply chain, we support the objectives and affirm our policy of adhering to the Electronic Industry Citizenship Coalition (EICC) Code of Conduct.

The EICC Code of Conduct is a set of standards on social, environmental, safety and ethical issues in the electronics industry supply chain. The standards set out in the Code of Conduct reference international norms and standards including the Universal Declaration of Human Rights, ILO International Labor Standards, OECD Guidelines for Multinational Enterprises, ISO and SA standards, and many more.

Our commitment to our corporate social responsibility (CSR) is embodied in our CSR Policy, which is available on our website http://www.unisemgroup.com/pdf/careers/CSR%20Policy%20Jun%202014.pdf

Unisem CSR working committees comprise leaders from Quality, Human Resource, Finance, Procurement, and Facility/Environment Health & Safety (EHS) of the various plants/facilities. The committees are responsible to ensure that a CSR system is established, implemented and maintained in accordance with Unisem CSR Policy, the EICC Code of Conduct, and other international standards and guidelines.

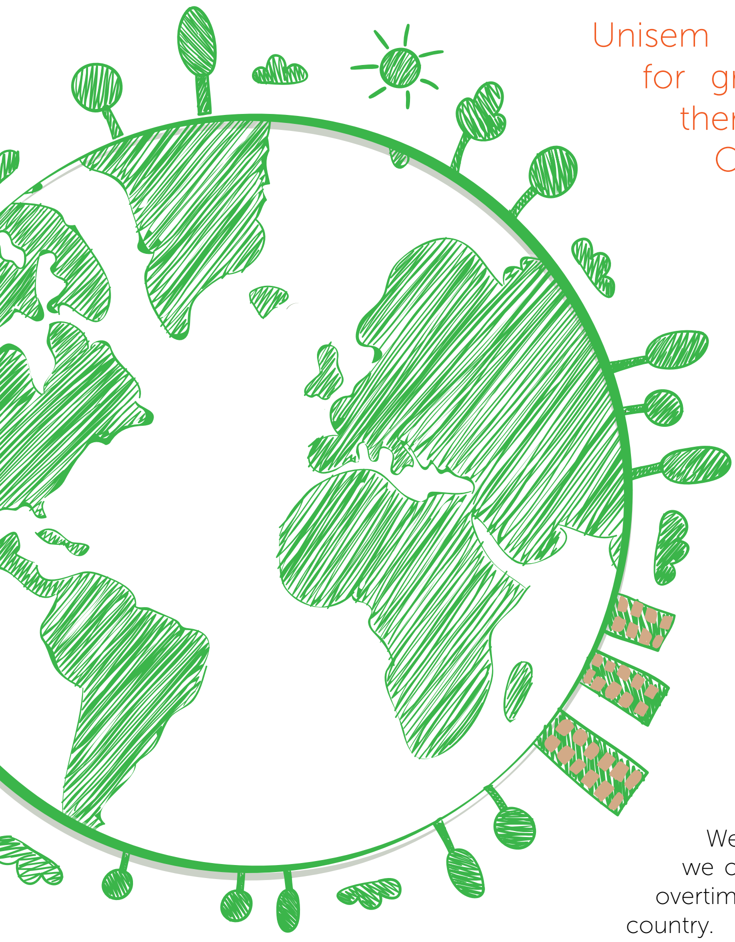
Unisem assesses its facilities through EICC-On Self-Assessment Questionnaire (SAQ) every year to identify social, environmental, safety and ethical risks and implement improvement plans or to update responses. In addition, the CSR working committees assess the Group's facilities on risks relating to labour issues, human rights issues and corruption issues. After the assessments are completed, any required corrective action plans are put in place.

Unisem CSR working committees' representatives also participated in public workshops and forums. In April 2016, the representatives attended the EICC co-convened a one-day, multi-industry forum on Combating Forced Labour in Kuala Lumpur to examine the risks and challenges facing businesses regarding forced labour, and consider how those risks might be effectively mitigated in global supply chains. Through a series of practical and relevant case studies presented by leading companies across multiple industries, this event gave participants clear insights into the extent and nature of modern day slavery, tactics and challenges in identification, and some of the innovative solutions that aim to eliminate it.

In August 2016, EICC carried out a Validated Audit Process (VAP) through a third party auditor on the Company. The findings were communicated to the respective departments and corrective action plans are put in place.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

I. Workplace



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

Employment Practice

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

Our commitment to human rights is embedded in the Unisem Code of Ethics. It addresses diversity and nondiscrimination, workplace safety, child labor, forced labor and human trafficking, working hours and minimum wages, freedom of association and collective bargaining, and data privacy.

We comply with the minimum wage guidelines of the home country we operate in and do not condone with excessive working hours. The overtime hours are within the guidelines and labour laws of the home country.

We are committed to providing employment and career development opportunities to local communities where we operate. In 2016, we remained one of the largest private sector employers in Ipoh, Perak, Malaysia. To source for local workforce, the Company set up recruitment booths at various local recruitment centers throughout the year.

As and when necessary, the Company also hires foreign workers to meet its operation requirements. All foreign workers are not required to pay fees and levy related to their employment, other than expenses for lodging and direct transportation from workers' home to the job placement center in original country. All foreign workers are educated and provided with information on the minimum mandatory fees allowable as per EICC requirement.

To ensure the employment is freely chosen, the Company does not withhold workers' original government issued identification, travel documents or education certificates. All workers are given employment letters which clearly convey the conditions of employment in language understood by the workers. There are no unreasonable movement restrictions within the workplace, hostel or upon entering or exiting company provided facilities.

Employee Statistics

As at 31 December 2016 the Company has 72.0% of female employees and 28.0% of male employees. 39.3% of our employees are foreigners and 39.3% are contract workers. Turnover rate of full time employees decreased by 0.7% from a year ago.

	Total employees as at 31 Dec	% of female employees	% of male employees	% of foreign employees	Turnover rate of full time employees	% of contract/ temporary workers
2012	3,638	70.6%	29.4%	34.1%	30.2%	34.1%
2013	3,278	70.1%	29.9%	34.7%	23.3%	34.7%
2014	3,313	69.4%	30.6%	35.6%	21.9%	35.7%
2015	3,468	70.8%	29.2%	35.9%	19.4%	36.1%
2016	3,723	72.0%	28.0%	39.3%	18.7%	39.3%

Currently the Company employs 4 employees with disabilities.

We aim to achieve balanced representation of men and women at all levels of the Company. Women now make up 43.4% of executives within our operating companies and 12.1% of management.

Employee Development

We invest in training our employees to build skills necessary to complete their work safely, ethically and efficiently. All new employees go through the New Employee Program to familiarize themselves with all aspects of the company, including operations, strategies and expectations. This program also includes quality, environmental, health and safety awareness as well as our expectations for ethical conduct.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

The Company runs a comprehensive continual training program for all its employees who are given on average about 30 hours of training per employee in 2016. This training takes the form of on-the-job training and a series of development programs. Manufacturing operators are formally certified in-house and must be re-certified every 6 months. Other training such as firefighting, first aid, evacuation drill, and code of ethic are also provided to all employees.

Unisem Chengdu's employees were given 39 hours per person of training in 2016. The training courses included orientation, job function, environmental health & safety, quality assurance, and other soft-skills programmes. Other training programmes included the following:

- External Quality Control 5 tools training were delivered to 58 employees.
- Due to ISO9001 & ISO14001 version update, 51 people received or refreshed their certification on Internal Auditor.
- To equip new executives or engineers with basic fundamentals of the business and departments in Unisem Chengdu, business process project was provided for the employees. 5 new engineers took part in the project in 2016.
- Manager training program was started in 2016, various courses were provided covering team management, self-management and business management.
- All engineers and technicians attended '5 Why Analysis Methodology' training which aim to improve employees' problem solving skills.
- English writing training was conducted in Unisem Chengdu to help employees on improving their English writing skills. 45 executives benefited from the training.
- 1 project went through Maker Project Application procedure and got paid by Chengdu High Tech Zone Enterprises' Training Union.

In 2016, about 90% of PT Unisem total employees (1,513 employees) attended the minimum 8-hour training in a year. They are from management level down to operators. We provided various training programmes that covered many subjects required by their job such as safety and health, quality training, failure mode and effect analysis, advanced product quality planning, production part approval process, problem solving method, lean manufacturing, supervisory, kaizen, poka yoke, etc. We also conducted in-house training, internal training and external training to fulfill the training needs of our employees in PT Unisem.

As part of our on-going effort to develop our employee, we have started to use e-Learning Management System in 2013. This system allows employees to access training material online, sit for tests and attend refresher training.

Employee Recognition

In Unisem, there are many avenues and channels available to cater to employees' need at different levels within the Company to contribute, to self-actualize, to learn and grow intellectually, to improve their career vertically and laterally and to show case and be recognized for their innovation, creativity and continuous improvement in achieving Operational Excellence! It is Unisem's way of valuing employees as our greatest asset.

Under the Kaizen reward scheme, Poka-Yoke Contest, Technical Excellence Competition In-house Suggestion-Implementation System in PT Unisem, the employees are rewarded for their participation in contributing ideas and implementing continuous improvement on quality, safety, delivery, employee development, cost and waste reduction and etc. within their areas of work. These activities provide ample opportunities for employees to demonstrate their creativity, innovativeness and talent besides benefitting the Company's competitive position. The Company also rewards operators who performed well with Best Performers Award every half-yearly with the objective to develop a workforce that is sensitive to quality. Certificates of recognition and cash vouchers are awarded to employees.

The Annual Appreciation Award is another platform to reward and recognize employee spirit of volunteerism and participation beyond their normal role and duty via the various committees in the Company. These various committees set up are empowered and given authority to act and make decisions within their scope. The Annual Appreciation Award acknowledges and appreciates employees who volunteered in Canteen Committee, ESD Auditors, Internal Environmental Management System Auditors, Internal Quality System Auditors, Safety Committee, Kaizen Evaluation Committee, Sport Club Committee, CSR Working Committee and etc.

We celebrate and award our employees who attain their career milestone every five years with the Long Service Award. In March 2016, the Company rewarded a total of 678 employees who have completed 5, 10, 15 and 20 years of service with the Company.

In January 2016, Unisem Chengdu rewarded a total of 195 employees who have completed 5 and 10 years of service with Unisem Chengdu.

Employee Benefits and Welfare

The Company complies with the local statutory requirements on the wages and benefits such as minimum wages order, employees' provident fund, employees' social security, leaves provision and etc. Employees are also provided with personal accident insurance coverage, child delivery subsidy, birthday gift and medical benefits for outpatient, specialist and hospitalization treatment. The Company's premises are also well equipped with facilities for employees' convenience such as in-house clinic with full-time industrial nurses, surau facility, 24-hour canteen, mini sundry shop operated by Koperasi Pekerja-Pekerja Unisem (M) Berhad, gated parking space, library and hostel for operators who live outside of Ipoh.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

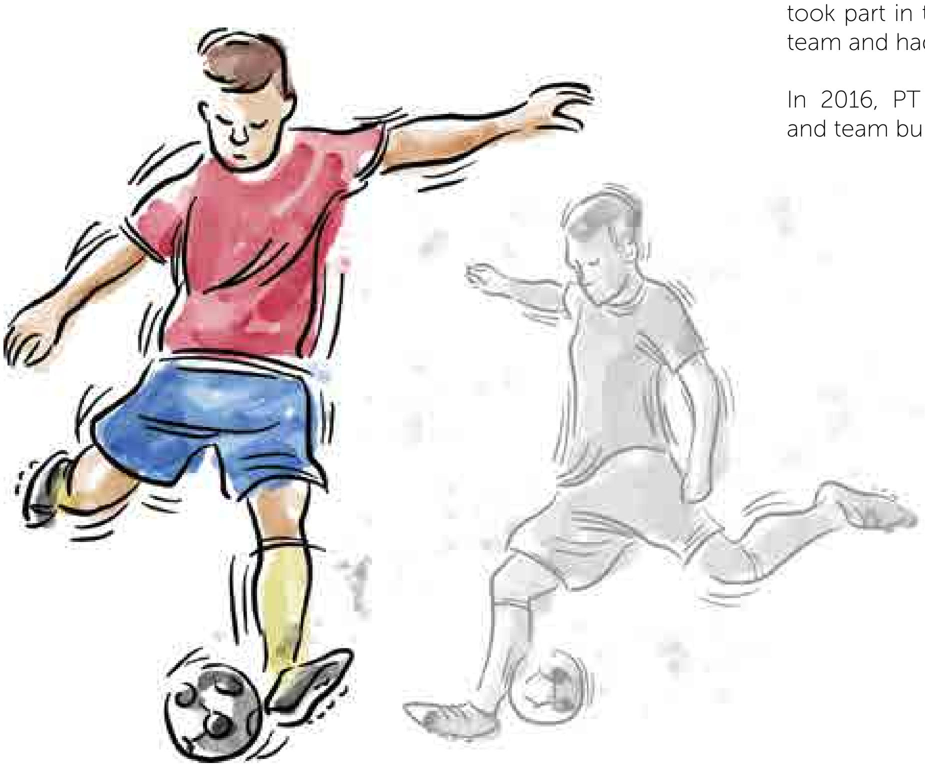
To take care of employees with special needs, the Company also provides dedicated parking for employees who are pregnant or with disabilities. Besides, breast feeding mothers are provided with dedicated lactation room to help new mothers better care for their children.

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

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

Sports and Recreation Club

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



The Sports & Recreation Club of the Company (the "Club") organized a total of 14 events in 2016 and with an increased number of overall participation of employees from previous year. These activities include Archery Competition, Bowling Tournaments, Carrom Competition, Star Walk, Badminton Competition, Mind Game Challenge, Karaoke Competition, Monthly Football League, Flower Decoration, Fishing Competition, Basketball Tournament, Futsal and Majlis Yassin dan Doa Selamat.

In 2016, the Human Resource Department of Unisem Chengdu organized various activities, such as:

- Annual Dinner where all the entertainment programmes were performed by the employees.
- Participated in the recreational sports meets organized by Chengdu Hi-Tech Zone.

In 2016, the Basketball, Football, Badminton Associations of Unisem Chengdu organized a total of 101 events and employees from various departments participated in the games or competitions.

In 2016, Unisem Chengdu Labor Union organized skipping competition, 56 teams from all departments took part in the game. All participants cooperated as a team and had a lot of fun.

In 2016, PT Unisem organized employees gathering and team building outings.

Health & Safety

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

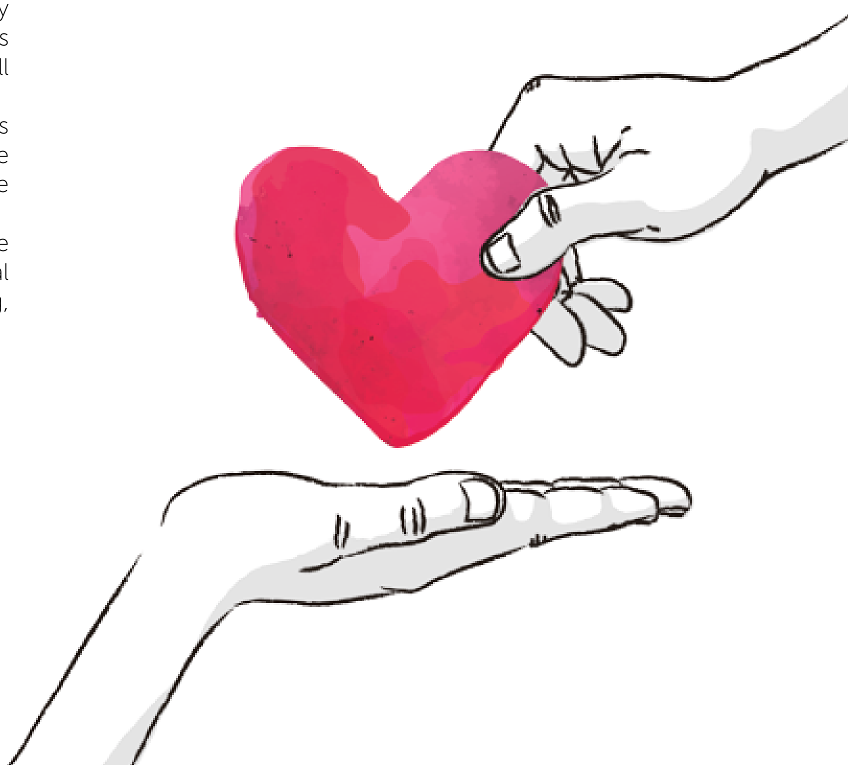
We conduct our work and maintain our workplace in a manner consistent with the principles and guidelines in the Safety and Health Policy. It is our policy to:

- Promote a conducive environment for persons at work, which is adapted to their physiological and psychological needs.
- Promote continual improvement on the standards of the safety and health.
- Conform to statutory requirement, codes, guidelines and standard for occupational health and safety and liaise with all responsible authorities concerning future development.
- Inform, instruct and train all employees to help them develop an understanding of the workplace, its hazards, and the need to work within established practices.
- Consult with employees on health and 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.

The Safety and Health Committee of the Company consists of employer and employee representatives in the following areas: Chemical & Personal Protective Equipment Management, Hazard Identification, Risk Assessment & Risk Control (HIRARC), Training, Emergency Response, Test Report, Accident Investigation, Machinery and Work Instruction, Work Place Audit, Complaint Investigation and Radiation Protection. It is headed by the senior manager of Facility Department and directly under the responsibility of the plant COO.

In 2016, the Company conducted the following Safety and Health training for 437 employees (about 12% of total employees of the Company):

- Noise Exposure Training (29 participants)
- Fire Safety Training (34 participants)
- First Aid Training (88 participants)
- Gas Leakage Training (17 participants)
- Safety Auditing Training (16 participants)
- Chemical Spillage Training (40 participants)
- Ergonomic Hazards Training (82 participants)
- Fire Warden Training (112 participants)
- Forklift Training (19 participants)



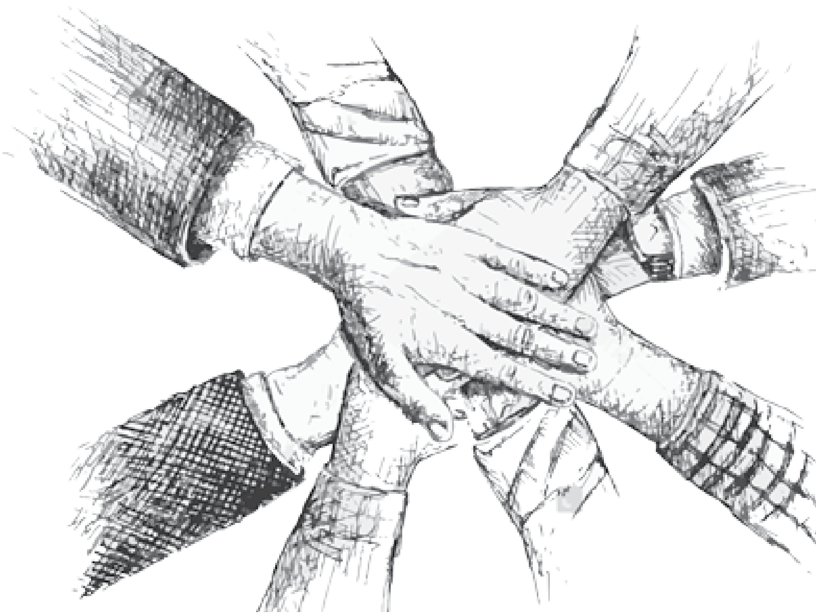
CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

The Company has an in-house 24 hours Clinic with full-time industrial nurses and Panel of Doctors visitation to provide medical consultation and treatment for its employees. Various talks on safety and health issue and health screening for employees and their family members are also conducted during 2016. Below are the highlights:

- Blood Donation Campaign (320 participants)
- Exhibition on Breast Cancer and Dengue (51 participants)
- Antenatal Talk on Nutrition In Pregnancy & Its Myths (71 participants)
- First Aid Training (150 participants)
- Hearing Test (47 participants)
- Healthy Life Style Campaign (249 participants)
- Blood Screening Test (176 participants)
- Health Talk on Cardio Vascular Disease and Cancer (40 participants)
- Eye Care Programme (174 participants)
- Free Eye Fundus Screening (268 participants)
- Health Week Promotion Health products (349 participants)
- Health Talk on Breast Cancer and Cervix Cancer (90 participants)
- Health Talk on Ergonomic (82 participants)
- Pap Smear Campaign (81 participants)
- Bone Density Test (273 participants)
- Health Talk on Stress and Depression (125 participants)
- Health Talk on Osteoarthritis (127 participants)
- Exhibition on Virus Disease (85 participants)
- Talk by SOCSO officer (100 participants)

In 2016, Unisem Chengdu organized the following activities on health and safety:

- Provided annual physical examination, total 318 employees took part in the physical examination.
- Provide occupational physical examination, total of 253 employees took part in the occupational physical examination.
- Conducted 29 training sessions on health and safety whereby 575 employees (about 30% of total workers in Unisem Chengdu) from various departments participated in courses such as Chemical safety precaution, X-ray safety, and Electrical safety precaution, Fire Prevention, Forklift, etc.
- Conducted fire and chemical leakage emergency evacuation drill.
- Held various Environment Health Safety inspections such as comprehensive safety examination before the spring festival, electrical safety inspection, chemical safety inspection, flood prevention safety inspection, dormitory safety inspection for first half year gas, X-ray and chemical safety inspection, comprehensive safety examination before the national day, machine and equipment safety inspection, dormitory safety inspection for second half year and fire and explosion safety inspection.



Based on the Occupational Accident and Occupational Poisoning / Disease Register of the Company, in 2016

- there were zero work related fatalities,
- there were 14 work related injuries,
- the rate of work related injuries was 3.83, and
- the accident frequency rate was 1.5.

Freedom of Association and Collective Bargaining

Unisem respects the rights of workers to associate freely, to join or not to join labour unions, to seek representation and to join workers' council in accordance with Trade Union Act.

The Company has an in-house union - Kesatuan Pekerja-pekerja Unisem (KPU), established in 2011 and its current membership is about 900 members. The KPU membership is open to all who are eligible in accordance with local laws and is on voluntary basis. In July 2014, the Company signed the 2nd collective agreement with KPU.

There are three national unions namely, Serikat Pekerja Seluruh Indonesia (SPSI), Serikat Pekerja Metal Indonesia (SPMI), Serikat Pekerja Setia Kawan (SPSK) that are active at PT Unisem. Employees of PT Unisem have the rights and freedom to join any of the three national unions. Currently about 72% of PT Unisem employees joined the union. SPSI has 618 members, SPSK has 233 members and SPMI has 218 members. Management does not prohibit the existence of unions. We encourage the participation of union in employees' activities such as sport and safety and health campaign. Management and unions are able to establish a harmonious communication through regular meetings.

