Unisem (M) Berhad (183314-V)

ANNUAL REPORT 2017

AWARDS & RECOGNITION

MATRADE Export Award 2018 in recognition of their excellence in exports under the Products Category of a Large Company.

Award in appreciation of consistent and excellent supplier performance in 2016 from Intersil to Unisem Ipoh

Award in appreciation of Best Semiconductor Quality Cooperation by Samsung Electro Mechanics Module Quality Innovation Team to Unisem Ipoh

Supplier Excellence Award from WiSpry to Unisem Chengdu

Best Quality Supplier Award from SG Micro Corp to Unisem Chengdu

Best Supplier Award from Espressif Systems (Shanghai) Pte Ltd to Unisem Chengdu

WHAT'S INSIDE...

COMPANY **PROFILE**

Unisem (M) Berhad ("Unisem") is a leading semiconductor assembly and test services provider in Malaysia. With approximately 7,800 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, wafer level CSP (chipscale packaging), flipchip and radio frequency, analog, digital and mixed-signal testing services. Our turnkey services include design, assembly, test, failure analysis, electrical and thermal characterization, warehousing and drop-ship services.

Unisem group has a customer base comprising primarily fabless companies (80%) and integrated device manufacturers (20%). About 45% of Unisem group's sales are to customers in North America, 14% to Europe and 41% 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).**

QUALITY

SAFETY

INNOVATIVE

UNISEM **GROUP**

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

- commenced operations in 1992.
- 3,800 employees.
- total built-up area 570,000 square feet.
- provides 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, Certificate of Green Partner (Sony), Samsung ECO Partner, RBA VAP.

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

- commenced operations in year 2006.
- 300 employees.
- total built-up area of 22,000 square feet.
- cleanroom : Class 1,000 and 10,000.
- offers a wide range of lead free bumping services for wafer sizes of 100, 150 and 200 mm diameter. Services include gold bumps, copper pillar bumps and solder bumps (electroplated & ball drop) 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, Certificate of Green Partner (Sony), Samsung ECO Partner, RBA VAP.

PT. UNISEM
BATAM, INDONESIA

- commenced operations in 1991.
- 1,600 employees.
- total built-up area of 345,000 square feet.
- provides 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, Certificate of Green Partner (Sony).

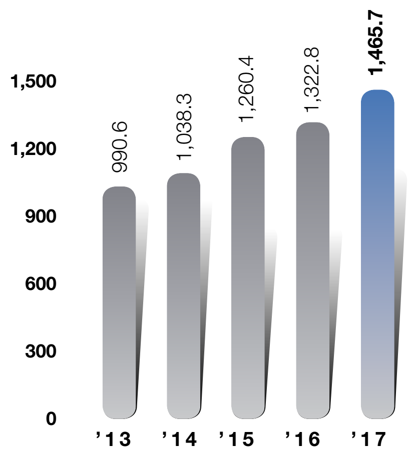
UNISEM CHENGDU CO., LTD. ("Unisem Chengdu")
CHENGDU, PR CHINA

- commenced operations in 2006.
- 2,100 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, Certificate of Green Partner (Sony), OHSAS 18001: 2007.