To enhance the communication between unions and employees, PT Unisem joined the Lembaga Kerja Sama Bipartite (Bipartite Joint Committee). This is a communication channel between employees/unions and management. In the bipartite joint committee discussion, we update the union/employees on our business progress and have the opportunities to get employee feedback and suggestion. During the year, management and union representatives had various discussions to renew the PT Unisem Collective Labor Agreement that will be expiring in September 2016.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Business Integrity and Anti-Corruption

Unisem is committed to the highest standards of integrity to be upheld in all business interactions. We adopt a zero tolerance policy to prohibit any and all forms of bribery, corruption, extortion and embezzlement (covering promising, offering, giving or accepting any bribes). We conduct all of our business in an honest and ethical manner and are committed to acting professionally, fairly and with integrity in all our relationships and business dealings wherever we operate and to implementing and enforcing effective system to counter bribery.

We believe that all business dealings should be transparently performed and accurately reflected in accordance with the Group's Unisem Code of Ethics Policy. We uphold all laws relevant to countering bribery and corruption. We remain bound by the laws of Malaysia, including Anti-Corruption Act 1997, in respect of our conduct both at home and abroad.

We live up to these ideals through comprehensive ethics and compliance programs built on ongoing educational communications, mandatory training requirements, and readily accessible tools through which all related parties are encouraged to raise questions, report concerns and get information about ethics, policies, procedures and applicable laws.

Our Anti-Corruption and Bribery Policy is available on our website (http://www.unisemgroup.com/pdf/corgov_statement/Anti-corruption_WebsiteVersion.pdf).

In 2016, no staff have been disciplined or dismissed due to non-compliance with our Anti-Corruption and Bribery Policy. Hence, no fines, penalties or settlements were imposed or made during the year.

Whistleblower Protection and Anonymous Complaints

The Group has communicated and set up procedures and anonymous complaint mechanisms such as help line for employees, suppliers and customers to report inappropriate ethical behaviours and workplace grievances. In addition, there shall be no retaliation to all whistle blowers' in good faith and their identity shall not be disclosed to maintain confidentiality. Unisem's Ethics Hotline Number is (+) 6012-5334890 (International) or email: ethicsqueries@unisemgroup.com

In 2016, the Company received 2 workplace grievances complaints from the employees (2015: 2 cases of workplace grievances and 1 case of whistleblowing complaint). These cases were investigated and all cases were closed per procedure and no cases of retaliation reported. There were no whistleblowing complaints reported by our suppliers or customers.

Industrial Involvement and Recognition

The Company was honored at the Pangkor Dialogue Awards Ceremony 2016 with the Excellence in Semiconductor Technology Award. The award was presented by Institut Darul Ridzuan. The inaugural Pangkor Dialogue 2016 was organized by the Perak State Government with their strategic partner Northern Corridor Implementation Authority (NCIA). The award acknowledges Unisem's achievements in growing its commercial business while at the same time contributing towards the development of the community surrounding its factory in Ipoh, Malaysia.

The Company is also a member of Federation of Malaysian Manufacturers (FMM). The FMM is Malaysia's premier economic organization, representing over 2800 manufacturing and industrial service companies. The HR Manager of the Company is also FMM Perak Human Resource Sub-Committee member and one of the Co-Chairmen of Industrial Park Management Committees.

II. Environment

In line with our corporate vision to be the leading Malaysian company providing total semiconductor packaging and test services globally and be recognized as a model corporation, it is our management's policy to show exemplary environmental responsibilities by conducting our businesses in a manner consistent with sound environmental practices.

Many of our customers are prioritizing sustainability, seeking to reduce their impact on the environment and to communicate with consumers and stakeholders on these issues. Implementing our own environmental strategy enhances our credibility with customers and enables us to meet the environmental requirements included in a growing number of customer procurement processes.

Our commitment to environmental sustainability is embodied in the Unisem Code of Ethics, Environmental Policy and Health & Safety Policy, which are available on our website [http://www.unisemgroup.com/operations/ehs.html].

Our environmental strategy is set at Group level and implemented by our Environmental Working Committee (EWC) consists of chemical control, legal requirement measurement & monitoring, training, emergency response and waste management and aspect and impact evaluation team.

Progress is regularly reviewed by our Group COO, who is responsible for Unisem's sustainability initiatives, and reports to the Board.

All of Unisem sites are ISO 14001 certified. Annual environmental audits covering, among other things, noise levels, levels of employees' exposure to hazardous substances, air emissions, wastewater discharge quality and radiation are conducted.

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 program and an environmental management system (EMS) that enables Unisem to reduce its environmental impacts and increase its operating efficiency. Emphasis is placed on monitoring on the emission of pollutants, waste and chemical management, energy saving and conservation of water use, reuse and recycling of natural resources.

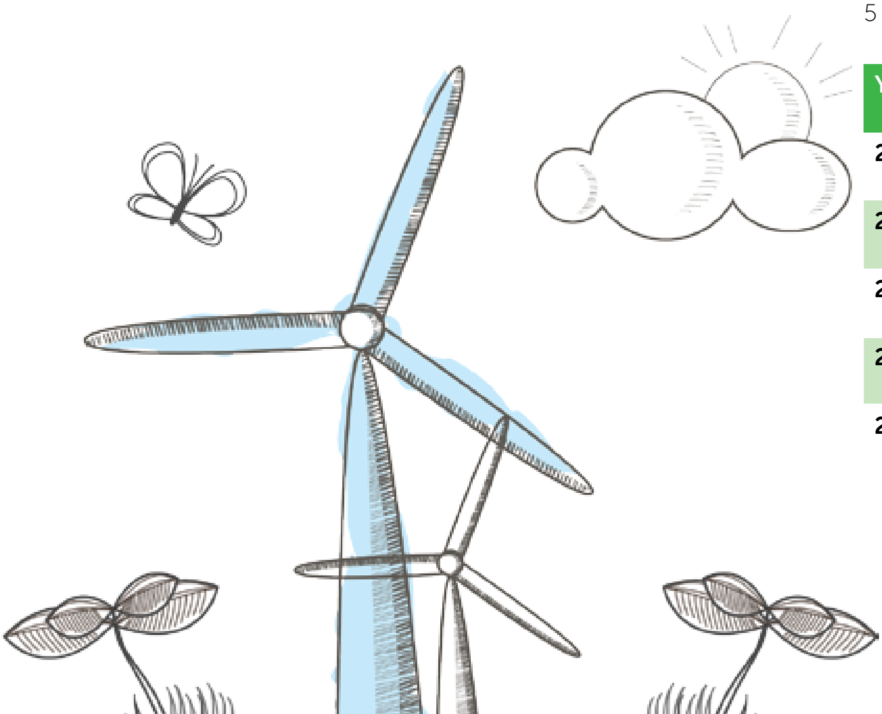
CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

On 20 December 2016, PT Unisem was honored by the Ministry of Industry of the Republic of Indonesia with the Green Industry awards 2016 for achieving Level 4 of the criteria under green industrial principles in its production processes.

Environmental Supply Chain

We are committed and collaborate with our suppliers on environmental management issues such as climate change, energy use, water use, biodiversity impacts, pollution, waste, resource use and integrate sustainable procurement best practices across our operations. These environmental issues are addressed in the EICC Code of Conduct and Unisem's Code of Ethics, which are to be complied by all direct material suppliers and service providers. We held regular briefings and training with our suppliers to familiarize them on the EICC Code of Conduct and Unisem's Code of Ethics.

In an effort to integrate our suppliers with our EMS, we perform audit on our major suppliers using the EICC Self-Assessment Questionnaires to determine a supplier's high-risk areas and potential gaps to the EICC Code of Conduct including environmental issues. In 2016, 8 audits were performed on 6 of our major suppliers. The findings are communicated to the suppliers and corrective action plans are put in place. Annual review on EICC updates are held with our major suppliers.



Climate Change and Energy Efficiency

We recognize that climate change is a significant issue and is already beginning to alter the lands and waters we depend upon for survival.

Our most significant greenhouse gas (GHG) emissions come from energy use in our plants/facilities and business travel.

Our initiatives in mitigating GHG emissions focus on:

- Plant energy use: Improving the energy efficiency of our facilities with implementation of retro-commissioning of HVAC (Heating, Ventilation, and Air Conditioning) systems, controls upgrades, heat recovery, installation of LED lighting, and re-engineering of production equipment facility support services (Air Compressor and Vacuum system).

- Air travel: Reducing non-essential flights by promoting videoconferencing and eliminate the associated carbon emissions from our business air travel.

Our operational GHG emission is independently verified by a third party EICC Validated Audit Process (VAP) auditor.

The Company's electricity consumption for the past 5 years is set out below:

Year	Electricity Consumption	GHG emission
2012	97.2 million kwh	63.7 million kgCO2e
2013	90.6 million kwh	59.4 million kgCO2e
2014	96.6 million kwh	63.3 million kgCO2e
2015	101.1 million kwh	66.3 million kgCO2e
2016	98.5 million kwh	64.5 million kgCO2e

Water Use

The largest portion of our water use is from our wafer fabrication and packaging facilities. Water is used to create the ultra-pure water (UPW) used to clean silicon wafers during fabrication.

We have been able to reduce the amount of water required to create UPW an after we use UPW to clean wafers, the water is suitable for industrial purposes, irrigation, and many other needs. Our facilities are equipped with complex rinse water collection systems, with separate drains for collecting lightly contaminated wastewater for reuse. With this reuse strategy, we harvest as much water from our manufacturing processes as possible.

The Company's water consumption and percentage of water recycled in the past 5 years is set out below:

Year	Water Consumption	% of water recycled for use in own operations
2012	1.8 million m^3	3
2013	1.7 million m^3	3
2014	1.6 million m^3	3
2015	1.6 million m^3	3
2016	1.8 million m^3	3

Other Emission and Waste

The Company is also subject to regular review by the Department of Environment of its wastewater discharge and air emissions.

We use wet scrubbers to neutralize and absorb gases and vapors. Wet scrubbers recirculate water that contains a neutralizing agent to remove acidic gases and other contaminants.

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.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

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

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

- Energy savings programme to reduce electricity usage.
- Water recycling programme to reduce water usage by recycling the water used by production.
- Shipping tubes recycling programme to reduce usage of new shipping tubes.
- Paper recycling programme to reduce the amount of papers used.

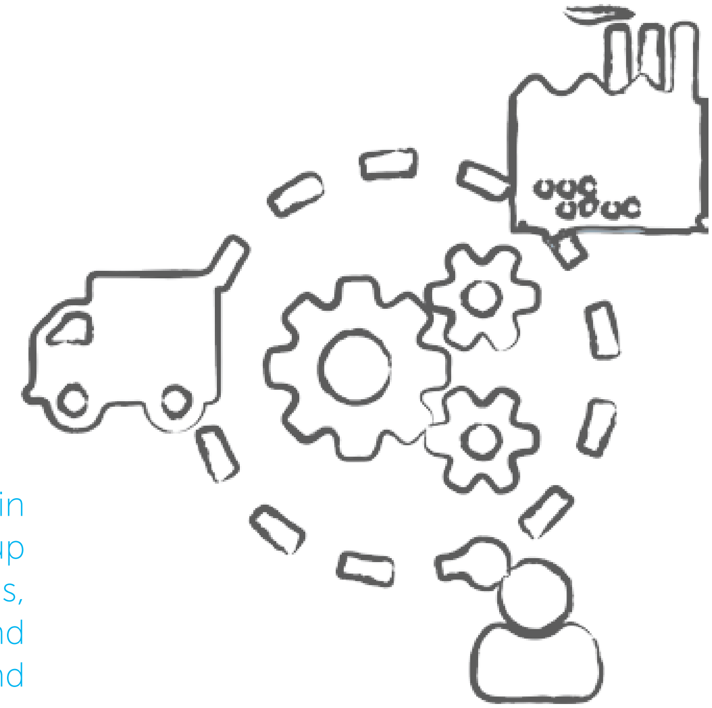
Product Ecology

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.

Goal and Performance

2016 Goal	Our Performance in 2016
Perform 8 CSR audits on 6 suppliers	Completed 8 audits
Zero chemical usage in pre-cooler main AHU 3A-5 cleaning process	Target met. By installing Steril-Aire UVC system for pre-cooler main AHU 3A-5, no annual chemical cleaning is required for cooling coil.
• Reduce yearly energy consumption of chiller ID#3-2 by 3%; • maintain the condenser approach temperature at below 2°C; • maintain chiller operating energy demand at below 0.65kW/RT (Design: 0.59kW/RT)	Target met by installing the hydroball auto condenser tube cleaning system.

Longer Term Goal	Our Performance in 2016
Reduce direct GHG emissions by 10% on a per unit basis by 2020 from 2011 levels.	26% reduction on GHG emission per unit basis
Reduce water use by 10% on a per unit by 2020 from 2011 levels.	22% reduction for water usage per unit basis
Reduce hazardous waste generation by 10% on a per unit basis by 2020 from 2011 levels.	46% reduction of hazardous waste generated per unit basis.



III. Supply Chain Management

We have more than 150 suppliers in over 15 countries supplying the Group direct materials, tools and machines, logistics and packaging services, and non-production office materials and travel services.

We believe that integrating corporate responsibility factors into our supply chain management systems creates business value for Unisem and our customers.

Unisem is committed to being a sustainable business and working in partnership with our suppliers to realize the full value of our relationship and to positively contribute to our communities, people and the environment.

It is our policy to :

a) Proactively engage with our suppliers with a focus on building trust, co-operative and long-term relationships.
b) Apply good governance to provide oversight and means through which the objectives of the process are monitored, audited and integrity is maintained.
c) Define and apply appropriate sourcing methods in our procurement of goods and services, ensuring all capable suppliers have an equal access to opportunities to work with us.
d) Deal with suppliers in good faith, ethically and responsibly, and make payments in accordance with agreed terms.
e) When all other vetting requirements remain equal, give preference to suppliers that demonstrate a commitment to sustainably manage their business performance, with values complementary to our own.
f) Set clear expectation for our suppliers regarding their sustainability performance and embed its minimum requirements within supplier contracts.
g) Employ appropriate methods for assessing the performance of our key strategic suppliers and those engaged in higher risk activities and monitoring their progress over time.
h) Encourage our key suppliers to make available high value, environmentally and socially responsible products and services as well as to improve the sustainability performance of their businesses.
i) Actively engage with key suppliers and provide data and other relevant information to enable innovation and development of products that meet our aspirations.

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

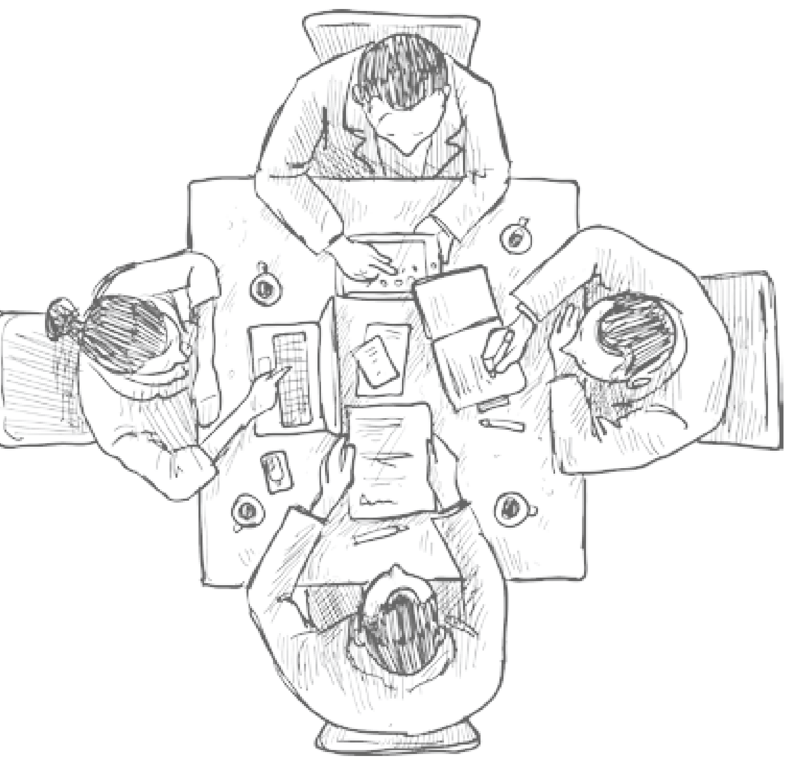
In line with the spirit of continuous improvement, Unisem conducts the EICC Code of Conduct Awareness and Briefing on updates of latest EICC requirements for all key direct materials suppliers. On-site audits on all key direct materials suppliers are carried out and the suppliers are required to complete the Supplier Corporate Social Responsibility Self-Assessment Questionnaire (SCSRSAQ) that help to determine a supplier's high-risk areas and potential gaps to the EICC Code of Conduct. The findings are communicated to the suppliers and corrective action plans are put in place.

All key direct materials suppliers and service providers are required to comply with the EICC Code of Conduct. To ensure commitment, Unisem requires all suppliers to sign a Letter of Conformance pledging their compliance to the Unisem Code of Ethics as well as the EICC Code of Conduct, which address issues including prevention of child labour/forced labour; non-discrimination or equal opportunities; right to freedom of association, collective bargaining and minimum or living wage; elimination of excessive working hours, health and safety standards. In 2016, 8 audits were performed on 6 of our major suppliers.

New Suppliers

Wherever practical Unisem will source new products from existing approved suppliers. Where this is not possible there is a need to locate and approve a new supplier.

After Materials/Purchasing Department establish that the supplier can produce the required products, the first step in the approval process is to send the potential new supplier a Pre-Qualification Form for completion and return. For direct materials, the Quality Assurance, Technology Development and Engineering Departments will be involved in the part qualification in addition to a supplier site qualification audit and a completed Supplier Corporate Social Responsibility Self Assessment Questionnaire.



All new suppliers are either 'Approved to Supply' or 'Approved pending the completion of certain criteria' detailed in a corrective action/improvement plan based on the audit findings.

Conflict-Free Products

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

IV. Community

Internship

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

In 2016, the Company has taken in a total of 166 students from various local polytechnics and universities in Malaysia as trainees, of which 122 are pursuing Engineering Studies and 44 are from Non-Engineering. In 2016, 35 students from Pusat Latihan Teknologi Tinggi (ADTEC) Taiping visited the Company to have a better understanding on semiconductor packaging and test processes.

In September 2016, PT Unisem accepted 6 teachers from Vocational School of Batam on an internship program.

In December 2016, PT Unisem was involved in a One-Day Seminar organized by Batam Polytechnic on establishing an industrial campus within the industrial park Muka Kuning Batam.

In 2016, PT Unisem accepted 140 students from 27 vocational schools, polytechnics and universities located in Batam, Riau island province, as well as from Java and Sumatera. These students came from various disciplines such as Mechanical Engineering, Electronic, Electrical, Information Technologies and Administration. The program was for a period of 3 to 6 months, where students were assigned to handle some activities under mentor's supervision. During internship, the students were also monitored by their teachers, and we have the opportunities to give feedback and input to the schools for improvement of learning programme at their institutions. Besides accepting internship students, we also provided the opportunities for the schools to conduct industrial visits to our factory. Under this programme, the students and teachers visited our factory and they will get the briefing about semiconductor manufacturing.

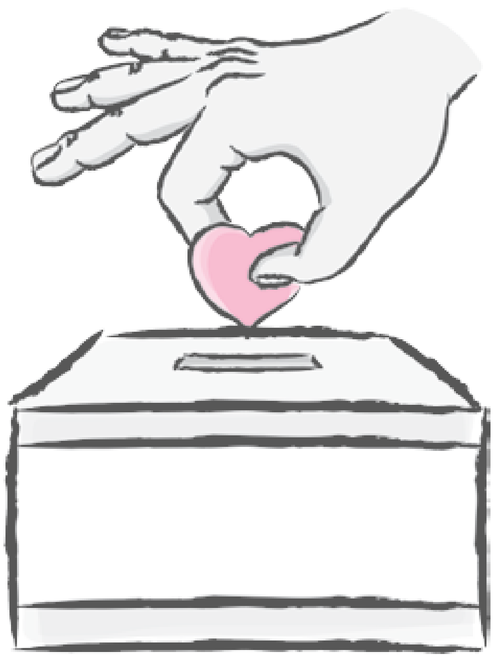
Direct Employee Involvement

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

CORPORATE SOCIAL RESPONSIBILITY REPORT (cont'd)

Our Sports & Recreation Club with the collaboration with various employees' sub-committees and the local NGOs also organized & participated on various Corporate and Social Responsibility activities, such as:

- Thaipusam Charity (Kuil Arulmiga Sri Siva Subramanian, Kg Kepayang)
- Chinese New Year Celebration and donation at Yayasan Latihan Insan Istimewa Ipoh Perak
- Fund Raising for NASOM Ipoh by UTAR Student
- Hari Raya celebration by Indonesian worker and donation to Welfare Home Ar Ridwani
- Hari Raya celebration and donation to Pertubuhan Baitul Mubaroqah (Orphanage Home)
- Deepavali celebration and donation to Precious Gift Home and Good Shepherd Family Home (Orphanage Home)
- Christmas celebration and donation to Rumah Kebajikan Vision Home
- Indonesia Independent Day celebration at Hostel Unisem
- NASAM Food Fair
- Voluntary help and donation to Ipoh SPCA
- Contribution to Masjid Kampung Simpang Pulai
- Majlis Bacaan Yasin & Doa Selamat



In 2016, PT Unisem launched a safe riding campaign to instill employees discipline when driving and riding on the road, we work with police to campaign safe riding.

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 September 2016, the Company organized blood donation campaign at its premises. A total of 320 employees participated in the campaign. The objective of this campaign is to impart a sense of responsibility among employees by saving life through blood donation.

In 2016, the Company made donation of RM31,500 including cash, daily necessities and sponsorship to the following organizations:

- Perak Association for Intellectually Disabled (PAFID)
- Yayasan Latihan Insan Istimewa Ipoh Perak
- Pertubuhan Kebajikan Kanak-kanak Cacat Ipoh
- National Autism Society of Malaysia Ipoh (Fund Raising by students from UTAR)
- Pertubuhan Baitul Mubaroqah
- Ipoh Society for Prevention of Cruelty to Animals (ISPCA)
- Persatuan Kebajikan Good Shepherd
- Malaysia Association for the Blind
- Precious Gift Home
- Good Shepherd Family Home
- Montfort Boys Town
- Orang Asli Perak through JTK Perak
- Thaipusam Charity (Kuil Arulmiga Sri Siva Subramanian, Kg Kepayang)
- Yuk Choy High School
- Sekolah Menengah Kebangsaan Simpang Pulai
- UTAR International Conference
- SJK (C) Sam Tet
- Kesatuan Pekerja Bomba and Penyelamat Semenanjung Malaysia
- Family of employees who passed away

PROFILE OF DIRECTORS

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

Mr John Chia Sin Tet, aged 67, was appointed Chairman of the Company on 13 June 1991, Managing Director on 11 March 1998 and the Group Managing Director on 1 November 2007. He is also the Chairman of the Executive Management Committee 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.

Mr John Chia Sin Tet is the father of Mr Alexander Chia Jhet-Wern.

LEE HOONG LEONG
Executive Director,
Malaysian, Male

Mr Lee Hoong Leong, aged 59, is the Executive Director - Group Chief Operating Officer of the Company. He was appointed to the Board of the Company on 9 August 2012 as an Executive Director. He graduated from University of Singapore in 1980 with a Bachelor of Mechanical Engineering. He is also a member of the Executive Management Committee.