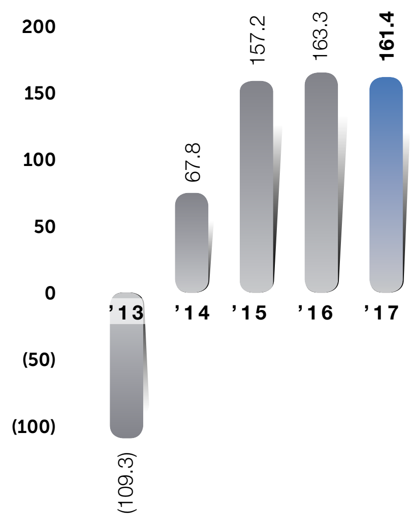
FIVE-YEAR FINANCIAL HIGHLIGHTS

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Highlights from Consolidated Statements of Profit or Loss for the year ended 31 December					
Revenue	990,554	1,038,279	1,260,425	1,322,780	**1,465,727**
EBITDA	169,964	258,509	355,621	356,812	**345,830**
Profit /(Loss) before taxation	(94,791)	84,519	173,105	187,158	**180,779**
Profit /(Loss) after taxation	(109,289)	67,750	157,248	163,343	**161,404**
Highlights from Consolidated Statements of Financial Position As of 31 December					
Property, plant and equipment	1,193,942	1,109,554	1,177,693	1,128,975	**1,099,138**
Current Assets	346,168	345,944	485,520	632,624	**724,509**
Non-Current Assets	32,705	28,504	27,537	24,565	**21,414**
Total Assets	**1,572,815**	**1,484,002**	**1,690,750**	**1,786,164**	**1,845,061**
Current Liabilities	419,687	370,971	278,241	303,207	**320,360**
Deferred Tax Liabilities	0	2,904	3,896	8,326	**4,877**
Other Non-Current Liabilities	184,990	77,958	52,467	55,623	**57,081**
Total Liabilities	**604,677**	**451,833**	**334,604**	**367,156**	**382,318**
Share Capital	337,115	337,115	366,915	366,915	**595,367**
Reserves	623,407	688,137	984,930	1,046,738	**860,078**
Non-controlling interests	7,616	6,917	4,301	5,355	**7,298**
Shareholders' Equity	**968,138**	**1,032,169**	**1,356,146**	**1,419,008**	**1,462,743**
Key Financial Ratios					
EBITDA margin	17%	25%	28%	27%	**24%**
Net earnings/(loss) per share - Basic (sen)	(15.63)	10.15	22.04	22.12	**21.73**
Net dividend per share (sen)	2.00	6.00	10.00	11.00	**11.00**
Debt / Equity ratio	0.45	0.25	0.08	0.04	**0.03**
Net assets per share (RM)	1.42	1.52	1.84	1.93	**1.98**

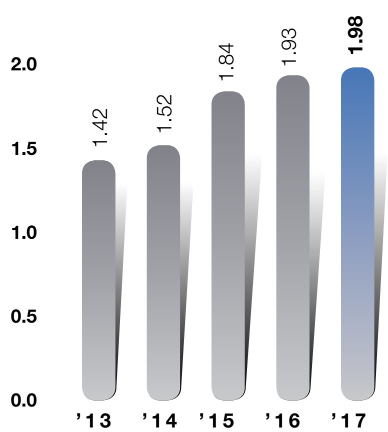
REVENUE
(RM'million)



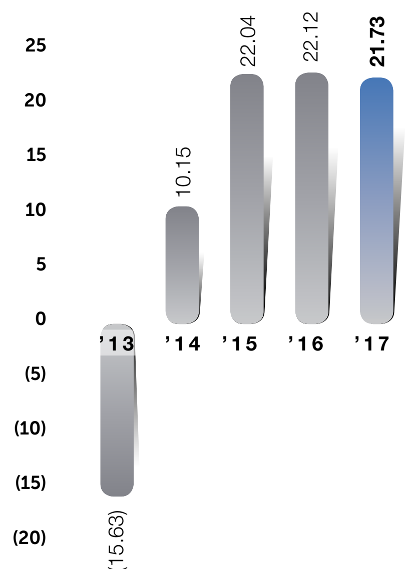
PROFIT/(LOSS) AFTER TAXATION
(RM'million)



NET ASSETS PER SHARE
(RM)



NET EARNINGS/(LOSS) PER SHARE
(Sen)



CHAIRMAN'S LETTER TO THE SHAREHOLDERS

JOHN CHIA SIN TET
Chairman

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present the 29th Annual Report and the Audited Consolidated Financial Statements of Unisem (M) Berhad and its subsidiaries for the financial year ended 31 December 2017.

2017 was a satisfactory year at Unisem. The Group recorded revenue of RM1.466 billion in 2017, an increase of 11% from the revenue of RM1.323 billion achieved in 2016. Net profit for 2017 was RM161.4 million against RM163.3 million achieved in 2016. EBITDA for 2017 came in at RM345.8 million and EBITDA margin was about 24%.

In the second half of the year under review, the USD weakened considerably against the currencies of the jurisdictions where we operate. Further weakening of the USD will negatively impact our revenue and earnings as all our revenue is denominated in USD.

The financial position of the Group remains strong. Total borrowings of the Group were reduced further to RM44.9 million as at 31 December 2017 from RM51.6 million as at 31 December 2016. Cash and bank balances increased to RM348.7 million as at 31 December 2017 from RM253.8 million as at 31 December 2016. Capital expenditure of approximately RM166.0 million was incurred for the Group during the year mainly to enhance our wafer bumping, packaging and test capabilities and processes.

While the macro outlook for 2018 will remain challenging, we believe the operating environment at Unisem Group will continue to be robust in the year ahead due to our geographical spread, our wide range of products and services, our portfolio of customers in different end market segments, as well as the expansion plans we have in place.

Recent market research data from industry analysts project semiconductor revenue to grow by 7.5% to US$451 billion in 2018 (having grown by 22.2% in 2017), mainly driven by higher demand and pricing for memory ICs. Outside of memory, the other significant device category that drove the forecast higher was application-specific standard products (ASSPs). ASSPs were driven by three main areas: a higher outlook for graphics cards used in gaming PCs and for high-performance computing applications; a broad increase in automotive content; and a stronger wired-communications forecast. (Source: Gartner).

We will endeavour to grow our sales, attain higher utilisation rate through better customer/package management, contain costs by increasing automation, reduce headcount and moving away from labour intensive operations. We will continue to invest in resources to further drive efficiency and productivity, enhance competencies of our people and to focus on higher margin products and services.

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

Unisem has always been driven towards a sustainable future for the business, as well as for our shareholders, customers, employees and other stakeholders. Whilst pursuing manufacturing excellence and profits, we remain totally committed to identifying the economic, environmental and social impacts of our activities and taking appropriate actions to address them. These include good ethical behaviour, concern for the welfare and development of all our employees, care for the environment and community involvement.

We took significant steps during the year to demonstrate our commitments towards sustainability. In January 2017, we established a Board Sustainability Committee to assist the Board in overseeing the implementation of Unisem's sustainability initiatives across our manufacturing sites located in Ipoh, Malaysia, Chengdu, China and Batam, Indonesia. In addition, we have transitioned from Corporate Social Responsibility (CSR) reporting to Sustainability reporting in line with Bursa Malaysia Securities Berhad's Main Market Listing Requirements and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards). Furthermore, we have aligned our mission and initiatives with the United Nations' Sustainable Development Goals (SDGs).

The Company has been included in the FTSE4Good Bursa Malaysia Index since December 2015. 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 44 constituents on the FTSE4Good Bursa Malaysia Index as at December 2017. Please refer to the Bursa Malaysia website for further details[1].

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.

Y. Bhg. Tan Sri Dato' Wong See Wah has served as independent and non-independent director continuously for a period of 15 years. Mr Martin Giles Manen has been the Chairman of the Audit Committee & Nomination Committee and Senior Independent Director for the past 9 years. Y. Bhg. Tan Sri Dato' Wong See Wah and Mr Martin Giles Manen will not be offering themselves for re-election and wish to retire at the conclusion of the coming AGM. On behalf of the Board, I wish to thank them for the many years of service and immense contribution to the Board.

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.