Mr Lee brings with him more than 30 years of experience in the semiconductor packaging and test business. Prior to joining Unisem, Mr Lee was with UTAC from 2001 to end of 2011, where he held various senior positions including, President - Advanced Wafer Level Interconnects, President - UTAC Singapore and President - UTAC Shanghai, concurrently, Vice President of UTAC Operations and Vice President - Quality and Research & Development. From 1996 to 2001, Mr. Lee held management positions in quality, information technology, planning and facility in STATS Singapore before he was promoted as Vice President, Leadframe Products.

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

FRANCIS CHIA MONG TET
Executive Director,
Malaysian, Male

Mr Francis Chia Mong Tet, aged 65, is the Executive Director - Group Finance of the Company. He was appointed to the Board of the Company on 19 June 1989 as a Non-Executive Director and subsequently appointed as Executive Director on 1 February 2006. He is one of the founder members of Unisem (M) Berhad. He is also a member of the Executive Management Committee.

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

PROFILE
OF DIRECTORS (cont'd)

ALEXANDER CHIA JHET-WERN
Executive Director,
Malaysian, Male

Mr Alexander Chia Jhet-Wern, aged 36, was appointed to the Board of the Company as Executive Director on 26 February 2014. He is a member of the Executive Management Committee.

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

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

MARTIN GILES MANEN
Independent Director,
Malaysian, Male

Mr Martin Giles Manen, aged 62, 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 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 Heineken Malaysia Berhad (formerly known as Guinness Anchor Berhad) since August 2008. He is also a Director of Hong Leong Investment Bank Berhad since 2009. He also sits on the board of several private limited companies.

DATO' GREGORY WONG GUANG SENG
Independent Director,
Malaysian, Male

Y.Bhg. Dato' Gregory Wong Guang Seng, aged 65, was appointed to the Board of the Company on 26 February 2014 as an Independent Director. Y.Bhg. Dato' Gregory Wong is a Fellow of the Institute of Chartered Accountants (England & Wales) as well as a Chartered Management Accountant (UK). He is also a member of Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA) and an Associate Member of Tax Institute Malaysia (ATII). Y.Bhg. Dato' Gregory Wong holds a Masters Degree in Business Administration (MBA) from the Cranfield Institute of Technology (UK). He is also a member of Audit Committee, Nomination Committee and Chairman of the Sustainability Committee.

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

Y.Bhg. Dato' Gregory Wong is currently an Independent and Non-Executive Director and Chairman of the Audit Committee of Oldtown Berhad since April 2014. He also sits on the board of several private limited companies.

ANG CHYE HOCK
Independent Director,
Singaporean, Male

Mr Ang Chye Hock, aged 67, was appointed to the Board of the Company on 28 November 2002. He graduated from Salford University, England in 1972 with a Bachelor of Science in Electronics (Honours). Mr Ang was re-designated as Independent Director in January 2016 and is a member of the Audit Committee, Remuneration Committee and Sustainability Committee.

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

He joined Unisem as Chief Operating Officer and President in 2001. He then held the positions of Group Chief Operating Officer from 2008 to 2012, Executive Director - Business Development for 2013. Mr Ang retired from his executive function in December 2013.

PROFILE OF DIRECTORS (cont'd)

TAN SRI DATO' WONG SEE WAH
Non-Executive Director,
Malaysian, Male

Y.Bhg. Tan Sri Dato' Wong See Wah, aged 71, 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. Y.Bhg. Tan Sri Dato' Wong was re-designated as Non-Executive Non-Independent Director in January 2016.

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. He also served as a Director of Ewein Berhad from 2008 to 2015.

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 also sits on the board of several private limited companies.

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

Mr Yen Woon @ Low Sau Chee, aged 69, was appointed to the Board of the Company on 10 July 1991.

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.

LIM SIEW ENG
Independent Director,
Malaysian, Female

Mdm Lim Siew Eng, aged 64, was appointed to the Board of the Company on 29 October 2015 as an Independent Director. She graduated from University of Malaya with a Bachelor of Economics (Honours) degree. She is also a member of the Audit Committee and Remuneration Committee.

Mdm Lim has garnered more than 28 years of working experience in the corporate advisory sector of the financial services industry. She began her career at Malaysian International Merchant Bankers Berhad, (now known as Hong Leong Investment Bank Berhad) where she held various managerial positions and served as Head of Corporate Advisory Department before joining Maybank Investment Bank Berhad in 2004 to head the Corporate Finance Department.

During her tenure with the respective investment banks, she was actively involved in numerous and diverse corporate exercises involving a cross-sector of clients from a broad base of industries. She also served on the respective credit committees and management committees and was a Council member of the Malaysian Investment Banking Association. After her retirement, she was invited to be a member of the Qualitative Assurance Committee which was set up from 2009-2010 to assist in enhancing the overall quality of the Financial Sector Talent Enhancement Programme launched by the Institute of Bankers Malaysia in collaboration with Bank Negara Malaysia.

Mdm Lim currently sits on the board of a private limited company.

MAHANI BINTI AMAT
Independent Director,
Malaysian, Female

Puan Mahani Binti Amat, aged 62, was appointed to the Board of the Company on 26 January 2016 as an Independent Director. She graduated from University of Malaya with a Bachelor of Economics degree in Business Administration. She is also a member of the Nomination Committee and Sustainability Committee.

Puan Mahani has more than 27 years of working experience in the banking industry. She began her career at Bank Negara Malaysia in 1977 where she held various positions in reserves management. She served as Section Head, Export Credit Refinancing Facilities before joining RHB Bank Singapore in 1984 as Head of Asian Currency Unit, Treasury. Between 1993 to 2001 she was the Deputy Branch Manager of RHB Singapore Main Branch and Head of Consumer and Electronic Banking of RHB Bank Singapore. She then returned to RHB Head office in Kuala Lumpur in 2001 and held various senior management positions including Head of Premium Banking, Consumer Division, Head of International Division, Executive Vice President of Operations and Services Division and as a Transitional Management Committee Member from 2003 to 2004, where she assumed the duties of the bank's CEO during a transition period of one year pending appointment of new CEO.

Puan Mahani is currently a director of several private limited companies.

Save as disclosed in Note 17 under Notes to the Financial Statements none of the Directors has any conflict of interest with the Company. Other than traffic offences none of the Directors has been convicted of any offence within the last five years. There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

PROFILE OF SECRETARIES

CHUA HENG FATT
Company Secretary,
Malaysian, Male

Mr Chua Heng Fatt, aged 67, was appointed to the Board of the Company on 19 June 1989.

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

CHIN HOCK YEE
Company Secretary,
Malaysian, Female

Ms Chin Hock Yee, aged 51, was appointed to the Board of the Company on 25 July 2005. She is also the Senior Corporate Affairs Manager of the Company.

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

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

PROFILE OF SENIOR MANAGEMENT

TAN KIM HENG
Senior Vice President, Corporate Technology and Materials,
Malaysian, Male

Mr Tan Kim Heng, aged 64, is the Senior Vice President Corporate Technology and Materials of the Company, a position which he has held since 2011. Mr Tan holds a Bachelor of Engineering Degree (2nd Class Upper) in mechanical engineering from University of Malaya. He is also a member of the Executive Management Committee.

Mr Tan joined Unisem in 2003 as the Vice President of Engineering. In 2005, he was seconded to China to start up Unisem Chengdu factory and served as President/Chief Operating Officer of Unisem Chengdu until 2011.

Mr Tan has over 35 years of experience in the semiconductor assembly and test industry. He began his career at Motorola Malaysia and worked with various Motorola Semiconductor Sector entities in Malaysia, Hong Kong, Korea, Tianjin (the People's Republic of China) and Sendai (Japan) serving as Senior Member of Technical Staff responsible for the engineering and equipment function. Leading the Six Sigma program for Motorola Malaysia, Mr Tan was certified Six Sigma Black Belt and was admitted to the Motorola Corporate Science Advisory Board (SABA) in 1999. Prior to joining Unisem, Mr Tan was a Vice President, Engineering of ST Assembly Test Services Ltd. in Singapore.

THAM ENG HUAK
Vice President, Group Finance,
Malaysian, Male

Mr. Tham Eng Huak, aged 55, is the Vice President, Group Finance, a position he held since 1 October 2013. He holds a Diploma in Accounting and a Diploma in Costing from London Chamber of Commerce and Industry.

He carries with him over 30 years of experience in the semiconductor assembly and test industry. Mr. Tham joined the Company in 1991 and is responsible for the group financial and accounting reporting and activities. Prior to joining the Company, he was with Carsem (M) Sdn. Bhd. for 6 years from 1986 to 1991.

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

Mr Ho Choon Seng, aged 62, is Senior Vice President, Chief Operating Officer of Unisem Ipoh operations, a position which he has held since 2007. Mr Ho holds a Diploma in Mechanical Engineering from the Singapore Polytechnic, a Diploma in Management from the Malaysian Institute of Management and a Master of Business Administration from the University of East Asia, Macau.

He carries with him over 40 years of experience in the semiconductor assembly and test industry. Mr Ho joined the Company in 1992 as an engineering manager and was promoted to Vice President in 2001, responsible for all manufacturing operations of the Company. Prior to joining the Company, he was with Motorola (M) Sdn Bhd as engineering for 15 years from 1976 to 1991 with his last position as engineering manager.

PROFILE OF SENIOR MANAGEMENT (cont'd)

QUEK SUAN HONG
Chief Operating Officer - Unisem Chengdu,
Malaysian, Male

Mr. Quek Suan Hong, aged 67, is the Chief Operating Officer of Unisem Chengdu operations, a position which he has held since 2011. Mr. Quek holds a Diploma in Automotive Engineering in Malaysia and passed the certification from Institute of the Motor Industry (London).

He has over 42 years of experience in the semiconductor assembly and test industry. Mr Quek joined Unisem Chengdu in November 2005 as Senior Operations Manager and was promoted to plant Chief Operation Officer in 2011. Prior to joining Unisem, he was with Motorola (M) Sdn Bhd from 1974 to 2002 where he held various positions from production supervisor to Senior Operations Manager.

MICHAEL H. MCKERREGHAN
President - Unisem Batam,
American, Male

Mr Michael H. McKerreghan, aged 71, is the President of Unisem Batam operations, a position which he held since October 2016. Mr McKerreghan attended Stephen F. Austin State College in 1964 and East Texas State College in 1965.

Mr McKerreghan has more than 50 years experience in the semiconductor industry. He was the Chief Operating Officer and Chief Technology Officer of Advanced Interconnect Technologies Limited group of companies (now known as Unisem (Mauritius) Holdings Limited since August 2007) from 1990 to March 2014. He has been involved in the technology aspect of the business since 1990 when he joined PT Astra Microtronics Technologies ("Astra"), a division of Astra International. Prior to joining Astra, Mr McKerreghan owned and operated a US$ 5.0 million to US$ 10.0 million business named ETC Flextronics, Inc (now known as ASE Test Limited) from 1987 to 1989. Mr McKerreghan held administrative positions with Environmental Processing, Inc. from 1983 to 1986, with Dynetics Corporation from 1980 to 1983 and with Hitachi Semiconductor (America), Inc. from 1978 to 1980. Prior to that, Mr McKerreghan held technical positions with Mostek, Inc. from 1972 to 1978 and with Texas Instruments Incorporated from 1964 to 1972.

CHAI CHAN WAH
General Manager - Unisem Advanced Technologies (UAT),
Malaysian, Male

Mr Chai Chan Wah, aged 53, is the General Manager of UAT, the Group's wafer bumping operations, a position he held since September 2014. Mr Chai holds a Bachelor of Science (Hons) Degree majoring in Physics from National University of Malaysia.

Mr Chai has over 28 years of experience in the semiconductor industry. Prior to the appointment as General Manager of UAT, he was the Vice President - Corporate Technology Development of Unisem (M) Berhad, responsible for new products & processes development of the Unisem group. He led the process engineering team in Unisem prior to heading the development team in 2006. Prior to joining Unisem in 1993, he was the Senior Process Engineer in Carsem (M) Sdn Bhd with 5 years' experience in hermetic and plastic packaging.

Save as disclosed in Note 17 under Notes to the Financial Statements none of the senior management has any conflict of interest with the Company. Other than traffic offences none of the senior management has been convicted of any offence within the last five years. There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

STATEMENT ON CORPORATE GOVERNANCE

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

Set out below is a description of how the Company has applied the Principles of Corporate Governance as set out in the Code throughout the financial year ended 31 December 2016.

PRINCIPLES OF CORPORATE GOVERNANCE

1. THE BOARD OF DIRECTORS

Roles and responsibilities of the Board

The Board of Directors (the "Board") has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. The principal roles and responsibilities of the Board include the followings:

- **Review and adopt strategic plans and objectives for the Group.** Through the worldwide sales meetings held every half-yearly, the directors review thoroughly and deliberate the Group's marketing strategies, mid-term and long-term prospects of our products, operating plan of the 3 main plants, capital expenditure strategies and the annual budget & projections. The execution and challenges of all these are reported to the Board throughout the year, and a half year review of the plan and strategies are conducted to monitor the implementation of the approved plans by the management.

- **Promote ethical and responsible decision-making,** monitor compliance with all relevant laws, tax obligations, regulations, applicable accounting standards and significant corporate policies (including the Code of Conduct).

- **Oversee the conduct of the Group's business, including its control and accountability systems.** The Group's performance and key focus areas are reviewed on a monthly basis by the Group COO and the Executive Directors at Executive Management Committee meetings and management meetings together with COOs of the major plants.

- **Monitor succession planning.** The Nomination Committee reviews the performance of the Board and Board Committees. The Board together with the Nomination Committee evaluates the suitability and experience of potential candidates, to fill any gaps as and when the need arises. Succession plans for key management positions are in place and continue to be monitored by Corporate HR.

- **Identify principal risks and ensure the implementation of appropriate internal controls.** Through the Internal Auditors the Board monitors any risks that might be faced by the business and the Group as a whole, while the Audit Committee is updated on any risk issues after the Enterprise Risk Management reviews. The Board through the Audit Committee and Internal Auditors ensures appropriate management of risks, and constantly monitors the review and management of principal risks to ensure sustainability of the Company's business.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

- **Review the adequacy and the integrity of the management information and internal controls system.** The Internal Audit function of the Company is managed by the Internal Auditor who is tasked with monitoring the internal control systems inherent throughout the Company and to report its findings directly to the Audit Committee. The Internal Auditor has jurisdiction to audit any business units as a whole or review projects and systems at any time and report their findings directly to the Audit Committee upon completion. The Audit Committee will review the adequacy and integrity of the internal control systems and ensure the implementation of appropriate internal control systems. The external auditor will evaluate the design and implementation of controls relevant to the audit.

- **Ensure that the market and shareholders are fully informed of material developments.** Unisem is committed to provide accurate, timely, consistent and fair disclosure of corporate information to enable informed and orderly market decisions by investors. The Company has established policy and guidelines to raise awareness amongst its management and employees on disclosure requirements and procedures, provide structured guidelines in disseminating corporate information to third party and thus help ensure compliance with legal and regulatory requirements on disclosure. See more detail on investor relations activities under Section 3 SHAREHOLDERS on page 55 of this Annual Report.

The roles and responsibilities of the Chairman/Group Managing Director and the Executive Directors are established and there is a clear and defined division of responsibilities between the Chairman/Group Managing Director, and the Executive Directors of the Company. The Chairman/Group Managing Director is primarily responsible for the effective functioning of the Board and related corporate affairs and for formulating general Company policies and making strategic business decisions sanctioned by the Board of Directors. He is supported by the 3 Executive Directors who are responsible for the execution of these decisions and policies and the day-to-day operations of the Group.

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

At Unisem, the positions of Chairman and Group Managing Director are combined. The practice of a combined role of a Chairman and Chief Executive is common in the semiconductor industry and among multinational corporations. Whilst the Chairman of the Company is not an independent director, the independent directors and non-executive directors form the majority of the Board. We believe these majority board members have the ability to exercise their duties unfettered by any business or other relationship and are free to express their opinions at the Board table free of concern about their position or the position of any third party and act in the best interest of the Company. No individual or small group of individuals can dominate the Board's decision making process. It is a practice that all decisions of the Board are unanimous. In the event of even a single dissenting voice a resolution will not be put to a vote and will be deferred or aborted.

Board Reserved Matters

The Board has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. The role of Management, on the other hand, is to run the business operation and general activities and administration of financial matters of the Group in accordance with established delegated authority from the Board.

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

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

Executive Management Committee

The Executive Management Committee comprised the following:

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

The Executive Management Committee is empowered and responsible for implementing the strategies approved by the Board and for managing the affairs of the Group. The Executive Management Committee is chartered with the following:

- corporate strategy development
- approving major plans of action and policies and procedures
- the monitoring of operational performance
- identifying risks which impact on the Group's sustainability
- monitoring risk management and internal controls
- corporate governance
- monitors major capital expenditures, acquisitions and disposals

Board Charter

The Board Charter sets out the role, composition and responsibilities of the Board of Directors of the Company. It outlines processes and procedures for the Board and its committees in discharging their stewardship effectively and efficiently.

The Board Charter is reviewed periodically incorporating updates and enhancements, and continues to be relevant to the existing rules and regulations as well as standards of corporate governance.

The Board Charter is accessible at the Company's website under the Company Info Corporate Governance section. https://www.unisemgroup.com/company-info/corporate-governance/

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Directors' Code of Conduct

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

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

To put these values into practice on a daily basis, a Unisem Code of Ethics is established as a guide for ethical business conduct for the Directors, management and employees of the Group, which is available at the Company's website under the Company Info - Corporate Social Responsibility section. https://www.unisemgroup.com/company-info/corporate-social-responsibility/

Board Composition

Currently, there are 11 Board members in Unisem (M) Berhad comprising 4 executive directors and 7 non-executive directors. Out of the 7 non-executive directors, 5 are independent directors. The members of the Board possess a wealth of experience in the semiconductor and other industries. 3 members have been with the Company for more than 25 years. The profiles of the Directors are provided in pages 32 to 37 of the Annual Report. All these skills and experience enable the Board to effectively lead and control the Company.

Other than the 2 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 5 independent directors, no individual or small group of individuals can dominate the Board's decision making process. It is a practice that all decisions of the Board are unanimous. In the event of even a single dissenting voice a resolution will not be put to a vote and will be deferred or aborted.

Independence of Directors

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

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

For new appointments, the assessment on the independence of the proposed director, which is carried out prior to the appointment, is ascertained in accordance with the criteria set out in the Bursa Securities Listing Requirements.

All Directors of Unisem are subject to the statutory duties and prohibitions regarding conflicts of interest. Directors are required to disclose family ties, or cross directorships, that may be relevant in considering continuing independence.

Board Diversity

Unisem provides its services to customers around the world with operations in 3 countries and therefore diversity generally is an integral part of how we do business. We acknowledge its importance and recognise the benefits that it can bring.

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

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

In 2015 and early 2016, two female directors were appointed to the board as non-executive independent directors. We will continue to work towards introducing more female directors to the Board as vacancies arise and suitable candidates are identified. Our prime responsibility, however, is the strength of the Board and our overriding aim in any new appointments must always be to select the best candidate.

Board Meeting

A total of five Board meetings were held during the financial year ended 31 December 2016. The attendance of each Director to the Board meetings held during the year are summarized as follows:-

Name	Directorship	No. of Meetings Attended
Mr John Chia Sin Tet	Executive	5/5
Mr Lee Hoong Leong	Executive	5/5
Mr Francis Chia Mong Tet	Executive	5/5
Mr Alexander Chia Jhet-Wern	Executive	5/5
Mr Martin Giles Manen	Independent and Non Executive	5/5
Y.Bhg. Dato' Gregory Wong Guang Seng	Independent and Non Executive	5/5
Mr Ang Chye Hock	Independent and Non Executive	5/5
Y.Bhg. Tan Sri Dato' Wong See Wah	Non Independent and Non Executive	5/5
Mr Yen Woon @ Low Sau Chee	Non Independent and Non Executive	5/5
Mdm Lim Siew Eng	Independent and Non Executive	5/5
Puan Mahani Binti Amat	Independent and Non Executive	5/5

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

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The Board has committed to meet at least four times in a financial year, usually after the end of each financial quarter before the quarterly announcement to the Exchange. Board meetings are convened as and when the need arises. A board meeting schedule for the year is normally formulated in December and shared with the Directors before the year begins.

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.

In maintaining and monitoring the limitation on directorship as required by the Bursa Malaysia Listing Requirements and fostering commitment, Directors will consult the Chairman of the Board before accepting new directorship. The Chairman will take into consideration the following before agreeing to Directors accepting new directorship in other public listed companies:

- Time commitment
- Conflict of interest
- Industry of the other public listed companies
- Number of common directors in the other public listed companies

Independent Directors and Non-Executive Directors are discouraged from holding board memberships in more than two other public listed companies.

The Directors upon appointment and following thereafter will notify the Company of their directorships in other companies for disclosure to the Board at Board Meetings.

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 Company Secretaries who are qualified, competent and knowledgeable regularly update the Board on new statutes and directives issued by the regulatory authorities and keep the Board informed of their responsibilities.

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

Directors' Training

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

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

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

Date of Training	Type of Training	Attended by
26 February 2016	Corporate Governance Breakfast Series entitled "Improving Board Risk Oversight Effectiveness" organized by Bursa Malaysia	Mr Martin Giles Manen
2 & 3 March 2016	Mandatory Accreditation Programme (MAP) For Directors Of Public Listed Companies organized by Bursatra Sdn Bhd	Puan Mahani Binti Amat
7, 8 & 9 March 2016	Price Outlook Conference 2016 organised by Bursa Malaysia	Y.Bhg. Tan Sri Dato' Wong See Wah
11 March 2016	Perak Tax Forum 2016 organised by Chartered Tax Institute of Malaysia	Y.Bhg. Dato' Gregory Wong Guang Seng
11 March 2016	'Ring the Bell for Gender Equality' organized by Bursa Malaysia	Mr Martin Giles Manen
28 March 2016	Independent Directors Programme: "The Essence of Independence" organized by Bursa Malaysia and The Iclif Leadership and Governance Centre	Mr Martin Giles Manen
29 March 2016	Audit Committee Conference "Setting The Right Tone" organized by The Institute of Internal Auditors Malaysia & Malaysian Institute of Accountants	Y.Bhg. Dato' Gregory Wong Guang Seng
31 March 2016	Sustainability Engagement Series for Directors / Chief Executive Officer organized by Bursa Malaysia and INSEAD	Y.Bhg. Dato' Gregory Wong Guang Seng
21 April 2016	In-house briefing organized by Hong Leong Investment Bank - Bank Negara Malaysia (BNM) concept paper on Corporate Governance - BNM concept paper on Shareholder Suitability	Mr Martin Giles Manen
6 May 2016	Corporate Governance Breakfast Series entitled The Strategy, the Leadership, the Stakeholders and the Board organized by Bursa Malaysia	Puan Mahani Binti Amat
16 & 17 May 2016	Audit Committee Seminar for the Public and Private Sectors 2016 organised by the Federation of Public Listed Companies Bhd	Y.Bhg. Dato' Gregory Wong Guang Seng
19 May 2016	• 'The most innovative companies - Four Factors That Differentiate Leaders • AMLA - Recent Lessons Learnt from the Industry' organized by Hong Leong Financial Group	Mr Martin Giles Manen

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Date of Training	Type of Training	Attended by
26 May 2016	'Business Sustainability' organized by Tricor Knowledge House Sdn Bhd	Y.Bhg. Dato' Gregory Wong Guang Seng
1 June 2016	CMDP Alumni Programme 'Companies Bill 2015: Changes and Impact on Company Directors' organized by Securities Industry Development Corporation (SIDC)	Mr Martin Giles Manen
2 June 2016	Sustainability Engagement Series for Directors/CEOs organized by Bursa Malaysia and INSEAD	Mr Martin Giles Manen
6 June 2016	'How to build or burn trust in an organization' organized by PricewaterhouseCoopers	Mr Martin Giles Manen
14 June 2016	A Discussion on Recent Tax Cases and Legal Developments organized by International Fiscal Association, Malaysia Branch	Mr Martin Giles Manen
27 June 2016	Corporate Governance Breakfast Series: "Future of Auditor Reporting - The Game Changer for Boardroom" organized by Bursa Malaysia, Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants	Mr Martin Giles Manen
30 June & 1 July 2016	Unisem Group Mid-Year Sales Meeting including new products and technology update	Mr John Chia Sin Tet Mr Lee Hoong Leong Mr Francis Chia Mong Tet Mr Martin Giles Manen Mr Ang Chye Hock Mr Alexander Chia Jhet-Wern Y.Bhg. Dato' Gregory Wong Guang Seng Y.Bhg. Tan Sri Dato' Wong See Wah Mdm Lim Siew Eng Puan Mahani Binti Amat
10 August 2016	Nominating Committee Programme Part 2: "Effective Board Evaluations" organized by Bursa Malaysia and The Iclif Leadership and Governance Centre	Mdm Lim Siew Eng
11 August 2016	Board Chairman Series: "Leadership Excellence from the Chair" organized by Bursa Malaysia and The Iclif Leadership and Governance Centre	Y.Bhg. Tan Sri Dato' Wong See Wah
16 August 2016	Practical Challenges and The Impact of the Companies Bill 2015 organised by Tricor Hive Sdn Bhd	Puan Mahani Binti Amat
5 September 2016	Risk Management Programme for Audit and Risk Committee: 'I am ready to manage risks' organized by Bursa Malaysia	Y.Bhg. Dato' Gregory Wong Guang Seng

Date of Training	Type of Training	Attended by
8 September 2016	Practical Challenges and The Impact of the Companies Bill 2015 organised by Tricor Hive Sdn Bhd	Mdm Lim Siew Eng
21 September 2016	International Electronics Manufacturing Technology (IEMT) & Electronics Materials & Packaging (EMAP) 2016 Conference	Mr Lee Hoong Leong
28 September 2016	Corporate Governance Statement Workshop: "The Interplay between Corporate Governance, Non-Financial Information (NFI) and Investment Decisions • Corporate Governance and NFI - Its Significance for Investment Decisions • The Landscape of CG and NFI Reporting " organized by Bursa Malaysia and SIDC	Mr Martin Giles Manen
10 October 2016	IBFD 10th Anniversary International Tax Today • Direct vs Indirect Taxation • Traditional vs Online Retailer • Transfer Pricing and Tax Treaties Issues in the light of OECD/G20 BEPS Project organized by International Bureau of Fiscal Documentation (IBFD)	Mr Martin Giles Manen
1 November 2016	AMLATFPUAA 2001: The Law and Compliance organized by Hong Leong Investment Bank	Mr Martin Giles Manen
8-10 November 2016	Directors CEP • The New Companies Act - What changes for PLCs and Directors of PLCs • Security and Terrorism in Malaysia - A Very Real Threat? • The Power of Social Media and How it Impacts our Business organized by British American Tobacco Berhad	Mr Martin Giles Manen
10 November 2016	Empowering Women Series organized by Bursa Malaysia and INSEAD	Mdm Lim Siew Eng
18 November 2016	Corporate Governance Breakfast Series: The Cybersecurity Threat and how Boards should mitigate the Risks organized by Bursa Malaysia and MINDA	Mr Martin Giles Manen
21 November 2016	Launch Of The AGM Guide & Corporate Governance Breakfast Series: 'How To Leverage on AGMs for Better Engagement with Shareholders" organized by Bursa Malaysia and Malaysian Institute of Chartered Secretaries and Administrators	Mr Martin Giles Manen
23 November 2016	2017 Budget Seminar organized by Chartered Tax Institute of Malaysia	Y.Bhg. Dato' Gregory Wong Guang Seng

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Date of Training	Type of Training	Attended by
24 November 2016	Briefing on Shariah Compliant Trading Window organized by Hong Leong Financial Group	Mr Martin Giles Manen
25 November 2016	IFA Malaysia's 35th Anniversary - Substance over Form, Anti Avoidance & Treaty Abuse - The Future of Transfer Pricing - Base Erosion and Profit Shifting Organized by International Fiscal Association, Malaysia Branch (IFA)	Mr Martin Giles Manen
1 & 2 December 2016	• Unisem Group Year-End Sales Meeting including new products and technology update • "Semiconductor Market Status & Manufacturing Update for Unisem" presented by Mr Jim Walker of Gartner • "Updates on Companies Bill, Listing Requirements and Sustainability Reporting" presented by Deloitte PLT	Mr John Chia Sin Tet Mr Lee Hoong Leong Mr Francis Chia Mong Tet Mr Martin Giles Manen Mr Ang Chye Hock Mr Alexander Chia Jhet-Wern Y.Bhg. Tan Sri Dato' Wong See Wah Y.Bhg. Dato' Gregory Wong Guang Seng Mdm Lim Siew Eng Puan Mahani Binti Amat

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

Appointment and Re-election of Directors

Criteria for Recruitment Process - The Board believes that individuals who are nominated by the Board to be a Director should have demonstrated notable or significant achievements in business, education or public service; should possess the requisite intelligence, education and experience to make a significant contribution to the Board and bring a range of skills, diverse perspectives and backgrounds to its deliberations and should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the shareholders.

The following attributes or qualifications will be considered by the Nomination Committee in evaluating a person's candidacy for membership of the Board:

- Management and leadership experience
- Skilled and diverse background
- Integrity and professionalism
- Commitment

In January 2016, at the recommendation of the Nomination Committee, the Board appointed Puan Mahani Binti Amat to the Board as Independent Director. The Nomination Committee took into account the following and believed that she would be able to contribute to the effectiveness of the Board:

- **Management and leadership experience -** Puan Mahani has more than 27 years of working experience in the banking industry. During her employment with RHB Bank, Puan Mahani held various senior management positions including Head of Premium Banking, Consumer Division, Head of International Division, Executive Vice President of Operations and Services Division and as a Transitional Management Committee Member from 2003 to 2004, where she assumed the duties of the bank's CEO during a transition period of one year pending appointment of new CEO.

- **Skilled and diverse background -** Puan Mahani possesses the aptitude or experience to understand fully the legal responsibilities of a director and the governance processes of a public company. Consideration was also given to her financial management, reporting and control expertise and international experience.

- **Integrity and professionalism -** Puan Mahani possesses high standards of moral and ethical character and personal integrity; independence, objectivity and an intense dedication to serve as a representative of the shareholders.

- **Commitment -** Puan Mahani is willing to commit, has sufficient time available to discharge the duties of Board membership and will have sufficient years available for service to make a significant contribution to Unisem over time.

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.

In considering whether to recommend Directors who are eligible to stand for re-election or re-appointment, the Nomination Committee considered a variety of factors, including:

- a Director's contributions to the Board and ability to continue to contribute productively;
- a Director's attendance at Board and committee meetings;
- Director's compliance with the Code;
- whether the Director continues to possess the attributes, capabilities and qualifications considered necessary or desirable for Board service;
- the independence of the Director; and
- the nature and extent of the Director's activities outside of the Company.

Review of Board Performance

The Board undertakes an annual review of its performance, and that of its Committees. The performance evaluation comprises of a Board Performance Evaluation, Board Committee Performance Evaluation and a Directors' Self and Peer Assessment. The evaluation is designed to improve the Board's effectiveness as well as draw the Board's attention to key areas that need to be addressed.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The main areas / performance indicators for the evaluation include the Board/Board Committee composition, administration and process, conduct, accountability, interaction and communication with management. Performance indicators for individual Directors include their active contributions, understanding of their roles and quality of input.

The findings were generated based on Directors' feedback and were tabled and discussed at the Nomination Committee meeting. The results in 2016 revealed that the Board and the Board Committees had performed well, with overall rating above satisfactory, indicating that the Board and the Committees have performed effectively.

Directors' Remuneration

The Board is guided by the remuneration policy for the Directors set out below:

- The fees for the Directors are considered annually and are determined in light of market best practice and with reference to the time commitment and responsibilities associated with the roles.
- The Board recognized the increasing focus on risk management and corporate governance matters and the corresponding increase in the workload of the Audit Committee, had approved a supplement fee for the members of the Audit Committee.
- There are no supplemental fees or Committee membership fees for other board committees.
- Directors' fees are determined within the overall aggregate annual amount authorised by shareholders with reference to the Company's Articles of Association. The Board as a whole considers the policy and structure for the Directors' fees on the recommendation of the Chairman. The Directors do not participate in discussions on their specific levels of remuneration.
- Non-Executive Directors receive no other pay or benefits.
- There are no supplemental fees for Directors who sit on the board of the subsidiaries of the Group.

The Board ensures that the Group's remuneration policy remains competitive to attract and retain Directors of certain caliber and the necessary skills and experience as required for the effective management of the Group. The remuneration policy for the Directors is reviewed periodically against market practices by the Remuneration Committee and the Board.

The remuneration for Executive Directors is balanced between fixed and performance-linked elements. All Executive Directors are paid monthly salaries, allowances, bonuses and other emolument and benefits in line with Company policy.

The remuneration for the Non-Executive Directors is determined by the Board as a whole, based on a fixed fee. The fees for the Directors are considered annually and are determined in light of market best practice and with reference to the time commitment and responsibilities associated with the roles.

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.

Directors' fees are disclosed in the annual report and approved by the shareholders at the Annual General Meeting.

Other than the remuneration from the Company, the Directors do not receive any remuneration from any of the subsidiaries within the group. The aggregate remuneration of the Directors received from the Company for the financial year ended 31 December 2016 is categorised into the following components:

Category	Director's Fees (RM)	Salaries+ (RM)	Bonus (RM)	Others* (RM)	Total (RM)
Executive Director	661,500	6,719,785	1,361,645	185,225	8,928,155
Non-Executive Director	1,164,625	-	-	-	1,164,625

+ Included fix allowances
* Comprised of benefits-in-kind

The above Directors' remunerations are broadly categorized into the following bands:

	Number of Directors	
Range of remuneration	Executive	Non-Executive
RM100,000 to RM150,000		4
RM150,001 to RM200,000		2
RM200,001 to RM250,000		1
RM500,001 to RM550,000	1	
RM2,000,000 to RM2,050,000	1	
RM2,150,000 to RM2,200,000	1	
RM4,150,000 to RM4,200,000	1	

2. BOARD COMMITTEES

Audit Committee

The Audit Committee comprises wholly of Independent Directors.

Please refer to the Audit Committee Report on page 59 for further information on our Audit Committee.

Nomination Committee

The Nomination Committee consists wholly of Independent Directors.

The following Directors sit on the Nomination Committee:

1. Mr Martin Giles Manen (Chairman of the Committee)
2. Y.Bhg. Dato' Gregory Wong Guang Seng (appointed to the committee on 18 January 2017)
3. Puan Mahani Binti Amat (appointed to the committee on 18 January 2017)

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The terms of reference of the Nomination Committee are available at the Company's website under Company Info - Corporate Governance section. https://www.unisemgroup.com/company-info/corporate-governance/

There were two meetings held during the financial year ended 31 December 2016. The details of attendance of the committee members are as follows:

Name of Committee Member	Number of Meetings Attended
Mr Martin Giles Manen (Chairman of the Committee)	2/2
Y.Bhg. Tan Sri Dato' Wong See Wah (ceased to be committee member on 18 January 2017)	2/2
Mr Ang Chye Hock (ceased to be committee member on 18 January 2017)	2/2
Mdm Lim Siew Eng (appointed to the committee on 26 January 2016, ceased to be committee member on 18 January 2017)	1/2

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

- considered and made recommendation to the Board on the appointment of Puan Mahani Binti Amat as Director of Unisem (M) Berhad;
- evaluated and determined the training needs of Directors;
- reviewed annually the required Board of Directors mix of skills, experience, independence and other qualities;
- considered and recommended to the Board of Directors who are eligible to stand for re-election / re-appointment at the coming annual general meeting; and
- undertaken an annual review of the Board's performance, and that of its Committees.

Remuneration Committee

The Remuneration Committee consists mainly of Independent Directors

The Remuneration Committee is responsible for setting the policy framework and for making recommendations to the Board on all elements of the remuneration and other terms of employment of Executive Directors.

The terms of reference of the Remuneration Committee are available at the Company's website under Company Info - Corporate Governance section. https://www.unisemgroup.com/company-info/corporate-governance/

The following Directors sit on the Remuneration Committee:

1. Mr John Chia Sin Tet (Chairman of the Committee)
2. Mr Ang Chye Hock
3. Mdm Lim Siew Eng

There was one meeting held during the financial year ended 31 December 2016. The details of attendance of the Committee members are as follows:

Name of Committee Member	Number of Meetings Attended
Mr John Chia Sin Tet (Chairman of the Committee)	1/1
Mr Lee Hoong Leong (ceased to be committee member on 18 January 2017)	1/1
Mr Martin Giles Manen (ceased to be committee member on 18 January 2017)	1/1
Mr Ang Chye Hock	1/1
Mr Yen Woon @ Low Sau Chee (ceased to be committee member on 18 January 2017)	1/1
Mdm Lim Siew Eng (appointed to the committee on 26 January 2016)	-

Sustainability Committee

The Sustainability Committee was formed in January 2017 and consists of wholly Independent Directors.

The Sustainability Committee is responsible for monitoring the implementation of sustainability-related policies, measures and actions in achieving the organisation's sustainability milestones and goals.

The terms of reference of the Sustainability Committee are available at the Company's website under Company Info - Corporate Governance section. https://www.unisemgroup.com/company-info/corporate-governance/

The following Directors sit on the Sustainability Committee:

1. Y.Bhg. Dato' Gregory Wong Guang Seng (Chairman of the Committee)
2. Mr Ang Chye Hock
3. Puan Mahani Binti Amat

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

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

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

Letter Box #95
9th Floor UBN Tower
10 Jalan P. Ramlee
50250 Kuala Lumpur

Tel : (603) 2072 3760
Fax: (603) 2072 4018

Timely and Balanced Disclosure

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

The Board oversees the Company's corporate disclosure practices and ensures implementation and adherence to this guide. The Company is also guided by the Corporate Disclosure Guidelines (2nd Edition) issued in October 2013 by Bursa Securities.

4. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Internal Control

The Board acknowledges that it is responsible for maintaining a sound system of internal controls, which provides reasonable assurance of the adequacy and effectiveness of the Group's operational processes and internal controls systems and compliance with laws and regulations as well as with internal procedures and guidelines, to safeguard the shareholders' investment and the Group's assets.

Key elements of the Company's systems of internal control are set out in the Statement on Risk Management and Internal Control on pages 63 to 65 of the Annual Report.

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 risk management and internal control systems are designed to identify principal risks, assess and manage these risks within the overall risk tolerance of the Group and to manage these risks efficiently, effectively and economically rather than to eliminate these risks.

The Statement on Risk Management and Internal Control as set out on pages 63 to 65 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 Audit Committee and Board place great emphasis on the objectivity and independence of the external auditor in providing the auditors' reports to the shareholders. The external auditors held private discussions without the presence of the Management with the Audit Committee and are regularly invited to attend the Audit Committee Meetings at least twice yearly.

The external auditors' presence was also requested at the Company's annual general meeting to attend to issues raised by the shareholders.

The role of the Audit Committee in connection with its relationship with the external auditors is demonstrated in the Audit Committee Report under "Financial Statement", "Audit of the Annual Financial Statements" and "External Auditors" stated on pages 59 to 61 of the Annual Report.

Directors' Responsibility Statement on Annual Audited Financial Statements

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

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ADDITIONAL COMPLIANCE INFORMATION

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

During the financial year under review,

(i) Issue of shares
There were no issue of new shares during the year.

(ii) Status of utilisation of proceeds raised from any corporate proposal
There were no unutilised proceeds raised from corporate proposal.

(iii) Audit fees
The amount of audit fees paid or payable to the Company's auditors for audit fees incurred by the Company and by the group of companies for the financial year amounted to RM278,000 and RM816,138 respectively.

(iv) Non-audit fees
The amount of non-audit fees incurred for corporate tax compliance and other advisory services rendered to the Company and its subsidiaries for the financial year amounted to RM51,500 and RM20,000 respectively.

(v) 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.

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 2016 with the exception of the following:

- At Unisem, the roles of the Chairman and Group Managing Director are combined. The Chairman/Group Managing Director is primarily responsible for the effective functioning of the Board and related corporate affairs and for formulating general Company policies and making strategic business decisions sanctioned by the Board of Directors. He is supported by the 3 Executive Directors who are responsible for the execution of these decisions and policies and the day-to-day operations of the Group. Hence, there is a clear and defined division of responsibilities between the Chairman/Group Managing Director, and the Executive Directors of the Company. The presence of the non-executive directors and the independent directors on the Board, ensures that no individual has unrestricted power or influence over any board decision. The practice of a combined role of a Chairman and Chief Executive is common in the semiconductor industry and among multinational corporations.

- Whilst the Chairman of the Company is not an independent director, the independent directors and non-executive directors form the majority of the Board. We believe these majority board members have the ability to exercise their duties unfettered by any business or other relationship and are free to express their opinions at the Board table free of concern about their position or the position of any third party and act in the best interest of the Company. No individual or small group of individuals can dominate the Board's decision making process. It is a practice that all decisions of the Board are unanimous. In the event of even a single dissenting voice a resolution will not be put to a vote and will be deferred or aborted.

AUDIT COMMITTEE REPORT

Name	Designation	Directorship	No. of Meetings Attended
Mr Martin Giles Manen	Chairman	Independent Director	5/5
Y.Bhg. Dato' Gregory Wong Guang Seng	Member	Independent Director	5/5
Mr Ang Chye Hock	Member	Independent Director	5/5
Mdm Lim Siew Eng (appointed to the Committee on 18 January 2017)	Member	Independent Director	-

TERMS OF REFERENCE

The terms of reference which include composition, authority, responsibilities, meetings and specific duties of the Audit Committee are disclosed and published on the Company's website under Company Info - Corporate Governance section. https://www.unisemgroup.com/company-info/corporate-governance/

SUMMARY OF WORK

The Audit Committee met five times during the financial year ended 31 December 2016. The summary of work of the Audit Committee for the financial year is set out below:-

Financial Statements

The Committee reviewed the quarterly financial results announcements together with the quarterly management reports from the management, and with respect to the full-year results the external auditors' reports, prior to their publication. These reviews incorporated significant matters highlighted such as financial reporting issues, significant judgments and estimates made by management, significant and unusual events or transactions, and how these matters are addressed.

For each of the significant matters, the Committee considered the key facts and judgements outlined by management. The issues were also discussed with the external auditors. The Committee was satisfied that there are relevant accounting policies in place in relation to the significant issues and management has correctly applied these policies.

The Committee reviewed with external auditors and identified new financial reporting standards and other standards which may have had a significant impact on the Company's financial statements.

Audit of the Annual Financial Statements

In fulfilling its oversight responsibilities regarding audit quality, the Committee reviewed and assessed:

- the nature and scope of engagement;
- soundness of the audit strategy (including approach and scope);
- comprehensiveness and clarity of the audit findings, including views on the robustness of the Company's going concern assessment, outcome and disclosure;
- robustness and appropriateness of the audit firm's internal quality control procedures;
- integrity, level of judgement, attitude, knowledge and experience of the audit team and clarity of their roles and responsibilities;
- auditor's demonstration of their understanding of the risks and issues important to the Company which could impact the audit; and
- auditor's effectiveness in assessing the quality and transparency of financial reporting by management.

AUDIT COMMITTEE REPORT (cont'd)

Deloitte PLT ("Deloitte") the external auditors, reported in depth to the Committee on the scope and outcome of the annual audit, including internal controls relevant to the audit. Their reports included audit and accounting matters, governance and control, and accounting developments.

The Committee held independent meetings with the external auditors during the year and reviewed, agreed, discussed and challenged their audit plan, including their assessment of the financial reporting risk profile of the Group. The Committee discussed the views and conclusions of Deloitte in the audit summary memorandum including management's treatment of significant transactions and areas of judgement during the year and Deloitte confirmed they were satisfied that these had been treated appropriately in the financial statements.

The Committee met with Deloitte on 23 February 2016 and 3 November 2016 without the presence of management and in reply to questions from the Committee, Deloitte confirmed:

- they had received full co-operation of management and staff and been provided unrestricted access to information and senior management during the audit,
- the Group's finance team was appropriately staffed with competent personnel; and
- they had no other matters to raise in addition to what had been set out in the audit summary memorandum.

External Auditors

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

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

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

- The auditor being registered as an auditor or authorised audit company under the Companies Act 1965;
- The independence of the audit firm from the Company and ability to maintain independence throughout the engagement;
- There being no conflict of interest situations that could affect the independence of the external auditor;
- Arrangements that are proposed to enable partner rotation and succession planning;
- The level of professional competency, integrity, level of judgement, attitude, knowledge and experience of the audit team and clarity of their roles and responsibilities;
- Industry expertise, global access to audit resources and international coordination of the audit firm;
- The thoroughness of audit approach and methodology; and
- Reasonableness of the audit fee and cost effectiveness.

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

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

In line with current professional standards, the Company requires the partner in charge and independent review partner of the external auditor to rotate after 5 years with a 'cooling off' period of at least 2 years. The audit engagement managers are required to rotate after 7 years with a 'cooling off' period of at least 2 years.

Risk Management And Internal Control

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

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

In January 2016, the Committee reviewed with management the Group's annual budget together with the underlying business plans, marketing strategies, major assumptions and sensitivity analysis on the impact of foreign exchange rate to the revenue, EBITDA and profit attributable to shareholders.

The Committee reviewed with internal auditors the related party transactions to ensure that the related party transactions were not more favourable to the related parties than those generally available to the public.

Internal Auditors

To provide adequate oversight of the internal auditors and the internal audit function, the Committee

- reviewed and approved the overall scope of the internal audit plan annually;
- ensure that the internal audit activity is sufficiently resourced with competent, objective internal audit professionals to carry out the internal audit plan;
- reviewed the findings and actionable recommendations emanating from the quarterly risk-based audit work carried out and that the audit recommendations and/or other improvements are satisfactorily implemented by management; and
- evaluated the effectiveness of the internal audit function by reviewing the adequacy, integrity and effectiveness of the system of internal controls, compliance with the established policies and procedures, guidelines, laws and regulations and reliability and integrity of information, and was satisfied with the effectiveness of the function.