On Behalf of the Board

JOHN CHIA SIN TET
Chairman

[1] http://www.bursamalaysia.com/market/sustainability/ftse4good-bursa-malaysia-index/overview

MANAGEMENT DISCUSSION & ANALYSIS

1. BUSINESS OBJECTIVES AND STRATEGIES

Unisem (M) Berhad and its group of subsidiaries ("Group") 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 chip-scale packaging (WLCSP), and a wide range of leadframe and substrate IC packages.
- Test services by providing wafer probe and final testing on a wide range of test equipment covering the major test platforms such as radio frequency, analog, digital and mixed-signal. We also offer test-related services such as reliability testing, thermal and electrical characterization, dry pack, and tape and reel.
- Our turnkey services include design, assembly, test, failure analysis, warehousing and drop-ship services.

The Group 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

The Group 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 achieved revenue of RM1.47 billion in 31 December 2017 (FY2017), an improvement of 11% against RM1.32 billion recorded in FY2016 as a consequence of increase in average selling prices attributable to product mix changes. The packaging/testing services volumes have decreased by 8% with average selling prices increasing by 15% whilst wafer bumping volumes have increased by 25% with the average selling prices decreasing by 9%.

Although revenue have increased comparatively, net profit has decreased to RM161.4 million in the financial year ended FY2017, a decrease of 1% compared to RM163.3 million in the financial year ended 31 December 2016 (FY2016) due to lower margins achieved as a consequence of the product mix changes.

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

a) Foreign currency exchange loss of RM10.3 million in FY2017 as compared to RM13.9 million foreign currency exchange gain in FY2016; and

b) Recognition of gain on liquidation of subsidiaries of RM4.6 million in FY2016.

The following factors have, however, mitigated the reduction of the net profit impact contributed by the aforementioned:

a) Reduction on depreciation of property, plant and equipment by RM2.0 million due to certain property, plant and equipment being fully depreciated;

b) Interest income has increased by RM1.8 million due to the increase in funds placed into long and short term deposits;

c) Reduction in finance cost by RM1.2 million due to reduction in bank borrowings;

d) Decrease in taxation expense by RM4.4 million mainly due to lower profits achieved.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Liquidity and Capital Resources

As at 31 December, 2017, the Group has cash and cash equivalents amounting to RM348.7 million as well as unutilized banking facilities amounting to RM80.1 million.

The Group's bank borrowings have reduced from RM51.6 million in FY2016 to RM44.9 million in FY2017. The overall significant improvement in the cash and cash equivalents held and reduction in bank borrowings was mainly due to healthy EBITDA being generated from operations.

Capital expenditure is largely driven by the demand for our services, primarily to increase the packaging, testing and wafer bumping capacity, to replace production 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 FY2017 amounted to RM166.0 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 and 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.

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 semiconductor revenue to grow by 7.5% to US$451 billion in 2018 (having grown by 22.2% in 2017), mainly driven by higher demand and pricing for memory ICs. Outside of memory, the other significant device category that drove the forecast higher was application-specific standard products (ASSPs). ASSPs were driven by three main areas: a higher outlook for graphics cards used in gaming PCs and for high-performance computing applications; a broad increase in automotive content; and a stronger wired-communications forecast. (Source: Gartner).

The Group will endeavour to grow our sales, attain higher utilisation rate through better customer/package management, contain costs by increasing automation, reduce headcount and moving away from labour intensive operations. We will continue to invest in resources to further drive efficiency and productivity, enhance competencies of our people and to focus on higher margin products and services.

SUSTAINABILITY REPORT

CONTENTS

SUSTAINABILITY **REPORT**

As a responsible Corporation, we recognise that we have an immense commitment to our stakeholders in ensuring that we operate in a safe and healthy environment, take care of our employees, customers, suppliers and other stakeholders. At the same time, we endeavour to operate with integrity and responsibility, including providing opportunities for the local community as well as protecting and caring for the environment we operate in.

This is the ground on which our sustainability efforts have been planned and executed and will continue to drive our future actions and performance.