AUDIT COMMITTEE REPORT (cont'd)

SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION

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

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

The Internal Audit function adopts a risk and process-based approach in determining the audit areas and execution of its audits. In addition, special reviews were also made at the request of the Committee and senior management on specific areas of concern as a follow-up in relation to high-risk areas identified during the course of business. These reviews provided additional assurance and comfort on the integrity and robustness of the internal control systems. A summary of work of the internal audit function includes:

- Presented the annual internal audit plan for the Audit Committee's approval;
- Conducted audits in accordance to the approved audit plan and special reviews at the request of the Audit Committee;
- Performed quarterly follow-up on unclosed findings with respective business owners and the status of implementation was reported to Audit Committee;
- Reviewed and completed the Risk Assessment and Internal Control Improvement project for Inventory Management Cycle and Purchase to Pay Cycle. Risk assessment review workshops were conducted with the management of main business units to discuss and update on the key risks that the Group is exposed to. This enables the Management to identify, evaluate, control, monitor and report to the Board the key risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks.

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

- inventory management;
- information technology management;
- property plant and equipment;
- facility management; and
- group succession planning review.

In 2016, a total of seven Internal Audit reports were issued and presented to the Audit Committee with the recommended corrective actions acted upon.

The cost incurred for the Internal Audit function of the Company in respect of the financial year ended 31 December 2016 amounted to RM715,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Board of Directors ("the Board") is committed to maintaining a sound internal control and risk management system for reviewing the adequacy and effectiveness of the system. The Board is .pleased to provide the following statement on the state of internal control of Unisem (M) Berhad and its subsidiaries (the "Group") for the financial year ended 31 December 2016, which has been prepared in accordance with the "Statement of Risk Management and Internal Control - Guidelines for Directors of Listed Issuers" issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

BOARD RESPONSIBILITY

The Board acknowledges its responsibilities for maintaining a sound system of internal control and risk management system to safeguard the shareholders' investments and the Group's assets. The Board is responsible for determining the overall Group's level of risk tolerance and continually reviewing, assessing and monitoring the effectiveness and adequacy which has been embedded in all aspects of the Group's activities.

This includes the establishment of an appropriate control environment and framework, and review of the effectiveness, adequacy and reliability of the risk management processes and internal control as well as compliance with risk policies and regulatory requirements.

The risk management and internal control systems are designed to continuously identify principal risks, assess and manage these risks which may have hindered the achievement of the Group's strategic goals and business objectives and to manage these risks efficiently, effectively and economically rather than to eliminate it.

Due to the limitations that are inherent in any system of internal control, these systems can only provide reasonable and not absolute assurance against fraud, material misstatement or loss.

RISK MANAGEMENT

Risk management and internal controls are regarded as an integral part of the overall management processes. The Audit Committee supported by Internal Audit Department provides an independent assessment and evaluation of the effectiveness of Unisem Enterprise Risk Management ("ERM") framework on quarterly basis. Unisem's ERM framework is consistent with the ERM framework adopted by the Committee of Sponsoring Organizations of Treadway Commission (COSO). Our ERM framework involves systematically identifying, analyzing, measuring, monitoring and reporting on risks that may be affecting the achievement of the Group's objectives and goals within the acceptable risk appetite. It outlines the significant risks that the Group is exposed to; these include strategic, organization structure, operational, processes, regulatory, people culture, technologies and reputation risks.

Our ERM framework comprised a risk and control matrix that had been populated and key risks to each Group's business units objective, aligned with Group's strategic objectives had been identified and assessed for likelihood of the risk occurrence and the magnitude of impact using a self-assessment approach. During the financial year, all business units conducted their annual enterprise risk management reviews. The enterprise risk assessment process for each business unit is led by the Chief Operating Officer and member represented by departmental head of each division together with the Internal Audit Department. For each of the key risks identified, the risk owner is assigned to ensure appropriate risk response actions are carried out in a timely manner. The respective risk owners are required to put in place the management actions and control measures and communicate with Internal Audit Department to update the risk register from time to time.

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

Quarterly results from the risk assessment and status of implementation of corrective action plan on key risks were reported to the Audit Committee accordingly. To ensure the Group's ERM framework remain sound, the risk register is monitored and updated to include emerging risk as and when necessary on its adequacy. This is to ensure controls are in place and continue to operate adequately and effectively. In addition, the Group consciously covers and transfers certain risks by securing adequate insurance coverage.

The Group's customer is mainly the global electronics companies which require a diverse base of products. To mitigate such risks, the Group aligns its business strategies with these customers' strategic plans and continuous productivity improvement. Notwithstanding this, the Group continues to avail its core competencies and competitive advantages to the markets that it serves.

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 operational structure and organisational chart with defined key lines of responsibility and adequately segregated reporting lines up to the Board and its Committees to ensure effectiveness and independent stewardship.

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

- **Reporting and review**
  The Group's management team carries out monthly monitoring and review of financial results including monitoring and reporting thereon, of performance against the operating plans. The Group's management team communicates regularly to monitor operational and financial performance as well as formulate action plans to address any areas of concern. There is regular reporting by senior management of the Group to the Board 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 accessible to all employees. It is to ensure compliance with internal controls, laws and regulations and subjected to review and enhancement as and when necessary.

- **Code of business conduct**
  The Code of Business conduct and ethics underlines Unisem's core value in conducting business fairly, impartially and ethically. All employees are required to declare that they are in compliance with the Code upon joining the Group. The code covers areas such as conflict of interest, use of company's assets, confidentiality of proprietary information, acceptance of gifts and business courtesies. A Whistleblowing Policy is also in place to provide a communication channel which facilitates disclosure of improper conduct within Unisem Group in a transparent and confidential manner.

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

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

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

- **Internal Audit**
  The in-house Internal Audit Department is to continuously provide independent assessment on the adequacy, effectiveness and reliability of the Group's risk management processes and system of internal controls. The internal audit function also checks compliance with policies/ procedures and advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The internal audit plan is approved by the audit committee on an annual basis. The internal audit report highlights significant findings and recommendations in respect of any non-compliance to the business unit Management in a timely manner. The audit reports are submitted to the Audit Committee and risk and control issues were discussed during the Audit Committee meetings on a quarterly basis. In assessing the adequacy and effectiveness of the system of internal controls and accounting control procedures of the Group, the Audit Committee reports to the Board its activities, significant results, findings and the necessary recommendations or changes.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL

For the financial year under review, the Board is satisfactory with the adequacy and effectiveness of the Group's system of risk management and internal control to safeguard shareholders' interest and Group's assets. There have been no material control weaknesses or failures that would result in material misstatements, losses or fraud to the Group.

The Group Managing Director and Group Finance have provided assurance to the Board that the Group's risk management and internal control system is in place and operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board together with the management will continuously assess the adequacy and effectiveness of the Group's system of risk management and internal controls and will take corrective actions to enhance the system, as and when necessary.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia, the external auditors have reviewed the Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2016. Their review is performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control, issued by Malaysia Institute of Accountants. RPG 5 (revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group.

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DIRECTORS' REPORT

The directors of **UNISEM (M) BERHAD** hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2016.

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	**163,343**	**100,925**
Profit attributable to:		
Owners of the Company	**162,289**	**100,925**
Non-controlling interests	**1,054**	**-**
	163,343	**100,925**

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 8% or 4 sen per share, tax-exempt, amounting to RM29,353,242 proposed in the previous financial year and dealt with in the previous year directors' report, was paid on May 20, 2016.

A first interim dividend of 7% or 3.5 sen per share, tax-exempt, amounting to RM25,684,087 in respect of the current financial year was paid on September 5, 2016.

A second interim dividend of 7% or 3.5 sen per share, tax-exempt, amounting to RM25,684,087 in respect of the current financial year was paid on January 6, 2017.

The directors have proposed a final dividend of 8% or 4 sen per share, tax-exempt, for the current financial year. The proposed final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. Upon approval by the shareholders, the dividend will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2017.

DIRECTORS' REPORT (cont'd)

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.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

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

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

DIRECTORS

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

Mr. John Chia Sin Tet
Mr. Lee Hoong Leong
Mr. Francis Chia Mong Tet
Mr. Alexander Chia Jhet-Wern
Mr. Martin Giles Manen
Y.Bhg. Tan Sri Dato' Wong See Wah
Y.Bhg. Dato' Wong Guang Seng
Mr. Yen Woon @ Low Sau Chee
Mr. Ang Chye Hock
Mdm. Lim Siew Eng
Puan Mahani Binti Amat
Mr. Sundra Moorthi s/o V.M. Krishnasamy (retired on 28 April 2016)

In accordance with Article 124 of the Company's Articles of Association, Mr. Yen Woon @ Low Sau Chee, Mr. Ang Chye Hock, Y.Bhg. Dato' Wong Guang Seng and Mr. Alexander Chia Jhet-Wern retire by rotation and being eligible offer themselves for re-election.

DIRECTORS' REPORT (cont'd)

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 1.1.2016	BOUGHT/ TRANSFERRED*	SOLD/ TRANSFERRED*	BALANCE AS OF 31.12.2016
Shares in the Company				
Registered in the name of directors				
Mr. John Chia Sin Tet	35,634,725	5,719,400	-	**41,354,125**
Mr. Francis Chia Mong Tet	3,390,000	280,000	-	**3,670,000**
Mr. Alexander Chia Jhet-Wern	1,450,000	550,000	-	**2,000,000**
Y.Bhg. Dato' Wong Guang Seng	500,000	-	-	**500,000**
Mr. Yen Woon @ Low Sau Chee	39,504,120	-	(8,500,000)*	**31,004,120**
Mr. Ang Chye Hock	383,500	-	-	**383,500**
Mdm. Lim Siew Eng	10,000	-	-	**10,000**
Indirect interest by virtue of shares held by companies in which a director has interests				
Mr. John Chia Sin Tet	147,326,113	4,075,500	-	**151,401,613**
Mr. Francis Chia Mong Tet	10,360,480	224,000	-	**10,584,480**
Mr. Yen Woon @ Low Sau Chee	57,581,800	611,200 8,500,000*	(100,000)	**66,593,000**

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

Y.Bhg. Tan Sri Dato' Wong See Wah, Mr. Martin Giles Manen, Mr. Lee Hoong Leong and Puan Mahani Binti Amat did not hold shares or have beneficial interest in the shares 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 17 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.

AUDITORS

The auditors, Deloitte PLT, 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 3, 2017

INDEPENDENT AUDITORS' REPORT

to the members of Unisem (M) Berhad (Incorporated In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **UNISEM (M) BERHAD**, which comprise the statements of financial position of the Group and of the Company as of December 31, 2016, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 77 to 139.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Our audit performed and responses thereon
Impairment review of loss making subsidiary, PT Unisem PT Unisem recorded operating losses for the current and prior two years arising from lower than expected demand from one of its major customer. The assessment of the carrying value of property, plant and equipment and investment cost requires significant management judgement, as described in Notes 4, 11 and 13 to the financial statements, in particular in relation to the forecast future cash flows, future growth rates and the discount rates applied.	Our audit procedures included testing the design and implementation of key controls around the impairment review process, and challenging management's key assumptions used in the cash flow forecasts included within the impairment models for property, plant and equipment and investment in subsidiary with reference to historical trading performance, market expectations and our understanding of the future utilisation of assets and the recoverability of the investment cost. In performing our audit procedures, we used internal valuation specialists to assess the discount rate applied by benchmarking against independent data. Key assumptions challenged include forecast future cash flows, future growth rates and the discount rates applied. We compared the forecasts with the latest Board approved budgets. We also compared the actual results for 2016 against forecast to verify their reliability. We found that actual performance was lower than originally forecast. We obtained evidence to support the directors' explanations for this and evaluated the potential impact of these variances on forecasts for 2017 and subsequent years. We determined that through a combination of the directors' explanations and market data that these were reasonable and that the forecasts are appropriate for the purposes of the impairment assessments. We also evaluated management's assessment of the sensitivity of the impairment models to reasonably possible changes and considered the disclosures provided by the management in relation to its impairment review.
Recognition of income tax expense of PT Unisem PT Unisem paid a total of RM20,306,001 as of December 31, 2016 for tax and related late payment interest and these payments are reflected under tax recoverable in the statement of financial position. In addition, RM3,583,081 of tax and related interest for year of assessment 2010 has yet to be paid as of December 31, 2016. The abovementioned tax payments and tax outstanding totalling RM23,889,082 have not been reflected in the profit or loss pending outcome of the on-going court cases. As the outcome of the court cases are uncertain, determining the amounts which should be recognised for tax expense are subject to judgement and are thus a key audit matter. Management is of the view that the subsidiary stands a good chance of winning the court cases and thus, no additional income tax expense need to be recognised. The Group's disclosure of tax expense is set out in Note 9 (b) to the financial statements.	Our audit procedures include assessing the recoverability of the recorded balances by reviewing the proceedings of the court cases and discussions with the tax consultant to obtain an insight of the status of the court case.

INDEPENDENT AUDITORS' REPORT (cont'd)

to the members of Unisem (M) Berhad (Incorporated In Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (cont'd)

to the members of Unisem (M) Berhad (Incorporated In Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its 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 the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 13 to the financial statements, being accounts that have been included in the consolidated accounts;

(c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements 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 required by us for those purposes; and

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 29 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 and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

YEOH SIEW MING
Partner - 2421/05/17(J/PH)
Chartered Accountant

March 3, 2017

STATEMENTS OF PROFIT OR LOSS

for the year ended December 31, 2016

		THE GROUP		THE COMPANY	
		2016	2015	2016	2015
	NOTE	RM'000	RM'000	RM'000	RM'000
Revenue		**1,322,780**	1,260,425	**657,848**	606,034
Interest income	8	**3,168**	1,143	**2,738**	2,281
Other gains/(losses)	5	**14,447**	(377)	**5,649**	(7,257)
Other operating income	5	**15,698**	14,374	**13,450**	7,618
Changes in inventories of finished goods and work-in-progress		**(2,105)**	(5,333)	**(44)**	(25)
Raw materials and consumables used		**(427,760)**	(381,275)	**(157,205)**	(125,895)
Depreciation of property, plant and equipment	11	**(166,886)**	(173,626)	**(61,679)**	(63,902)
Impairment losses on property, plant and equipment	11	**-**	(966)	**-**	-
Impairment loss on investments in subsidiaries	13	**-**	-	**(45,845)**	(57,578)
Employee benefits expenses	5	**(331,429)**	(303,361)	**(157,127)**	(140,626)
Directors' remuneration	6	**(9,906)**	(9,438)	**(9,906)**	(9,438)
Amortisation of prepaid interest in leased land	12	**(560)**	(545)	**(44)**	(44)
Finance costs	7	**(4,449)**	(9,276)	**(333)**	(2,087)
Other operating expenses	5	**(225,840)**	(218,640)	**(133,404)**	(120,978)
Profit before tax		**187,158**	173,105	**114,098**	88,103
Taxation	9(a)	**(23,815)**	(15,857)	**(13,173)**	(12,147)
Profit for the year		**163,343**	157,248	**100,925**	75,956
Attributable to:					
Owners of the Company		**162,289**	155,539	**100,925**	75,956
Non-controlling interests		**1,054**	1,709	**-**	-
		163,343	157,248	**100,925**	75,956
Earnings per share					
Basic and diluted (sen)	10	**22.12**	22.04		

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2016

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year	**163,343**	157,248	**100,925**	75,956
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**(18,194)**	110,132	**-**	-
Net fair value changes in available-for-sale financial assets	**29**	-	**29**	-
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligations	**(1,595)**	1,091	**-**	-
Total other comprehensive (loss)/ income for the year	**(19,760)**	111,223	**29**	-
Total comprehensive income for the year	**143,583**	268,471	**100,954**	75,956
Total comprehensive income attributable to:				
Owners of the Company	**142,529**	266,762	**100,954**	75,956
Non-controlling interests	**1,054**	1,709	**-**	-
	143,583	268,471	**100,954**	75,956

STATEMENTS OF FINANCIAL POSITION

as of December 31, 2016

		THE GROUP		THE COMPANY	
		2016	2015	2016	2015
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**1,128,975**	1,177,693	**459,031**	441,375
Prepaid interest in leased land	12	**19,711**	20,458	**3,562**	3,606
Investments in subsidiaries	13	**-**	-	**385,512**	440,664
Intangible assets	14	**3,625**	5,896	**-**	-
Deferred tax assets	9(c)	**1,229**	1,183	**616**	616
Total non-current assets		**1,153,540**	1,205,230	**848,721**	886,261
Current assets					
Inventories	15	**139,408**	129,699	**77,338**	69,916
Trade receivables	16	**204,913**	190,066	**108,118**	113,440
Other receivables, deposits and prepaid expenses	16	**14,195**	13,258	**6,741**	5,626
Amount owing by subsidiaries	17	**-**	-	**19,633**	16,678
Tax recoverable	9(b)	**20,320**	19,489	**-**	-
Deposits and other cash and cash equivalents	18	**253,788**	133,008	**171,013**	80,957
Total current assets		**632,624**	485,520	**382,843**	286,617
Total assets		**1,786,164**	1,690,750	**1,231,564**	1,172,878

STATEMENTS OF FINANCIAL POSITION (cont'd)

as of December 31, 2016

		THE GROUP		THE COMPANY	
	NOTE	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	19	**366,915**	366,915	**366,915**	366,915
Reserves	20	**1,046,738**	984,930	**682,484**	662,251
Equity attributable to owners of the Company		**1,413,653**	1,351,845	**1,049,399**	1,029,166
Non-controlling interests		**5,355**	4,301	**-**	-
Total equity		**1,419,008**	1,356,146	**1,049,399**	1,029,166
Non-current liabilities					
Borrowings	21	**15,487**	18,420	**-**	-
Deferred income	22	**8,562**	9,004	**-**	-
Deferred tax liabilities	9(c)	**8,326**	3,896	**-**	-
Retirement benefit obligations	23	**31,574**	25,043	**-**	-
Total non-current liabilities		**63,949**	56,363	**-**	-
Current liabilities					
Trade payables	24	**93,483**	65,013	**44,614**	32,293
Other payables and accrued expenses	24	**167,120**	117,937	**105,951**	63,272
Amount owing to subsidiaries	17	**-**	-	**29,914**	45,520
Borrowings	21	**36,131**	91,356	**-**	-
Provision for taxation	9(b)	**6,473**	3,935	**1,686**	2,627
Total current liabilities		**303,207**	278,241	**182,165**	143,712
Total liabilities		**367,156**	334,604	**182,165**	143,712
Total equity and liabilities		**1,786,164**	1,690,750	**1,231,564**	1,172,878

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

STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2016

		← NON-DISTRIBUTABLE RESERVES →									
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
Balance as of January 1, 2015		337,115	127,783	19,142	6,798	16,004	98,325	420,085	1,025,252	6,917	1,032,169
Total comprehensive income for the year		-	-	-	-	-	110,132	156,630	266,762	1,709	268,471
Exercise of ESOS and Warrants		29,800	100,669	-	(4,280)	(4,931)	-	9,211	130,469	-	130,469
Expiry of ESOS and Warrants		-	-	-	(2,985)	(11,073)	-	14,058	-	-	-
Dividends	25	-	-	-	-	-	-	(71,156)	(71,156)	-	(71,156)
Transfer to statutory reserve fund		-	-	2,001	-	-	-	(2,001)	-	-	-
Recognition of share-based payments		-	-	-	467	-	-	58	525	3	528
Acquisition of additional interest in a subsidiary company		-	-	-	-	-	-	(7)	(7)	(4,328)	(4,335)

STATEMENT OF CHANGES IN EQUITY (cont'd)

for the year ended December 31, 2016

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	INVESTMENT REVALUATION 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, 2016		366,915	228,452	21,143	-	-	-	208,457	526,878	1,351,845	4,301	1,356,146
Total comprehensive income for the year		-	-	-	-	-	29	(18,194)	160,694	142,529	1,054	143,583
Dividends	25	-	-	-	-	-	-	-	(80,721)	(80,721)	-	(80,721)
Transfer to statutory reserve fund		-	-	3,489	-	-	-	-	(3,489)	-	-	-
Balance as of December 31, 2016		**366,915**	**228,452**	**24,632**	**-**	**-**	**29**	**190,263**	**603,362**	**1,413,653**	**5,355**	**1,419,008**

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

STATEMENT OF CHANGES IN EQUITY (cont'd)

for the year ended December 31, 2016

THE COMPANY	NOTE	← NON-DISTRIBUTABLE RESERVES				→	DISTRIBUTABLE RESERVE	
		SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE RM'000	WARRANTS RESERVE RM'000	INVESTMENT REVALUATION RESERVE RM'000	RETAINED EARNINGS RM'000	TOTAL RM'000
Balance as of January 1, 2015		337,115	127,783	6,790	16,004	-	405,677	893,369
Total comprehensive income for the year		-	-	-	-	-	75,956	75,956
Exercise of ESOS and Warrants		29,800	100,669	(4,338)	(4,931)	-	9,269	130,469
Expiry of ESOS and Warrants		-	-	(2,980)	(11,073)	-	14,053	-
Dividends	25	-	-	-	-	-	(71,156)	(71,156)
Recognition of share-based payments		-	-	528	-	-	-	528
Balance as of January 1, 2016		366,915	228,452	-	-	-	433,799	1,029,166
Total comprehensive income for the year		-	-	-	-	29	100,925	100,954
Dividends	25	-	-	-	-	-	(80,721)	(80,721)
Balance as of December 31, 2016		**366,915**	**228,452**	**-**	**-**	**29**	**454,003**	**1,049,399**

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

STATEMENT OF CASH FLOWS

for the year ended December 31, 2016

	NOTE	THE GROUP 2016 RM'000	THE GROUP 2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**163,343**	157,248
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**166,886**	173,626
Taxation		**23,815**	15,857
Finance costs		**4,449**	9,276
Provision for retirement benefit		**4,050**	1,728
Amortisation of intangible assets		**2,271**	2,271
Amortisation of prepaid interest in leased land		**560**	545
Changes in fair value of available-for-sale quoted investments classified as cash and cash equivalents		**29**	-
Allowance for doubtful debts		**19**	-
Property, plant and equipment written off		**1**	80
Gain on liquidation of subsidiaries		**(4,615)**	-
Interest income		**(3,168)**	(1,143)
Unrealised (gain)/loss on foreign exchange		**(1,653)**	4,467
Gain on disposal of property, plant and equipment		**(510)**	(7,196)
(Write back of)/Allowance for slow moving inventories		**(406)**	414
Amortisation of deferred income		**(208)**	(207)
Impairment losses on property, plant and equipment		**-**	966
Expense recognised in respect of equity-settled share-based payments		**-**	528
Bad debts written off		**-**	377
		354,863	358,837
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		**(8,970)**	2,008
Trade receivables		**(13,027)**	(24,441)
Other receivables, deposits and prepaid expenses		**(2,578)**	(1,297)
(Increase)/Decrease in:			
Trade payables		**25,529**	(2,849)
Other payables and accrued expenses		**13,338**	20,480
Cash Generated From Operations		**369,155**	352,738
Income tax paid		**(17,490)**	(22,794)
Defined benefit obligations paid	23	**(1,157)**	(1,349)
Net Cash From Operating Activities		**350,508**	328,595