ABOUT THE SUSTAINABILITY REPORT

Over the past years, Unisem has reported in the Annual Report on its social responsibility, considering its commitment to shareholders, employees, customers, suppliers, local communities and other stakeholders. In light of the new Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad (the "Exchange"), Unisem has prepared a Sustainability Report in a manner as prescribed by the Exchange. The aim of this Sustainability Report is to communicate the way in which we identify the economic, environmental and social risks and opportunities considered most material to our business by us and our stakeholders, as well as inform our stakeholders on how we monitor and manage those material sustainability matters on an annual basis.

SUSTAINABILITY REPORT'S SCOPE

The reporting period for this Sustainability Report is 1 January 2017 to 31 December 2017, unless otherwise stated. The information in the Sustainability Report covers Unisem's operations in Ipoh pertaining to Unisem (M) Berhad and Unisem Advanced Technologies Sdn Bhd ("UAT"), hereinafter collectively referred to as Unisem Ipoh, while some policies, measures and initiatives will cover all activities of Unisem (M) Berhad, hereinafter referred to as Unisem, Unisem Group or the Group. Unisem (M) Berhad's operations in Ipoh provides full turnkey solutions including design, assembly, test, failure analysis, warehousing and dropship service as well as packaging services for all types of leadframe based packages, leadless packages, modules, wafer level CSP, flip chip and MIS based packaging. UAT offers a wide range of bumping services for wafer sizes of 100, 150 and 200 mm diameter, as well as services on gold bumps, copper pillar bumps and solder bumps, and pad redistribution and re-passivation.

For this first Sustainability Report, we chose to focus on Unisem Ipoh as sustainability-related information is readily available and easily accessible to the members of Board's Sustainability Committee, the Responsible Business Alliance Working Committee and our external consultants. However policies, processes, programmes and the governance structure discussed in the Sustainability Report apply group-wide, unless specific reference is made to Unisem Ipoh. In future reporting, Unisem will expand the scope of its Sustainability Report to include other subsidiaries in China and Indonesia.

To support our commitment towards implementing sustainable and responsible practices, Unisem aligns with internationally-recognised frameworks. Since 2013, Unisem has adhered to the guidance of the Responsible Business Alliance ("RBA", formerly known as the Electronic Industry Citizenship Coalition) Code of Conduct to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically. As we strive to enhance our sustainability reporting, we prepared the content of the Sustainability Report with reference to the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards"), as presented in the GRI Index shown in page 54.

SUSTAINABILITY REPORT (cont'd)

SUSTAINABILITY GOVERNANCE

Unisem's Board of Directors (the "Board"), through the Board Sustainability Committee, is responsible to oversee the process of integrating sustainability practices into Unisem's daily operations including setting strategic sustainability direction. The Board Sustainability Committee, formed in January 2017 is chaired by the Sustainability Committee Chairman. The Board Sustainability Committee is responsible for monitoring the implementation of sustainability-related policies, measures and actions in achieving Unisem's sustainability milestones and goals, including overseeing the preparation of the Sustainability Report and recommending the approach to manage material matters for approval by the Board.

The Board Sustainability Committee is supported by the Group Chief Operating Officer ("GCOO"), who leads the Sustainability Working Committees ("SWCs"). The SWCs, chaired by the sites' Chief Operating Officers ("COOs") consist of the RBA Working Committees ("RBA WCs") and Business Development Groups. SWC is implemented in each of our three operating facilities in Malaysia, People's Republic of China and Indonesia. Each RBA WC comprises various working committees responsible for the following aspects: Labour, Ethics, Health and Safety, Environment and Management Systems Divisions. The Unisem Ipoh SWC overlooks the daily operations, ranging from conflict-free mineral sourcing to ensuring a safe working environment for employees. The following diagram illustrates our governance structure for sustainability.

As shown in the diagram above, Unisem has established six working committees to oversee, implement and communicate Unisem's policies, controls and internal systems on specific aspects of our economic, environmental and social responsibility, as detailed below.

Working Committee/ Group	Responsibilities
Labour Working Committee	Monitoring and ensuring the following aspects of labour rights are upheld: • Freely chosen employment • Child labour avoidance • Working hours • Wages and benefits • Humane treatment • Non-discrimination • Freedom of association
Ethics Working Committee	Overseeing the systems and tools in place to ensure: • Privacy is upheld • Protection of identity and non-retaliation • Business integrity/appropriate disclosure of information is in place • Responsible sourcing of minerals • Fair business conduct, including in advertising and competition • Intellectual property is protected and respected
Health and Safety Working Committee	Overseeing the health and safety of the working environment: • Chemical/PPE management • Hazard Identification, Risk Assessment and Risk Control • Emergency response testing • Permit/test report • Accident complaint investigation • Workplace inspection/ Audit • Machinery/work instruction • Exposure to radiation/X-ray monitoring
Environmental Working Committee	Monitoring and ensuring the following aspects of environment management are upheld: • Management of chemical substances and chemical control • Waste management • Emergency response drills and procedures • Legal requirements, measurement and monitoring of waste and chemical substances • Environmental Management System, to ensure it is in accordance with ISO14001:2015 standard
Management Systems Working Committee	Overseeing the systems and controls in place that support the tasks of the other committees: • Monitor updates in applicable laws, regulations and customer requirements, including RBA Code requirements • Establish and periodically assess objectives, targets and improvement programmes for social and environmental performance • Communicate policies and practices at Unisem • Conduct self-assessments, including internal audits

SUSTAINABILITY REPORT (cont'd)

Working Committee/ Group	Responsibilities
Business Development Group	Implements the Group's and site's business strategy by: • Attracting new customers • Expanding business with existing customers • Achieving annual revenue and business growth plans and objectives • Managing Regional Sales, Marketing, Technical Program Management (TPM), as well as site Customer Service organisations • Research and development programs

STAKEHOLDER ENGAGEMENT

At Unisem, we value the feedback and involvement of our stakeholders. We believe that open channels of engagement with stakeholders drive continuous growth. This year, Unisem Ipoh conducted a stakeholder prioritisation exercise to identify key stakeholders and obtain their feedback on sustainability matters. In prioritising stakeholders, we considered the degree of influence and dependence, whether direct or indirect, each stakeholder has on Unisem Ipoh. Following on from this, Unisem Ipoh has engaged specifically with five key stakeholder groups in 2017: Directors, Senior Management, key customers, employees, as well as suppliers and contractors.

As we strive to continue our sustainability reporting journey, we seek to expand our stakeholder engagement process to more stakeholder groups. The table below summarises our engagement approach and the main sustainability concerns highlighted by our key stakeholders as well as other important stakeholder groups.

Stakeholder Group	Engagement Approach	Sustainability Concerns
Shareholders	• Annual general meetings • Quarterly announcements • Ad-hoc meetings	• Continuous business growth, including new market penetration
Directors*	• Quarterly and ad-hoc Board and Board Committee meetings	• Continuous business and operational improvement • Financial risk and company compliance to laws and regulations • Financial results • Interests of stakeholders and shareholders • Continuous investment in research and development • Environmental matters