		THE GROUP	
		2016	2015
	NOTE	RM'000	RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest received		**3,164**	1,136
Proceeds from disposal of property, plant and equipment		**1,418**	9,724
Additions to property, plant and equipment	18(a)	**(122,077)**	(145,372)
Acquisition of additional shares in subsidiary from non-controlling interests		**-**	(4,335)
Net Cash Used In Investing Activities		**(117,495)**	(138,847)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from term loans		**8,154**	25,287
Dividends paid		**(55,037)**	(71,156)
Repayment of revolving credit/foreign currency trust receipts - net		**(41,523)**	(115,240)
Repayment of term loans		**(22,801)**	(71,996)
Finance costs paid		**(4,364)**	(9,864)
Proceeds from issuance of shares		**-**	130,469
Repayment of finance leases		**-**	(6,035)
Net Cash Used In Financing Activities		**(115,571)**	(118,535)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**117,442**	71,213
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**133,008**	51,032
Effect of exchange rate changes on the balance of cash held in foreign currencies		**3,338**	10,763
CASH AND CASH EQUIVALENTS AT END OF YEAR	18(b)	**253,788**	133,008

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

STATEMENT OF CASH FLOWS (cont'd)

for the year ended December 31, 2016

	NOTE	THE COMPANY 2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**100,925**	75,956
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**61,679**	63,902
Impairment loss on investment in a subsidiary		**45,845**	57,578
Taxation		**13,173**	12,147
Unrealised loss on foreign exchange		**628**	4,435
Finance costs		**333**	2,087
Amortisation of prepaid interest in leased land		**44**	44
Changes in fair value of available-for-sale quoted investments classified as cash and cash equivalents		**29**	-
Property, plant and equipment written off		**1**	80
Gain on liquidation of a subsidiary		**(5,223)**	-
Interest income		**(2,738)**	(2,281)
Gain on disposal of property, plant and equipment		**(102)**	(238)
Expense recognised in respect of equity-settled share-based payments		**-**	479
		214,594	214,189
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		**(7,422)**	(7,634)
Trade receivables		**6,890**	(40,069)
Other receivables, deposits and prepaid expenses		**(1,115)**	(3,288)
Increase in:			
Trade payables		**10,601**	9,367
Other payables and accrued expenses		**3,650**	13,294
Cash Generated From Operations		**227,198**	185,859
Income tax paid		**(14,114)**	(11,291)
Net Cash From Operating Activities		**213,084**	174,568

	NOTE	THE COMPANY 2016 RM'000	THE COMPANY 2015 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**3,795**	2,303
Interest received		**2,738**	1,074
Additions to property, plant and equipment	18(a)	**(70,839)**	(87,854)
(Advances to)/Repayment from subsidiaries		**(2,262)**	17,992
Acquisition of additional shares in subsidiary from non-controlling interests		**-**	(4,335)
Net Cash Used In Investing Activities		**(66,568)**	(70,820)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Dividends paid		**(55,037)**	(71,156)
(Repayment to)/Advances received from subsidiaries		**(2,148)**	19,834
Finance costs paid		**(333)**	(2,298)
Proceeds from issuance of shares		**-**	130,469
Repayment of revolving credit/foreign currency trust receipts - net		**-**	(85,011)
Repayment of term loans		**-**	(16,583)
Repayment of finance leases		**-**	(2,153)
Net Cash Used In Financing Activities		**(57,518)**	(26,898)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**88,998**	76,850
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**80,957**	4,116
Effect of exchange rate changes on the balance of cash held in foreign currencies		**1,058**	(9)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18(b)	**171,013**	80,957

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 3, 2017.

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

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

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

In the current year, the Group and the Company have applied a number of amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2016.

The adoption of amendments to MFRSs has had no material impact on the disclosures or on the amounts recognised in the financial statements of the Group and of the Company.

(b) Standards in issue but not yet effective

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

MFRS 9	Financial Instruments[2]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications)[2]
MFRS 16	Leases[3]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions[2]

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

(b) Standards in issue but not yet effective (Cont'd)

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to MFRS 107	Disclosure Initiative[1]
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts[2]
Amendments to MFRS 140	Transfers of Investment Property[2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle[1 or 2]

[1] Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The directors of the Group and of the Company anticipate that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements of the Group and of the Company. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Group and the Company complete a detailed review.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

(b) Standards in issue but not yet effective (Cont'd)

MFRS 16 *Leases*

MFRS 16 specifies how an MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors of the Group and of the Company anticipate that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements of the Group and of the Company. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company perform a detailed review.

Amendments to MFRS 107 *Disclosure Initiative*

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from both cash flows and non-cash changes.

The directors of the Group and of the Company do not anticipate that the application of the amendments to MFRS 107 will have a material impact on the financial statements of the Group and of the Company.

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

This Interpretation addresses the diversity in practice as to the exchange rate used when reporting transactions that are denominated in a foreign currency in accordance with MFRS 121 *The Effects of Changes in Foreign Exchange Rates* in circumstances in which consideration is received or paid in advance of the recognition of the related asset, expense or income.

The clarification provided is that in such circumstances (i.e. when an entity pays or receives consideration in advance in a foreign currency), the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration (i.e. when the prepayment or income received in advance liability was recognised). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

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

(b) Standards in issue but not yet effective (Cont'd)

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (Cont'd)

The amendments apply to annual periods beginning on or after January 1, 2018 with earlier application permitted. A choice is available as to whether the amendments are to be applied either retrospectively or prospectively. The directors of the Group and of the Company do not anticipate that the application of these amendments will have a material impact on the financial statements of the Group and of the Company.

3. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

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

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

Subsidiaries and Basis of Consolidation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Changes in the Group's ownership interest in existing subsidiaries

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

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

Subsidiaries

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

Business Combinations

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

Intangible Assets Acquired in a Business Combination

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 substance of the relevant agreement.

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

Leases

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

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

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

Foreign Currencies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

Borrowing Costs

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

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

Government Grants

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share-based compensation benefits

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

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

Taxation

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

Current tax

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax (Cont'd)

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

Property, Plant and Equipment

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

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

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

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

The annual depreciation rates are as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Prepaid Interest in Leased Land

Leasehold land that normally has an indefinite economic life and where the title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. Payments made on entering into or acquiring leasehold land are accounted as prepaid interest in leased land and amortised over the remaining lease terms ranging from 30 to 99 years.

Goodwill

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

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

Intangible Assets

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

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

Research and Development Costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Assets

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

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

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

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

Inventories

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

Financial Instruments

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

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

Effective interest method

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Financial Assets

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

(i) Loans and receivables

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

Financial assets of the Group and of the Company categorised as loans and receivables are short-term deposits, cash and bank balances, trade receivables, other receivables (excluding Goods and Services Tax receivable) and deposits and inter-company indebtedness.

(ii) Available-for-sale financial assets

Financial assets categorised as available-for-sale are measured at fair values with the gain or loss recognised in other comprehensive income. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.

Financial assets of the Group and of the Company categorised as available-for-sale are quoted investments.

(iii) Impairment of financial assets

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

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

(iv) Derecognition of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (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 as "other financial liabilities" category.

(iv) Other financial liabilities

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

Financial liabilities of the Group and of the Company are trade payables, other payables (excluding Goods and Services Tax payable) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 Property, Plant and Equipment and Intangible Assets with Finite Useful Lives

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

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

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

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

(c) Income Taxes

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(d) Deferred Tax Assets

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

(e) Contingent Liabilities

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

(f) 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.

(g) Allowance for Slow-Moving Inventories

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

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

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

(h) Impairment of Investments in Subsidiary Companies

The Company holds unquoted shares in subsidiary companies that are not traded in an active market. The Company used pre-tax cash flow projections based on one-year financial budget approved by the directors and a financial forecast covering the subsequent four years period. The terminal value is calculated based on the projected cash flow of the CGUs at the end of the fifth year with a constant growth rate.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. SEGMENT INFORMATION

The segment reporting is presented in a manner which is consistent with internal reporting provided to the chief operating decision maker.

Business segment

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

Geographical segment

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

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance are based on the geographical segments by location of customers.

Segment revenue from external customers is based on the country in which the customers' business operation are located.

Segment assets, liabilities and capital expenditure information are not presented as it cannot be reasonably allocated to an individual segment.

THE GROUP	ASIA 2016 RM'000	ASIA 2015 RM'000	EUROPE 2016 RM'000	EUROPE 2015 RM'000	UNITED STATES OF AMERICA 2016 RM'000	UNITED STATES OF AMERICA 2015 RM'000	CONSOLIDATED 2016 RM'000	CONSOLIDATED 2015 RM'000
Geographical segments by location of customers								
Statement of Profit or Loss								
Revenue								
External sales	**594,891**	555,896	**195,254**	194,582	**532,635**	509,947	**1,322,780**	1,260,425
Results								
Segment results	**89,392**	87,379	**61**	2,778	**97,874**	91,310	**187,327**	181,467
Non-reportable segments							**1,112**	(229)
Finance costs							**(4,449)**	(9,276)
Investment income							**3,168**	1,143
Profit before tax							**187,158**	173,105
Taxation							**(23,815)**	(15,857)
Profit for the year							**163,343**	157,248

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

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

		THE GROUP		THE COMPANY	
		2016	2015	2016	2015
	NOTE	RM'000	RM'000	RM'000	RM'000
Foreign exchange:					
Realised gain/(loss)		**12,280**	(3,106)	**6,170**	(3,060)
Unrealised gain/(loss)		**1,653**	(4,467)	**(628)**	(4,435)
Gain on liquidation of subsidiaries		**4,615**	-	**5,223**	-
Rental income		**3,231**	1,717	**3,484**	2,117
Grant income received		**1,385**	540	**-**	-
Gain on disposal of property, plant and equipment		**510**	7,196	**102**	238
Amortisation of deferred income	22	**208**	207	**-**	-
Cumulative gain reclassified from equity on disposal of available-for-sale investments		**5**	-	**5**	-
Research and development expenses		**(8,683)**	(8,662)	**(5,154)**	(5,204)
Amortisation of intangible assets	14	**(2,271)**	(2,271)	**-**	-
Rental of premises		**(934)**	(1,748)	**(322)**	(315)
Fees paid/payable to external auditors:					
Statutory audit:					
Current year		**(816)**	(785)	**(278)**	(265)
Others		**(8)**	(8)	**(8)**	(8)
Rental of equipment		**(319)**	(552)	**-**	-
Allowance for doubtful debts		**(19)**	-	**-**	-
Property, plant and equipment written off		**(1)**	(80)	**(1)**	(80)
Bad debts written off		**-**	(377)	**-**	-

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

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Equity-settled share-based payments	**-**	362	**-**	313
Defined benefit plans	**4,050**	1,728	**-**	-
Defined contribution plans	**25,729**	23,263	**8,709**	8,039
Retrenchment costs	**-**	52	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. DIRECTORS' REMUNERATION

	THE GROUP AND THE COMPANY	
	2016 RM'000	2015 RM'000
Directors of the Company		
Executive:		
Fees	**661**	630
Other emoluments	**7,217**	6,843
Defined contribution plans	**863**	818
Equity-settled share-based payments	**-**	166
	8,741	8,457
Non-executive fees	**1,165**	981
	9,906	9,438

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 RM185,000 (2015: RM149,000).

7. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest on:				
Revolving credit	**1,903**	3,893	**-**	1,073
Term loans	**1,202**	1,893	**-**	114
Foreign currency trust receipts	**-**	501	**-**	501
Bank overdrafts	**-**	111	**-**	99
Finance leases	**-**	(147)	**-**	(226)
Bank charges and commissions	**1,287**	2,780	**305**	336
Loan and facility arrangement fees	**29**	99	**-**	44
Commitment fees	**28**	146	**28**	146
Total interest expense for financial liabilities not classified as at fair value through profit or loss	**4,449**	9,276	**333**	2,087

8. INTEREST INCOME

	THE GROUP		THE COMPANY	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income from:				
Short-term deposits	**3,168**	1,143	**2,738**	1,074
Advances to a subsidiary	**-**	-	**-**	1,207
	3,168	1,143	**2,738**	2,281

9. TAXATION

(a) Taxation recognised in profit or loss

	THE GROUP		THE COMPANY	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax expense comprises:				
Current tax in respect of the financial year:				
Malaysian	**(12,194)**	(12,148)	**(12,096)**	(12,148)
Foreign	**(6,652)**	(3,515)	**-**	-
Deferred tax relating to origination and reversal of temporary differences	**(3,898)**	(137)	**-**	-
Adjustments recognised in the current year in relation to the taxes of prior years:				
- income tax	**(1,086)**	8	**(1,077)**	1
- deferred tax	**15**	(65)	**-**	-
Total tax expense	**(23,815)**	(15,857)	**(13,173)**	(12,147)

Malaysian income tax is calculated at the statutory tax rate of 24% for the year of assessment 2016 (2015: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. TAXATION (CONT'D)

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

The Budget 2017 announced on October 21, 2016 proposed that the incremental portion of chargeable income compared to the immediate preceding year of assessment enjoys reduced income tax rate as follows with effect from years of assessment 2017 and 2018. Following these, the applicable tax rates to be used for the measurement of any applicable deferred tax will be at the below expected rates:

PERCENTAGE OF INCREASE IN CHARGEABLE INCOME AS COMPARED TO THE IMMEDIATE PRECEDING YEAR OF ASSESSMENT	PERCENTAGE POINT OF REDUCTION IN TAX RATE	TAX RATE AFTER REDUCTION %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

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

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	**187,158**	173,105	**114,098**	88,103
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2015: 25%)	**(44,918)**	(43,276)	**(27,384)**	(22,026)
Different tax rates of subsidiaries operating in other jurisdictions	**(199)**	31	**-**	-
Tax effects of:				
Utilisation of unutilised tax losses and reinvestment allowances not recognised as deferred tax assets	**29,422**	26,839	**25,576**	25,595
Income that is exempted from taxation	**2,054**	3,241	**1,753**	1,279
Reduction in income tax rate	**3,699**	2,318	**-**	-
Expenses that are not deductible in determining taxable profit	**(3,655)**	(4,929)	**(12,041)**	(16,996)
Unabsorbed capital allowances and unutilised losses not recognised as deferred tax assets	**(4,417)**	(24)	**-**	-
Reversal of tax benefits previously recognised as deferred tax assets	**(4,730)**	-	**-**	-
	(22,744)	(15,800)	**(12,096)**	(12,148)
Adjustments recognised in the current year in relation to the taxes of prior years:				
- income tax	**(1,086)**	8	**(1,077)**	1
- deferred tax	**15**	(65)	**-**	-
Taxation recognised in the statements of profit or loss	**(23,815)**	(15,857)	**(13,173)**	(12,147)

9. TAXATION (CONT'D)

(b) Tax Recoverable and Provision for Taxation

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

Contingent tax expenses pending outcome of court cases are as follows:

	2016 RM'000	2015 RM'000
Years of Assessment:		
2009	**11,723**	10,215
2010	**2,077**	1,809
2011	**1,677**	1,462
2012	**4,829**	4,208
Included in tax recoverable of the Group	**20,306**	17,694
Unpaid tax assessment for year of assessment 2010	**3,583**	3,122
Contingent tax expense pending outcome of court cases	**23,889**	20,816

PT Unisem received revised tax assessments from the local tax authorities in respect of Years of Assessment 2009 to 2012 and had filed objections/appeals accordingly with the exception of Year of Assessment 2010 in which PT Unisem had to revise the tax computation due to the flowover impacts from Year of Assessment 2009 revised tax assessment. The stages of objections/appeals range from Director General of Tax, Tax Court and Supreme Court in which the final outcome of the objections/appeals have yet to be obtained.

PT Unisem had paid a significant portion of the tax payable arising from the revised tax assessments so as to reduce any potential penalty payments imposed as the Indonesia tax laws permit the local tax authorities to do so.

Management is of the view that PT Unisem stands a good chance of a favourable response of the final outcome of the objections/appeals and thus, no additional income tax expense needs to be recognised.

The details of the tax assessments and late payment interest for the respective years of assessment are explained below:

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

PT Unisem had an outstanding appeal on tax assessment received for YA 2009 showing an underpayment of corporate income tax amounting to RM5,002,828 and interest of RM1,600,905 instead of an overpayment of RM498,350.

PT Unisem had made a partial payment of RM1,982,812, RM1,345,800 and RM3,275,121 in year 2011, 2012 and 2015 respectively for the assessed underpayment amount inclusive of interest of RM6,603,733 subsequent to the rejection of appeal by both the Director General of Tax and Tax Court. Following the rejected appeal, a penalty of RM4,616,839 was imposed on the late payment of the outstanding balance. In 2015, PT Unisem made a full payment of the penalty imposed of RM4,616,839.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. TAXATION (CONT'D)

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

Year of Assessment 2009 (YA 2009) (Cont'd)

In June 2015, PT Unisem submitted a judicial review to the Supreme Court for the result of the Tax Court. As at the date of this audit report, the outcome of the appeal has yet to be obtained.

Year of Assessment 2010 (YA 2010)

Based on the revised tax assessment for YA 2009 disclosed above, PT Unisem amended the corporate income tax for YA 2010 due to the utilization of fiscal loss carried forward disputed for YA 2009. The revision of tax assessment had resulted in an underpayment for YA 2010 including interest of RM1,875,090, instead of overpayment of RM307,627. PT Unisem had made a full payment on the assessed underpayment of corporate income tax in year 2010.

Pending the outcome of the judicial review from the Supreme Court for YA 2009, no tax audit was raised for YA 2010 as of the date of this report.

In 2015, PT Unisem reversed RM106,134 non-claimable interests previously recognised on prepaid taxes.

Year of Assessment 2011 (YA 2011)

PT Unisem has an outstanding appeal on tax assessment received in 2013 for YA 2011 showing an underpayment of corporate income tax amounting to RM2,756,216 and interest of RM826,864, instead of an overpayment of RM1,752,707.

Appeal submitted in 2013 to the Director General of Tax on the underpayment had been rejected in 2014. Subsequent to the rejected appeal, PT Unisem had then submitted an appeal to the Tax Court. At the date of this report, the outcome of the appeal has yet to be obtained and the underpayment of corporate income tax has yet to be paid.

In 2015, PT Unisem reversed RM75,428 non-claimable interests previously recognised on prepaid taxes.

Year of Assessment 2012 (YA 2012)

PT Unisem has an outstanding appeal on tax assessment received in 2014 for YA 2012 showing an underpayment of corporate income tax amounting to RM3,470,652 and interest of RM1,110,612, instead of an overpayment of RM247,874.

In 2014, PT Unisem made a full payment of the assessed underpayment amount inclusive of interest of RM4,581,265. Objection was filed in 2014 with the Director General of Tax on the underpayment and interest charges. At the date of this report, the outcome of the appeal has yet to be obtained.

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 2016	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets				
Unutilised reinvestment allowances and investment tax allowances	64,477	63	-	**64,540**
Unabsorbed capital allowances and unutilised tax losses	16,383	(5,991)	(171)	**10,221**
Retirement benefits	6,640	1,243	385	**8,268**
Provisions	866	(100)	(16)	**750**
	88,366	(4,785)	198	**83,779**
Offsetting				**(82,550)**
Deferred tax assets (after offsetting)				**1,229**
Deferred tax liabilities				
Property, plant and equipment	(91,079)	902	(699)	**(90,876)**
Offsetting				**82,550**
Deferred tax liabilities (after offsetting)				**(8,326)**
THE GROUP 2015				
Deferred tax assets				
Unutilised reinvestment allowances and investment tax allowances	64,938	(461)	-	64,477
Unabsorbed capital allowances and unutilised tax losses	14,425	926	1,032	16,383
Retirement benefits	129	5,885	626	6,640
Provisions	772	(54)	148	866
	80,264	6,296	1,806	88,366
Offsetting				(87,183)
Deferred tax assets (after offsetting)				1,183
Deferred tax liabilities				
Property, plant and equipment	(82,151)	(6,498)	(2,430)	(91,079)
Offsetting				87,183
Deferred tax liabilities (after offsetting)				(3,896)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. TAXATION (CONT'D)

(c) Deferred Tax Balances (Cont'd)

THE COMPANY 2016	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets				
Unutilised reinvestment allowances	64,477	63	-	**64,540**
Offsetting				**(63,924)**
Deferred tax assets (after offsetting)				**616**
Deferred tax liabilities				
Property, plant and equipment	(63,861)	(63)	-	**(63,924)**
Offsetting				**63,924**
Deferred tax liabilities (after offsetting)				**-**
THE COMPANY 2015				
Deferred tax assets				
Unutilised reinvestment allowances	64,727	(250)	-	64,477
Offsetting				(63,861)
Deferred tax assets (after offsetting)				616
Deferred tax liabilities				
Property, plant and equipment	(64,111)	250	-	(63,861)
Offsetting				63,861
Deferred tax liabilities (after offsetting)				-

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised investment tax allowances	**22,110**	24,586	**-**	-
Unutilised reinvestment allowances	**14,483**	32,890	**14,483**	32,890
Unabsorbed capital allowances and unutilised tax losses	**53,473**	12,966	**-**	-
	90,066	70,442	**14,483**	32,890

9. TAXATION (CONT'D)

(c) Deferred Tax Balances (Cont'd)

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

	THE GROUP 2016 RM'000	THE GROUP 2015 RM'000
Tax losses expiring in:		
2018	15,185	-
2019	5,153	-
2020	13,202	11,393
2021	19,933	-
	53,473	11,393

10. EARNINGS PER SHARE

	THE GROUP 2016	THE GROUP 2015
Basic and Diluted		
Profit for the year attributable to owners of the Company (RM'000)	**162,289**	155,539
Number of ordinary shares in issue as of January 1 ('000)	**733,831**	674,229
Weighted average number of shares issued during the year ('000)	**-**	31,406
Weighted average number of ordinary shares in issue ('000)	**733,831**	705,635
Basic and diluted earnings per ordinary share (sen)	**22.12**	22.04

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in 2016 consist of the following:

	COST						
THE GROUP 2016	AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
Buildings	**371,567**	**193**	**428**	**(1,221)**	**-**	**10,679**	**381,646**
Plant and machinery	**2,952,036**	**80,630**	**(929)**	**(43,127)**	**(19)**	**36,172**	**3,024,763**
Electrical installation	**16,119**	**124**	**-**	**-**	**-**	**-**	**16,243**
Office equipment	**79,521**	**1,159**	**519**	**(210)**	**(45)**	**(99)**	**80,845**
Air-conditioners	**12,852**	**354**	**(129)**	**-**	**-**	**-**	**13,077**
Motor vehicles	**4,265**	**634**	**5**	**(651)**	**-**	**-**	**4,253**
Furniture and fittings	**16,624**	**73**	**221**	**(121)**	**-**	**(20)**	**16,777**
Production support equipment	**61,367**	**45**	**(1,490)**	**-**	**-**	**209**	**60,131**
Capital work-in-progress	**9,163**	**47,297**	**1,858**	**(2)**	**-**	**(46,941)**	**11,375**
Total	**3,523,514**	**130,509**	**483**	**(45,332)**	**(64)**	**-**	**3,609,110**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

	ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
THE GROUP 2016	AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	IMPAIRMENT LOSS FOR THE YEAR RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	AT END OF YEAR RM'000
Buildings	**150,002**	**8,695**	**-**	**3,883**	**(1,020)**	**-**	**161,560**
Plant and machinery	**2,068,718**	**146,349**	**-**	**7,776**	**(42,467)**	**(20)**	**2,180,356**
Electrical installation	**14,526**	**516**	**-**	**-**	**-**	**-**	**15,042**
Office equipment	**55,096**	**4,710**	**-**	**602**	**(207)**	**(43)**	**60,158**
Air-conditioners	**10,891**	**466**	**-**	**(103)**	**-**	**-**	**11,254**
Motor vehicles	**3,082**	**409**	**-**	**13**	**(609)**	**-**	**2,895**
Furniture and fittings	**14,975**	**334**	**-**	**240**	**(121)**	**-**	**15,428**
Production support equipment	**28,531**	**5,407**	**-**	**(496)**	**-**	**-**	**33,442**
Capital work-in-progress	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,345,821**	**166,886**	**-**	**11,915**	**(44,424)**	**(63)**	**2,480,135**

	COST						
THE GROUP 2015	AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
Buildings	334,270	1,048	46,780	(10,531)	-	-	371,567
Plant and machinery	2,673,874	103,406	230,088	(84,443)	(782)	29,893	2,952,036
Electrical installation	15,394	725	-	-	-	-	16,119
Office equipment	72,132	2,482	6,100	(1,474)	(410)	691	79,521
Air-conditioners	11,663	422	767	-	-	-	12,852
Motor vehicles	5,435	22	160	(1,352)	-	-	4,265
Furniture and fittings	14,753	389	1,933	(451)	-	-	16,624
Production support equipment	51,931	63	8,738	(2)	-	637	61,367
Capital work-in-progress	11,369	25,359	3,656	-	-	(31,221)	9,163
Total	3,190,821	133,916	298,222	(98,253)	(1,192)	-	3,523,514

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

THE GROUP 2015	ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	IMPAIRMENT LOSS FOR THE YEAR RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	AT END OF YEAR RM'000
Buildings	128,366	9,176	-	22,983	(10,523)	-	150,002
Plant and machinery	1,846,596	151,584	966	152,396	(82,052)	(772)	2,068,718
Electrical installation	14,009	517	-	-	-	-	14,526
Office equipment	46,916	4,624	-	5,307	(1,411)	(340)	55,096
Air-conditioners	9,586	689	-	616	-	-	10,891
Motor vehicles	3,539	710	-	119	(1,286)	-	3,082
Furniture and fittings	13,144	438	-	1,845	(452)	-	14,975
Production support equipment	19,111	5,888	-	3,533	(1)	-	28,531
Capital work-in-progress	-	-	-	-	-	-	-
Total	2,081,267	173,626	966	186,799	(95,725)	(1,112)	2,345,821

THE COMPANY 2016	COST AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
Buildings	**94,006**	**193**	**-**	**-**	**-**	**94,199**
Plant and machinery	**1,364,351**	**79,732**	**(7,572)**	**(19)**	**-**	**1,436,492**
Electrical installation	**15,786**	**118**	**-**	**-**	**-**	**15,904**
Office equipment	**42,865**	**638**	**-**	**(45)**	**-**	**43,458**
Air-conditioners	**7,717**	**354**	**-**	**-**	**-**	**8,071**
Motor vehicles	**3,189**	**634**	**(651)**	**-**	**-**	**3,172**
Furniture and fittings	**5,362**	**15**	**-**	**-**	**-**	**5,377**
Capital work-in-progress	**1,890**	**1,345**	**-**	**-**	**-**	**3,235**
Total	**1,535,166**	**83,029**	**(8,223)**	**(64)**	**-**	**1,609,908**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

THE COMPANY 2016	ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	IMPAIRMENT LOSS FOR THE YEAR RM'000	DISPOSALS RM'000	WRITE OFF RM'000	AT END OF YEAR RM'000
Buildings	**24,038**	**2,103**	**-**	**-**	**-**	**26,141**
Plant and machinery	**1,019,385**	**55,212**	**-**	**(3,921)**	**(20)**	**1,070,656**
Electrical installation	**13,413**	**487**	**-**	**-**	**-**	**13,900**
Office equipment	**23,984**	**3,097**	**-**	**-**	**(43)**	**27,038**
Air-conditioners	**6,495**	**255**	**-**	**-**	**-**	**6,750**
Motor vehicles	**2,108**	**351**	**-**	**(609)**	**-**	**1,850**
Furniture and fittings	**4,368**	**174**	**-**	**-**	**-**	**4,542**
Capital work-in-progress	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,093,791**	**61,679**	**-**	**(4,530)**	**(63)**	**1,150,877**

THE COMPANY 2015	COST AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
Buildings	92,958	1,048	-	-	-	94,006
Plant and machinery	1,327,167	73,257	(35,304)	(782)	13	1,364,351
Electrical installation	15,140	646	-	-	-	15,786
Office equipment	41,795	789	-	(410)	691	42,865
Air-conditioners	7,295	422	-	-	-	7,717
Motor vehicles	4,214	22	(1,047)	-	-	3,189
Furniture and fittings	5,072	290	-	-	-	5,362
Capital work-in-progress	2,435	159	-	-	(704)	1,890
Total	1,496,076	76,633	(36,351)	(1,192)	-	1,535,166

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

THE COMPANY 2015	← ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES → AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	IMPAIRMENT LOSS FOR THE YEAR RM'000	DISPOSALS RM'000	WRITE OFF RM'000	AT END OF YEAR RM'000
Buildings	22,170	1,868	-	-	-	24,038
Plant and machinery	996,282	57,158	-	(33,283)	(772)	1,019,385
Electrical installation	12,926	487	-	-	-	13,413
Office equipment	21,030	3,294	-	-	(340)	23,984
Air-conditioners	6,239	256	-	-	-	6,495
Motor vehicles	2,460	651	-	(1,003)	-	2,108
Furniture and fittings	4,180	188	-	-	-	4,368
Capital work-in-progress	-	-	-	-	-	-
Total	1,065,287	63,902	-	(34,286)	(1,112)	1,093,791

THE GROUP	NET BOOK VALUE 2016 RM'000	2015 RM'000
Buildings	**220,086**	221,565
Plant and machinery	**844,407**	883,318
Electrical installation	**1,201**	1,593
Office equipment	**20,687**	24,425
Air-conditioners	**1,823**	1,961
Motor vehicles	**1,358**	1,183
Furniture and fittings	**1,349**	1,649
Production support equipment	**26,689**	32,836
Capital work-in-progress	**11,375**	9,163
Total	**1,128,975**	1,177,693
THE COMPANY		
Buildings	**68,058**	69,968
Plant and machinery	**365,836**	344,966
Electrical installation	**2,004**	2,373
Office equipment	**16,420**	18,881
Air-conditioners	**1,321**	1,222
Motor vehicles	**1,322**	1,081
Furniture and fittings	**835**	994
Capital work-in-progress	**3,235**	1,890
Total	**459,031**	441,375

In 2015, property, plant and equipment of a foreign subsidiary with total carrying amount of RM83,826,000 was charged by way of a fixed and floating debenture to one foreign bank for term loan facility granted to the subsidiary as disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Impairment review of property, plant and equipment

One of the foreign subsidiaries, PT Unisem, has been making losses for the current and past two financial years, which is considered as a triggering event for impairment review on the subsidiary's property, plant and equipment.

Recognising that the recoverable value of the subsidiary's property, plant and equipment is sensitive to changes in assumptions over the future discount rates and cashflow projections which require judgement, the directors have performed a detailed impairment review to determine that the judgement used are consistent with both market and operating model.

Based on review, the directors are satisfied that a robust and consistent approach had been used and no impairment will be recognised on the subsidiary's property, plant and equipment.

The directors have completed the assessment of impairment on the carrying value of the property, plant and equipment for 2016 and 2015 by the computation of value-in-use.

The principal assumptions used for the impairment review are as follows:

- Discount rate - a pre-tax discount rate of 12.92% (2015: 12.00%) was used in the recoverable amount calculation that reflects the Group's current market assessments and the risks specific to the CGU.
- Revenue growth rate - based on management's expectations of revenue, drawing from the past experience and current assessment of the market and industry growth.
- Variable factory overhead - estimated after taking into account of the related production volume, production efficiency and reasonable increment rates.
- Fixed factory overhead - mostly constant but reflect material changes in activity level.

12. PREPAID INTEREST IN LEASED LAND

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost:				
At beginning of year	**29,852**	26,852	**4,354**	4,354
Translation reserve	**33**	3,000	**-**	-
At end of year	**29,885**	29,852	**4,354**	4,354
Less: Amortisation				
At beginning of year	**9,394**	7,530	**748**	704
Charge for the year	**560**	545	**44**	44
Translation reserve	**220**	1,319	**-**	-
At end of year	**10,174**	9,394	**792**	748
Net	**19,711**	20,458	**3,562**	3,606

In 2015, leasehold land of a foreign subsidiary with total carrying amount of RM4,016,000 was charged by way of a fixed and floating debenture to one foreign bank for term loan facility granted to the subsidiary as disclosed in Note 21.

13. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost		
At beginning of year	**662,464**	658,080
Additions/(Disposals)	**(129,136)**	4,384
At end of year	**533,328**	662,464
Accumulated impairment losses		
At beginning of year	**221,800**	164,222
Additions	**45,845**	57,578
Disposals	**(119,829)**	-
At end of year	**147,816**	221,800
	385,512	440,664

Impairment review of investments in subsidiaries

PT Unisem has been making losses for the current and past two years which is considered as a triggering event for impairment review on the investment cost of Unisem (Mauritius) Holdings Limited group since PT Unisem is the only operating entity within that group.

Recognising that the recoverable value of the investment cost sensitive to changes in assumptions over the future discount rates and cashflow estimations, the directors performed a detailed impairment review to determine that the judgement used are consistent with both market and operating model.

The principal assumptions used for the impairment review are as follows:

- Discount rate - a pre-tax discount rate of 11.90% (2015: 12.99%) was used in the recoverable amount calculation that reflects the Group's current market assessments and the risks specific to the CGU.

- Revenue growth rate - based on management's expectations of revenue, drawing from the past experience and current assessment of the market and industry growth.

- Variable factory overhead - estimated after taking into account of the related production volume, production efficiency and reasonable increment rates.

- Fixed operating costs (include fixed factory overhead and administrative, marketing and finance expenses) - mostly constant but reflect material changes in activity level.

Based on review, the Company recognised additional impairment loss of RM45,845,000 (2015: RM57,578,000) during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

NAME OF COMPANIES	PLACE OF INCORPORATION	PROPORTION OF OWNERSHIP INTEREST/VOTING RIGHTS HELD BY THE COMPANY 2016 %	2015 %	PRINCIPAL ACTIVITIES
Direct subsidiaries				
Unisem (Ipoh) Sdn. Bhd. #	Malaysia	**100.00**	100.00	Pre-operating.
Unisem Advanced Technologies Sdn. Bhd.	Malaysia	**92.41**	92.41	Wafer bumping and packaging and testing of semiconductor devices and other related services.
Unisem (Europe) Holdings Limited @	England and Wales	**100.00**	100.00	Wound up on March 30, 2016.
Unisem Chengdu Co., Ltd.	People's Republic of China	**100.00**	100.00	Packaging and testing of semiconductor devices.
Unisem (Mauritius) Holdings Limited @	Republic of Mauritius	**99.98**	99.98	Investment holding and the provision of management services.
Unisem Chengdu International Import & Export Co., Ltd.^ #	People's Republic of China	**100.00**	100.00	Marketing of semiconductor devices and provision of related services.
Subsidiary of Unisem (Mauritius) Holdings Limited:				
PT. Unisem	Indonesia	**99.98**	99.98	Provision of assembly and test services.
Unisem International (Hong Kong) Limited ^	Hong Kong	**99.98**	99.98	Contracting entity for the provision of assembly and test services.
Unisem GmbH @	Germany	**99.98**	99.98	Commenced voluntary liquidation proceedings on December 30, 2016.
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	Wound up on July 6, 2016.

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

The accumulated non-controlling interest as of December 31, 2016 of RM5,355,000 (2015: RM4,301,000) is attributable to Unisem Advanced Technologies Sdn. Bhd. and is considered not material to the Group.

14. 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, 2015	22,564	22,779	1,525	46,868
Translation reserve	1,306	4,027	350	5,683
As of December 31, 2015	23,870	26,806	1,875	52,551
Translation reserve	295	908	79	1,282
As of December 31, 2016	**24,165**	**27,714**	**1,954**	**53,833**
Accumulated amortisation and impairment losses				
As of January 1, 2015	16,269	20,909	1,525	38,703
Charge for the year	1,736	535	-	2,271
Translation reserve	1,304	4,027	350	5,681
As of December 31, 2015	19,309	25,471	1,875	46,655
Charge for the year	1,736	535	-	2,271
Translation reserve	295	908	79	1,282
As of December 31, 2016	**21,340**	**26,914**	**1,954**	**50,208**
Carrying amounts				
As of December 31, 2015	4,561	1,335	-	5,896
As of December 31, 2016	**2,825**	**800**	**-**	**3,625**

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

The intangible assets comprise mainly license fees and tech-transfer support fees incurred to acquire and bring to use specific technology capabilities relating to the bumping and packaging of semiconductor devices. The carrying amounts of these license fees and tech-transfer support fees will be fully amortised in 2 years (2015: 3 years).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. INVENTORIES

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost:				
Raw materials	**68,918**	61,034	**33,094**	28,314
Factory supplies	**51,219**	47,887	**35,425**	32,898
Work-in-progress	**17,216**	19,280	**8,385**	8,489
Finished goods	**3,300**	3,514	**687**	627
Goods-in-transit	**7**	-	**-**	-
	140,660	131,715	**77,591**	70,328
Less: Allowance for slow-moving inventories:				
At beginning of year	**(2,016)**	(4,399)	**(412)**	(1,242)
(Additions)/Reversal	**406**	(414)	**-**	-
Write off	**348**	3,295	**159**	830
Translation reserve	**10**	(498)	**-**	-
At end of year	**(1,252)**	(2,016)	**(253)**	(412)
	139,408	129,699	**77,338**	69,916

The costs of inventories of the Group and of the Company recognised as an expense during the year were approximately RM1,084,798,000 (2015: RM1,014,362,000) and RM482,198,000 (2015: RM423,769,000) respectively.

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

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	**204,932**	190,066	**108,118**	113,440
Less: Allowance for doubtful debts				
At beginning of year	**-**	(136)	**-**	-
Additions	**(19)**	-	**-**	-
Write off	**-**	149	**-**	-
Translation reserve	**-**	(13)	**-**	-
At end of year	**(19)**	-	**-**	-
	204,913	190,066	**108,118**	113,440

Trade receivables comprise amounts receivable for sale of goods and services rendered. The credit terms granted range from 30 to 60 days (2015: 30 to 60 days).

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

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

Other receivables, deposits and prepaid expenses consist of:

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables	**6,686**	7,427	**3,347**	4,970
Deposits	**3,266**	3,571	**376**	369
Prepaid expenses	**4,243**	2,260	**3,018**	287
	14,195	13,258	**6,741**	5,626

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

Transactions with related parties are disclosed in Note 17.

The currency profile of other receivables is as follows:

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	**3,876**	4,273	**3,347**	4,970
Chinese Renminbi	**1,897**	1,645	**-**	-
US Dollar	**913**	1,470	**-**	-
Others	**-**	39	**-**	-
	6,686	7,427	**3,347**	4,970

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

The amounts owing by/(to) subsidiaries are interest-free except for an amount owing by a subsidiary amounting to approximately RM5,284,000 in the previous financial year which bears interest at 6.70% per annum.

The amounts owing by/(to) subsidiaries are expected to be repaid within 12 months.

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

	THE COMPANY	
	2016 RM'000	2015 RM'000
US Dollar	**11,551**	3,742
Ringgit Malaysia	**8,082**	12,936
	19,633	16,678

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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

	THE COMPANY	
	2016 RM'000	2015 RM'000
US Dollar	**29,818**	45,405
Euro	**96**	115
	29,914	45,520

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

	THE COMPANY	
	2016 RM'000	2015 RM'000
Subsidiaries		
Marketing support fees paid/payable	**3,915**	4,414
Disposal of property, plant and equipment	**3,615**	1,860
Purchase of property, plant and equipment	**2,160**	8,469
Management fees received/receivable	**576**	576
Rental income	**400**	400
Other marketing support fees paid/payable	**331**	274
Marketing support fees received/receivable	**297**	299
Interest received/receivable	**-**	1,207

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

	THE GROUP	
	2016 RM'000	2015 RM'000
Related parties		
Included in other payables	**322**	322

17. 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Equity-settled share-based payments	-	238	-	195
Short-term employee benefit	7,612	7,430	2,500	2,180
	7,612	7,668	2,500	2,375

18. DEPOSITS AND OTHER CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term deposits with licensed banks	142,620	85,667	109,607	68,454
Cash on hand and at banks	100,167	47,341	50,405	12,503
Other cash equivalents	11,001	-	11,001	-
	253,788	133,008	171,013	80,957

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

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	138,581	70,828	123,209	68,963
US Dollar	110,098	58,741	47,802	11,989
Chinese Renminbi	4,612	2,990	-	-
Singapore Dollar	258	137	-	-
Indonesian Rupiah	144	228	-	-
Euro	93	47	-	4
British Pound	-	36	-	-
Others	2	1	2	1
	253,788	133,008	171,013	80,957

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. DEPOSITS AND OTHER CASH AND CASH EQUIVALENTS (CONT'D)

The average effective interest rates per annum are as follows:

Short-term deposits	2016 %	2015 %
The Group	**0.74 - 4.00**	0.20 - 3.85
The Company	**2.40 - 4.00**	2.65 - 3.85

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

Short-term deposits	2016 DAYS	2015 DAYS
The Group	**1 - 90**	4 - 31
The Company	**1 - 90**	4 - 31

Other cash equivalents

Other cash equivalents of the Group and of the Company comprise available-for-sale quoted investments carried at fair value. Other cash equivalents are classified in Level 1 of the fair value hierarchy. There was no transfer between Level 1 and Level 2 during the year.

(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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Additions during the year	**130,509**	133,916	**83,029**	76,633
Outstanding balances	**(28,719)**	(20,287)	**(21,629)**	(9,439)
Cash payment in respect of additions in:				
Current year	**101,790**	113,629	**61,400**	67,194
Prior year	**20,287**	31,743	**9,439**	20,660
	122,077	145,372	**70,839**	87,854

18. DEPOSITS AND OTHER CASH AND CASH EQUIVALENTS (CONT'D)

Other cash equivalents (Cont'd)

(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 and other cash equivalents 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term deposits	**142,620**	85,667	**109,607**	68,454
Cash on hand and at banks	**100,167**	47,341	**50,405**	12,503
Other cash equivalents	**11,001**	-	**11,001**	-
	253,788	133,008	**171,013**	80,957

19. SHARE CAPITAL

		THE GROUP AND THE COMPANY			
	PAR VALUE RM	2016 NUMBER OF ORDINARY SHARES '000 UNITS	2015 NUMBER OF ORDINARY SHARES '000 UNITS	2016 RM'000	2015 RM'000
Authorised:					
At beginning/ end of year	0.50	**1,000,000**	1,000,000	**500,000**	500,000
Issued and fully paid:					
At beginning of year		**733,831**	674,229	**366,915**	337,115
Exercise of ESOS		**-**	7,694	**-**	3,847
Warrants conversion		**-**	51,908	**-**	25,953
At end of year		**733,831**	733,831	**366,915**	366,915

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. RESERVES

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable reserves:				
Share premium	**228,452**	228,452	**228,452**	228,452
Foreign currency translation reserve	**190,263**	208,457	**-**	-
Capital reserve	**24,632**	21,143	**-**	-
Investment revaluation reserve	**29**	-	**29**	-
Distributable reserve:				
Retained earnings	**603,362**	526,878	**454,003**	433,799
	1,046,738	984,930	**682,484**	662,251

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 recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Capital reserve

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

Investment revaluation reserve

Investment revaluation reserve relates to gain or loss recognised on remeasurement of fair value of available-for-sale financial assets.

21. BORROWINGS

	THE GROUP	
	2016 RM'000	2015 RM'000
Secured:		
Revolving credit	**24,000**	67,139
Term loans	**1,991**	16,400
Unsecured:		
Term loans	**25,627**	26,237
	51,618	109,776
Less: Amount due within 12 months (shown under current liabilities)	**(36,131)**	(91,356)
Non-current portion	**15,487**	18,420

21. BORROWINGS (CONT'D)

The non-current portion is repayable as follows:

	THE GROUP 2016 RM'000	2015 RM'000
Financial years ending December 31:		
2017	**-**	11,639
2018	**10,139**	6,781
2019	**5,348**	-
	15,487	18,420

The Group's borrowings are entirely denominated in US Dollar.

The Company has RM90,000,000 (2015: RM95,000,000) unsecured revolving credit, overdrafts, trade financing and bank guarantee facilities with three (2015: four) local banks.

The subsidiaries have the following banking facilities:

i) RMNil (2015: RM301,308,000) term loan and revolving credit facilities with one (2015: one) foreign bank which are secured by fixed charges over certain assets held under property, plant and equipment and leasehold land as mentioned in Notes 11 and 12 respectively and guaranteed by the Company. The term loan has been fully repaid during the financial year;

ii) RM38,131,000 (2015: RM79,631,000) unsecured Islamic term loan facilities with a local bank which are repayable over four (2015: four to five) years commencing from year 2016. These facilities are guaranteed by the Company;

iii) RM13,458,000 (2015: RM12,913,000) term loan facility with a foreign bank which is repayable over five (2015: five) years commencing from 2013. This facility is guaranteed by the Company; and

iv) RM65,402,000 (2015: RM64,966,000) revolving credit, overdrafts, supplier financing and bank guarantee facilities with three (2015: three) foreign and local banks. These facilities are also guaranteed by the Company and certain subsidiaries.