Stakeholder Group	Engagement Approach	Sustainability Concerns
Senior Management*	• Management meetings • Ad-hoc meetings	• Ensure safe and humane working environment • Ensure customer requirements are met, including security of customer data • Management of the supply chain, including eliminating conflict minerals • Adherence to RoHs, REACH and environmental regulations • Ensure talent retention by providing competitive compensation and benefit packages for employees, and ensuring human rights of all employees are respected • Proper management and disposal of hazardous waste • Management of energy efficiency and investment in research and development
Employee*	• Annual Employee Climate Survey • Quarterly forums held by the site COO with employees on financial and operational updates at Unisem Ipoh • 'Open-door' practices to provide feedback • Annual performance evaluation sessions	• Safe and humane working environment • Nurturing culture, including provision of learning and development opportunities • Ensure competitive compensation and benefit packages for employees, and human rights of all employees are respected • Proper management and disposal of hazardous waste
Customers*	• Quarterly business reviews • Annual customer satisfaction surveys • Ad-hoc meetings and social audits	• Quality assurance and reliable products and services • Competitive pricing and on-time delivery • RBA compliant operations at Unisem, as well as compliance with local and international regulations (i.e. RoHS and REACH) • Safe, humane working environment, respect human rights • New products development projects
Suppliers/ Contractors*	• Annual supplier audits • Supplier briefings • Conduct of Self- Assessment Questionnaires • Ad-hoc tender exercises and meetings • Email communications	• Fair tender practices • Competitive prices • Business continuity • Quality materials/parts/services

SUSTAINABILITY REPORT (cont'd)

Stakeholder Group	Engagement Approach	Sustainability Concerns
In-house union	• Monthly formalised union meetings • Ad-hoc meetings	• Industrial harmony between Management and employee • Employee's rights and Unisem's responsibility in providing welfare to employee • Resolving misunderstanding and grievances • Maintaining high level of productivity, efficiency and discipline
Law enforcers/ regulators	• Annual air quality and waste disposal reports, workplace incident reports • Quarterly announcements • Ad-hoc report submissions as and when requested by regulators	• Adherence to relevant laws and regulations • Corporate governance and compliances
Ministry/ local council	• Annual council meetings	• Support towards local communities, including contributions on communities matters • Administrative management on foreign workers
Financial institutions	• Ad-hoc focus group discussions	• Business continuity opportunities
Rating agencies/ analysts	• Quarterly credit reports and analyst briefings	• Business continuity, transparency and fair financial reporting
Local communities	• On-going grievance channels and volunteering programmes	• Noise monitoring and contributions towards local communities, such as volunteering projects and donations, health, safety and environmental management

* Engagement in 2017

SUSTAINABILITY TOPICS

To identify sustainability matters relevant to Unisem Ipoh, we have considered Unisem Ipoh's business risks and opportunities, industry trends, as well as environmental and social impact associated with the site's activities, including the cyclical nature of the semiconductor manufacturing industry, labour and human rights, management of environmental aspects, fair business practices, etc. In addition, we have also considered sector-specific information from internationally credible guidelines such as the Sustainability Accounting Standards Board ("SASB"), RBA and the GRI Standards. These sustainability matters have been further categorised into four dimensions that reflect our approach to sustainability as well as our commitment to create value for both the business and our stakeholders: Managing our Business, Our Focus on Customers, People and the Environment.

SUSTAINABILITY REPORT (cont'd)