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

The details of interest rates charged are as follows:

Bank overdrafts	- 1.00% (2015: 1.00%) per annum above bank financing rate/base lending rate
Term loans	- 1.50% (2015: 1.50% to 5.40%) per annum plus LIBOR
	- 4.25% (2015: 4.25%) per annum below bank lending term rate
Revolving credit	- 1.00% (2015: 1.00% to 1.75%) per annum plus cost of funds
	- Nil (2015: 2.50%) per annum plus LIBOR
	- 4.75% (2015: 4.75%) per annum below bank lending rate
Supplier financing	- 5.60% (2015: 5.60%) per annum below bank best lending rate
Foreign currency trust receipts	- 0.50% (2015: 0.50%) per annum plus cost of funds

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. DEFERRED INCOME

	THE GROUP	
	2016 RM'000	2015 RM'000
At beginning of year	**9,004**	7,847
Amortisation	**(208)**	(207)
Translation reserve	**(234)**	1,364
At end of year	**8,562**	9,004

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

23. RETIREMENT BENEFIT OBLIGATIONS

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

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

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

The most recent actuarial valuation of the present value of the defined benefit obligations was carried out on December 31, 2016 by PT Towers Watson Purbajaga. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	THE GROUP	
	2016 RM'000	2015 RM'000
Current service costs	**1,383**	181
Interest on obligations	**1,625**	1,547
Other adjustments	**1,042**	-
	4,050	1,728

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

	THE GROUP	
	2016 RM'000	2015 RM'000
At beginning of year	**25,043**	22,418
Benefits paid	**(1,157)**	(1,349)
Remeasurement recognised in other comprehensive income	**1,595**	(1,091)
Expenses recognised in the statement of profit or loss	**4,050**	1,728
Translation reserve	**2,043**	3,337
At end of year	**31,574**	25,043

23. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	THE GROUP	
	2016 RM'000	2015 RM'000
Indonesian Rupiah	**20,604**	14,392
US Dollar	**10,970**	10,651
	31,574	25,043

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

	THE GROUP	
	2016 %	2015 %
Actuarial Assumptions		
Discount rate		
US Dollar based salary	**3.50**	3.75
Indonesian Rupiah ("IDR") based salary	**8.50**	9.00
Future salary increases:		
US Dollar based salary	**4.00**	4.00
IDR based salary	**5.00**	5.00
Mortality rate:	**Indonesia Mortality Table 2011 ("TMI'2011")**	Indonesia Mortality Table 2011 ("TMI'2011")
Disability rate:	**10% of TMI'2011**	10% of TMI'2011
Early retirement rate:	**1% per annum for age ≥ 45 years**	1% per annum for age ≥ 45 years
Withdrawal rate:	**10% at age 25 reducing linearly to 1% at age 45 years**	10% at age 25 reducing linearly to 1% at age 45 years

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

- If the discount rate is 1% (2015: 1%) higher/(lower), the defined benefit obligations would decrease by RM2,943,000 (2015: RM2,484,000) or (increase by RM3,347,000 (2015: RM2,832,000)).

- If the expected future salary growth increases/(decreases) by 1% (2015: 1%), the defined benefit obligations would increase by RM3,396,000 (2015: RM2,875,000) or (decrease by RM3,033,000 (2015: RM2,557,000)).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

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

The Group expects to make a contribution of RM401,000 (2015: RM152,000) during the next financial year.

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to the Group and to the Company range from 30 to 60 days (2015: 30 to 60 days).

The currency profile of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
US Dollar	**77,851**	61,234	**43,351**	30,494
Singapore Dollar	**13,065**	1,016	**-**	-
Ringgit Malaysia	**1,263**	1,907	**1,263**	1,799
Indonesian Rupiah	**291**	532	**-**	-
Japanese Yen	**182**	133	**-**	-
Chinese Renminbi	**89**	65	**-**	-
Others	**742**	126	**-**	-
	93,483	65,013	**44,614**	32,293

Other payables and accrued expenses consist of:

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables	**110,207**	65,592	**74,980**	36,619
Accrued expenses	**56,913**	52,345	**30,971**	26,653
	167,120	117,937	**105,951**	63,272

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 terms granted to the Group and the Company range from 30 to 60 days (2015: 30 to 60 days).

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

Transactions with related parties are disclosed in Note 17.

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

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	**80,930**	45,772	**76,146**	41,398
US Dollar	**57,101**	46,329	**28,702**	21,352
Chinese Renminbi	**19,770**	17,353	**-**	-
Singapore Dollar	**4,550**	3,781	**1,103**	522
Indonesian Rupiah	**4,506**	4,520	**-**	-
Japanese Yen	**151**	52	**-**	-
Euro	**112**	130	**-**	-
	167,120	117,937	**105,951**	63,272

25. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2016 RM'000	2015 RM'000
1st Interim dividend paid:		
3.5 sen per share, tax-exempt (3 sen per share, tax-exempt for 2015)	**25,684**	22,015
2nd Interim dividend paid/payable:		
3.5 sen per share, tax-exempt (3 sen per share, tax-exempt for 2015)	**25,684**	22,015
Final dividend paid:		
4 sen per share, tax-exempt for 2015 (4 sen per share, tax-exempt for 2014)	**29,353**	27,126
	80,721	71,156

The first interim dividend in respect of the current financial year was paid on September 5, 2016.

The second interim dividend in respect of the current financial year was paid on January 6, 2017.

The directors have proposed a final dividend of 8% or 4 sen per share, tax-exempt, for the current financial year. The proposed final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

(a) Market risk

(i) Foreign currency risk management

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

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

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the Group and of the Company at the end of the reporting period are disclosed in Notes 16, 17, 18, 21, 23 and 24.

Foreign currency sensitivity analysis

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

For illustration purposes, the following sensitivity analysis includes the outstanding foreign currency denominated monetary items of the Group and of the Company. If the foreign currency denominated monetary items at the end of the reporting period were translated into Ringgit Malaysia with a 0.5% (2015: 2.00%) weakening/strengthening of Ringgit Malaysia against the following relevant foreign currencies, the effect on profit or loss (after tax) and equity will be higher/lower by approximately:

	PROFIT OR LOSS		EQUITY	
THE GROUP	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
US Dollar impact	**533**	859	**110**	656
Chinese Renminbi impact	**-**	-	**67**	300
British Pound impact	**-**	-	**-**	1
THE COMPANY				
US Dollar impact	**249**	672	**-**	-

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

26. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (Cont'd)

(ii) Interest rate risk management

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

Interest rate sensitivity analysis

For illustration purposes, if the annual effective interest rates increase/decrease by 0.50% (2015: 0.50%) with all other variables including tax rate being held constant, the effect on profit or loss (after tax) will be lower/higher as follows:

	THE GROUP 2016 RM'000	THE GROUP 2015 RM'000
Profit or loss	**196**	412

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

(b) Credit risk

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

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

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

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

	THE COMPANY 2016 RM'000	THE COMPANY 2015 RM'000
Corporate guarantee provided to banks for subsidiaries' facilities	**51,621**	109,893

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

The age analysis of trade receivables is as follows:

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Neither past due nor impaired	**194,239**	180,353	**100,354**	106,436
Past due but not impaired:				
61 - 90 days	**5,300**	6,253	**3,214**	4,366
91 - 120 days	**1,004**	1,057	**695**	770
Above 120 days	**4,351**	2,403	**3,855**	1,868
	10,655	9,713	**7,764**	7,004
Past due and impaired:				
Above 120 days	**19**	-	**-**	-
	204,913	190,066	**108,118**	113,440

<u>*Receivables that are neither past due nor impaired*</u>

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

<u>*Receivables that are past due but not impaired*</u>

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.

The Group and the Company have unutilised banking facilities of approximately RM125,747,000 and RM84,441,000 (2015: RM183,613,000 and RM89,536,000) 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.

26. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (Cont'd)

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

THE GROUP	ON DEMAND OR WITHIN 1 YEAR RM'000	1 TO 5 YEARS RM'000	OVER 5 YEARS RM'000
As of December 31, 2016			
Trade payables, other payables and accrued expenses	**260,603**	**-**	**-**
Bank borrowings	**36,936**	**15,847**	**-**
As of December 31, 2015			
Trade payables, other payables and accrued expenses	182,950	-	-
Bank borrowings	93,254	18,880	-

THE COMPANY	ON DEMAND OR WITHIN 1 YEAR RM'000	1 TO 5 YEARS RM'000	OVER 5 YEARS RM'000
As of December 31, 2016			
Trade payables, other payables and accrued expenses	**150,565**	**-**	**-**
Amount owing to subsidiaries	**29,914**	**-**	**-**
As of December 31, 2015			
Trade payables, other payables and accrued expenses	95,565	-	-
Amount owing to subsidiaries	45,520	-	-

(d) Capital risk

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

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

	THE GROUP	
	2016 RM'000	2015 RM'000
Total borrowings	**51,618**	109,776
Total equity attributable to owners of the Company	**1,413,653**	1,351,845
Gearing ratio	**0.04**	0.08

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

(d) Capital risk (Cont'd)

Financial instruments that are carried at fair value

For the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inpurts to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liabiity, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Fair values of financial instruments carried at amortised cost

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

The fair values of long-term financial liabilities have been determined by the present value of future cash flows estimated and discounted using the current interest rates for similar instruments at the end of the reporting period. There is no material difference between the fair values and carrying values of these financial liabilities as of the end of the reporting period.

27 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Within one year	**252**	630	**-**	115
In the second to fifth year inclusive	**302**	2,128	**-**	6
	554	2,758	**-**	121

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

(b) Capital expenditure

As of December 31, 2016, the Group and the Company have the following commitments in respect of property, plant and equipment:

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Approved and contracted for	**64,552**	37,551	**46,426**	10,256

28. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current year's presentation as shown below:

	THE GROUP	
	AS PREVIOUSLY REPORTED RM'000	AS RECLASSIFIED RM'000
For the financial year ended December 31, 2015		
Statement of profit or loss		
Employee benefits expenses	**(300,742)**	(303,361)
Directors' remuneration	**(12,057)**	(9,438)
Notes to financial statements		
Note 17 - Compensation of key management personnel		
Short-term employee benefit	**4,811**	7,430

29. 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, 2016 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries				
Realised	**343,778**	322,961	**454,015**	437,618
Unrealised	**(5,443)**	(7,180)	**(12)**	(3,819)
	338,335	315,781	**454,003**	433,799
Add: Consolidation adjustments	**265,027**	211,097	**-**	-
Total retained earnings as per statements of financial position	**603,362**	526,878	**454,003**	433,799

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

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

STATEMENT BY DIRECTORS

The directors of **UNISEM (M) BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2016 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 29, 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 3, 2017

DECLARATION BY THE DIRECTOR

primarily responsible for the financial management of the company

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

FRANCIS CHIA MONG TET

Subscribed and solemnly declared by the abovenamed
FRANCIS CHIA MONG TET at **KUALA LUMPUR**
this 3rd day of March, 2017.

Before me,

No. W530
Tan Seok Kett
COMMISSIONER FOR OATHS

SHAREHOLDERS' STATISTICS

as at 28 February 2017

1. **Authorised Share Capital** : RM500,000,000.00
   Issued and paid-up Share Capital : RM366,915,527.50
   Class of Shares : Ordinary shares of RM0.50 each ("Shares")
   Voting Right : 1 vote per share

2. **Analysis of Shareholdings**

NO. OF HOLDERS	SIZE OF HOLDINGS	NO. OF SHARES	% OF TOTAL ISSUED SHARES
341	Less than 100	5,885	0.00
659	100 to 1,000	434,884	0.06
3,298	1,001 to 10,000	14,707,483	2.00
1,107	10,001 to 100,000	32,800,898	4.47
363	100,001 to less than 5% of issued Shares	527,455,695	71.88
3	5% and above of issued Shares	158,426,210	21.59
5,771		**733,831,055**	**100.00**

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

	NO. OF SHARES HELD			
NAME OF SHAREHOLDERS	DIRECT INTEREST	%	DEEMED INTEREST	%
Jayvest Holdings Sdn Bhd	65,152,885	8.88	57,363,700	7.82 [a]
Bandar Rasah Sdn Bhd	51,400,000	7.00	-	-
John Chia Sin Tet	42,308,325	5.77	152,098,013	20.73 [b]
Yen Woon @ Low Sau Chee	31,004,120	4.22	66,593,000	9.07 [c]
The Estate of Soo Yut Kuan	-	-	122,516,585	16.70 [d]

Notes:

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

4. Thirty Largest Shareholders (as per the Record of Depositors, without aggregating securities from different securities accounts belonging to the same person)

	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
1.	Jayvest Holdings Sdn Bhd	65,152,885	8.88
2.	Bandar Rasah Sdn Bhd	51,400,000	7.00
3.	John Chia Sin Tet	41,873,325	5.71
4.	Yen Woon @ Low Sau Chee	27,088,420	3.69
5.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	20,450,100	2.79
6.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For John Chia Sin Tet (01-00825-000)	17,636,428	2.40
7.	Amsec Nominees (Tempatan) Sdn Bhd Mtrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	15,607,800	2.13
8.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN For Citibank New York (Norges Bank 14)	14,791,300	2.02
9.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt AN For Deutsche Bank AG London (Prime Brokerage)	13,485,700	1.84
10.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	12,017,000	1.64
11.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	11,473,465	1.56
12.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	10,415,800	1.42
13.	Amanahraya Trustees Berhad Amanah Saham Nasional	9,607,400	1.31
14.	HSBC Nominees (Asing) Sdn Bhd Exempt AN For JPMorgan Chase Bank, National Association (U.S.A.)	9,119,500	1.24
15.	Citigroup Nominees (Asing) Sdn Bhd UBS AG	9,007,500	1.23
16.	Tan Kok Heng	8,495,000	1.16
17.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN For Citibank New York (Norges Bank 12)	8,188,194	1.12
18.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	7,118,500	0.97
19.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	6,874,400	0.94

SHAREHOLDERS' STATISTICS (cont'd)

as at 28 February 2017

4. Thirty Largest Shareholders (as per the Record of Depositors, without aggregating securities from different securities accounts belonging to the same person) (Cont'd)

	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
20.	HSBC Nominees (Asing) Sdn Bhd Exempt AN For Credit Suisse Securities (USA) LLC (PB Client)	6,672,200	0.91
21.	HSBC Nominees (Asing) Sdn Bhd Morgan Stanley & Co. International PLC (Firm A/C)	6,331,900	0.86
22.	Sundra Moorthi A/L V.M. Krishnasamy	6,319,700	0.86
23.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank Of New York Mellon For Ensign Peak Advisors Inc.	6,068,800	0.83
24.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Yen Woon @ Low Sau Chee (PBCL-0G0416)	6,000,000	0.82
25.	SCQ Industries Berhad	5,963,700	0.81
26.	Chiam Joy Young	5,846,700	0.80
27.	HSBC Nominees (Asing) Sdn Bhd BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	5,741,700	0.78
28.	Chua Khing Chiew	5,640,000	0.77
29.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Francis Chia Mong Tet (CEB)	5,560,480	0.76
30.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	5,300,820	0.72
		425,248,717	**57.95**

STATEMENT OF DIRECTORS' INTEREST

as at 28 February 2017

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

NAME OF DIRECTORS	NO. OF SHARES HELD DIRECT INTEREST	%	DEEMED INTEREST	%
John Chia Sin Tet	42,308,325	5.77	152,098,013	20.73 [a]
Lee Hoong Leong	-	-	-	-
Francis Chia Mong Tet	3,670,000	0.50	10,584,480	1.44 [b]
Alexander Chia Jhet-Wern	2,000,000	0.27	-	-
Martin Giles Manen	-	-	-	-
Tan Sri Dato' Wong See Wah	-	-	-	-
Dato' Gregory Wong Guang Seng	500,000	0.07	-	-
Ang Chye Hock	383,500	0.05	-	-
Yen Woon @ Low Sau Chee	31,004,120	4.22	66,593,000	9.07 [c]
Lim Siew Eng	10,000	0.00	-	-
Mahani Binti Amat	-	-	-	-

Notes:

(a) *Held indirectly through Bandar Rasah Sdn Bhd, Jayvest Holdings Sdn Bhd, Lancar Indah Sdn Bhd, SCQ Industries Bhd, his son and nominee companies/pledged securities accounts.*

(b) *Held indirectly through nominee company/pledged securities account, his sons and daughter and ANF Tet Holdings Sdn Bhd.*

(c) *Held indirectly through his spouse, Bandar Rasah Sdn Bhd, Lancar Indah Sdn Bhd and nominee company/pledged securities account.*

LIST OF PROPERTIES HELD BY THE GROUP

as at 31 December 2016

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 2016 (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	-	**2,352**
	Factory building Phase I	Factory	-	130,000 sq ft	March 1992	25	**7,176**
	Factory building Phase II	Factory	-	110,000 sq ft	August 1996	21	**9,466**
	Factory building Phase III	Factory	-	330,000 sq ft	September 2000	16	**41,638**
	Factory building wafer bumping	Factory	-	22,000 sq ft	August 2005	11	**2,168**
PN 289781 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Industrial land	Vacant	99 years leasehold expiring 2100	115,500 sq m	October 2000	-	**6,204**
PT 19130 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Residential land	Hostel	99 years leasehold expiring 2104	20,429 sq m	June 2005	-	**1,210**
	Residential	Hostel	-	232,000 sq ft	June 2012	5	**7,610**

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 2016 (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	-	**3,817**
	Industrial land	Factory	49 years leasehold expiring 2057	9.002 hectare	September 2007	-	**4,745**
	Factory building	Factory	-	366,000 sq ft	December 2005	11	**79,389**
	Factory building	Factory	-	254,000 sq ft	December 2012	4	**62,298**
3801/3802 Tian Fu Square Chengdu, Sichuan, P.R. China	Residential	Apartments	70 years leasehold expiring 2075	296 sq m	December 2006	10	**2,040**
Jalan S.Parman, Kav 201 Batamindo Industrial Park, Mukim Kuning, Batam, Indonesia	Industrial land	Factory	30 years leasehold expiring 2019	21,280 sq m	November 1994	-	**506**
	Industrial land	Factory	30 years leasehold expiring 2019	8,991 sq m	May 1998	-	**877**
	Factory Building Main Building	Factory	-	14,640 sq m	November 1991	25	**180**
	Factory Building East Wing	Factory	-	17,500 sq m	1998	18	**6,744**
	Factory Building East Wing Extension	Factory	-	1,600 sq m	2007	9.5	**1,377**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of the Company will be held at the Concorde Ballroom, Lobby Level, Concorde Hotel Kuala Lumpur, No. 2, Jalan Sultan Ismail, 50250 Kuala Lumpur on 26 April 2017, Wednesday at 10.30 a.m. to transact the following businesses:

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and the Auditors thereon.

2. To approve the declaration of a final dividend of 4 sen per share tax-exempt for the financial year ended 31 December 2016. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM1,826,125 for the financial year ended 31 December 2016, an increase of RM215,125 from RM1,611,000 in 2015. **Resolution 2**

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

   (i) Mr Yen Woon @ Low Sau Chee **Resolution 3**

   (ii) Mr Ang Chye Hock **Resolution 4**

   (iii) Y.Bhg Dato' Gregory Wong Guang Seng **Resolution 5**

   (iv) Mr Alexander Chia Jhet-Wern **Resolution 6**

5. To appoint Deloitte PLT as Auditors until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration. **Resolution 7**

   As Special Business:

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

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

   "That pursuant to Section 76(2) of the Companies Act, 2016 and subject to the approval of the relevant authorities (if any shall be required), the Directors be and are hereby empowered to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued in any one financial year of the Company does not exceed 10% of the issued capital of the Company for the time being."

7. Any other business

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the record of depositors will be closed on 3 May 2017 to determine shareholders' entitlement to the final dividend of 4 sen per share tax-exempt for the financial year ended 31 December 2016. The dividend, if approved, will be paid on 19 May 2017.

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 3 May 2017 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

3 April 2017
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. *Only members whose names appear in the Record of Depositors as at 19 April 2017 are entitled to attend, speak and vote at the AGM of the Company to be held on 26 April 2017.*
3. *A member may appoint more than two proxies to attend and vote at the same meeting. Where a member appoints two or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or, if such appointor is a corporation, under its common seal or the hands of its attorney.*
5. *The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Letter Box #95, 9th Floor, UBN Tower, 10, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the meeting or any adjournment thereof.*
6. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of a poll.*
7. *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 27th Annual General Meeting held on 28 April 2016, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965. 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 76(2) of the Companies Act, 2016. 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS WHO ARE SEEKING RE-ELECTION AT THE 28th ANNUAL GENERAL MEETING OF THE COMPANY

The details of the directors seeking re-election are set out in their respective profiles on pages 32 to 37 of this Annual Report. The details of their interest in the securities of the Company are set out in the Statement of Directors' Interest on page 145 of this Annual Report.

unisem

PROXY FORM

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

I/We ______________________________ NRIC/Passport No. ______________________________

of ____

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

______________________________ NRIC/ Passport No. ______________________________

of ____

or failing him/her, ______________________ NRIC/Passport No. ______________________________

of ____

as my/our proxy to vote on my/our behalf at the 28th Annual General Meeting of the Company to be held at the Concorde Ballroom, Lobby Level, Concorde Hotel Kuala Lumpur, No. 2, Jalan Sultan Ismail, 50250 Kuala Lumpur on 26 April 2017, Wednesday at 10.30 a.m. and at any adjournment thereof, and to vote as indicated with √ in respect of the following resolutions. (If you do not do so, the proxy will vote or abstain from voting at his discretion):-

		FOR	AGAINST
Resolution 1	To approve the declaration of a final dividend of 4 sen per share tax-exempt for the financial year ended 31 December 2016.		
Resolution 2	To approve the payment of Directors' fees amounting to RM1,826,125 for the financial year ended 31 December 2016, an increase of RM215,125 from RM1,611,000 in 2015.		
Resolution 3	To re-elect Mr Yen Woon @ Low Sau Chee as a Director who retires pursuant to Article 124 of the Company's Articles of Association.		
Resolution 4	To re-elect Mr Ang Chye Hock as a Director who retires pursuant to Article 124 of the Company's Articles of Association.		
Resolution 5	To re-elect Y.Bhg Dato' Gregory Wong Guang Seng as a Director who retires pursuant to Article 124 of the Company's Articles of Association.		
Resolution 6	To re-elect Mr Alexander Chia Jhet-Wern as a Director who retires pursuant to Article 124 of the Company's Articles of Association		
Resolution 7	To appoint Deloitte PLT as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
Resolution 8	To authorise the Directors under Section 76(2) of the Companies Act, 2016 to issue new shares not exceeding 10% of the issued capital of the Company.		

Dated this __________ day of ____________________ , 2017.

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. *Only members whose names appear in the Record of Depositors as at 19 April 2017 are entitled to attend, speak and vote at the AGM of the Company to be held on 26 April 2017.*
3. *A member may appoint more than two proxies to attend and vote at the same meeting. Where a member appoints two or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or, if such appointor is a corporation, under its common seal or the hands of its attorney.*
5. *The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Letter Box #95, 9th Floor, UBN Tower, 10, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the meeting or any adjournment thereof.*
6. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Annual General Meeting will be put to vote by way of a poll.*

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STAMP

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr John Chia Sin Tet
Chairman/Group Managing Director

Mr Lee Hoong Leong
Executive Director

Mr Francis Chia Mong Tet
Executive Director

Mr Alexander Chia Jhet-Wern
Executive Director

Mr Martin Giles Manen
Independent Director

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

Mr Ang Chye Hock
Independent Director

Y. Bhg. Tan Sri Dato' Wong See Wah
Non-Executive Director

Mr Yen Woon @ Low Sau Chee
Non-Executive Director

Mdm Lim Siew Eng
Independent Director

Puan Mahani Binti Amat
Independent Director

AUDIT COMMITTEE

Mr Martin Giles Manen
Chairman/Independent Director

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

Mr Ang Chye Hock
Member/Independent Director

Mdm Lim Siew Eng
Member/Independent 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 & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel: (603) 2783 9299
Fax: (603) 2783 9222

AUDITORS

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
Level 2, Weil Hotel
292, Jalan Sultan Idris Shah
30000 Ipoh, Perak
Malaysia

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

www.unisemgroup.com