MATERIALITY ASSESSMENT

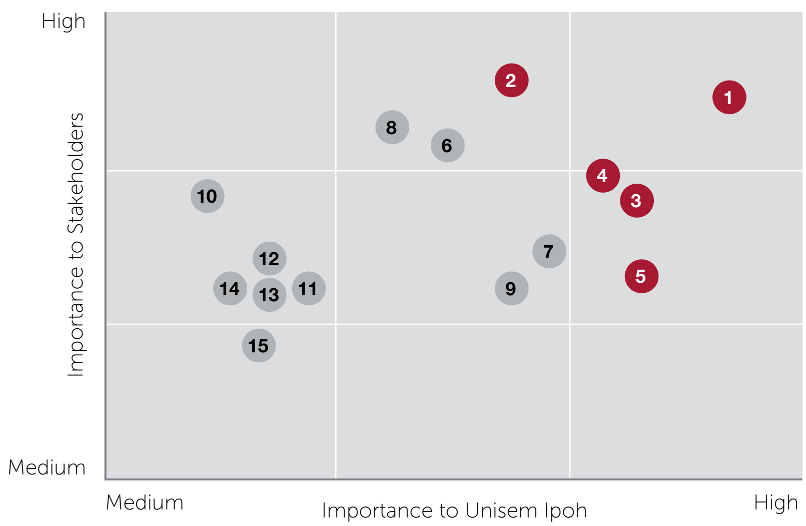
Guided by Bursa Malaysia's Sustainability Reporting Guide, the SWC assessed the significance of each sustainability matter to Unisem Ipoh using a rating approach. In doing so, the SWC assessed the exposure as well as the degree of impact each sustainability matter has on Unisem Ipoh, based on financial, regulatory, reputational and customer satisfaction considerations. We then combined the feedback obtained from key stakeholder groups as well as the outcome of the assessment of the significance to Unisem Ipoh for each sustainability matter to produce a materiality matrix. The matrix identifies sustainability matters according to their importance to both Unisem Ipoh and its key stakeholder groups.

As illustrated in the matrix, Unisem Ipoh identified the following as our top five most material sustainability matters:

1. Customer Satisfaction
2. Growing the Business
3. Effluents and Waste Management
4. Occupational Health and Safety
5. Greenhouse Gas Emissions

These five material matters ranked highest amongst our stakeholders as well as Management. As such, we decided to exercise greater focus on these matters in this Sustainability Report. The other ten matters are still of great importance to Unisem Ipoh and our stakeholders, and will be reported on with increased detail compared to prior years. In future reporting, Unisem Group will continue to review the processes above, and expand upon depth and scope of current reporting.

Materiality Matrix



1	**Customer satisfaction**
2	**Growing the business**
3	**Effluents and waste management**
4	**Occupational health and safety**
5	**Greenhouse gas emissions**
6	Employee welfare
7	Customer privacy and data protection
8	Technology and innovation
9	Supply chain management
10	Product stewardship
11	Labour rights
12	Water consumption
13	Energy management
14	Anti-corruption
15	Local communities

Details of our initiatives in managing Unisem Ipoh's material sustainability matters are discussed across four sections: **Managing Our Business, Our Focus on Customers, People and Environment.** In these sections, we report on our commitments and principles, policies, key performance indicators ("KPIs"), targets, processes and programmes towards management of these matters.

SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS

Launched in September 2015, the United Nations Sustainable Development Goals ("SDGs") consist of 17 goals dedicated to improving the wellbeing of present and future generations. The SDGs aim to tackle the world's most pressing challenges through the promotion of sustainable development over the next 15 years. As we uphold our vision of being a model corporate citizen in the communities in which we operate, we have linked our five most material matters to the SDGs that we can most directly influence through our business model and to the various commitments included in our Mission.

Sustainability Matters	Customer Satisfaction	Growing the Business	Effluents and Waste Management	Occupational Health and Safety	Greenhouse Gas Emissions
Sustainable Development Goals	8 GOOD JOBS AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION	8 GOOD JOBS AND ECONOMIC GROWTH 9 INNOVATION AND INFRASTRUCTURE	3 GOOD HEALTH 6 CLEAN WATER AND SANITATION 14 LIFE BELOW WATER 15 LIFE ON LAND	3 GOOD HEALTH 8 GOOD JOBS AND ECONOMIC GROWTH	13 CLIMATE ACTION
Unisem's Mission	1 6	3 4 5 6	5 6	2 6	5 6

No	Unisem's Mission
1	Provide total customer satisfaction
2	Be a caring company and employer of choice
3	Generate profits and accelerate growth
4	Develop long term win-win partnership with our business associates
5	Adhere to good corporate governance and support environmental, social and economical development of the community
6	Uphold and live our core values

SUSTAINABILITY REPORT (cont'd)

OUR COMMITMENT TO SUSTAINABILITY AND THE RBA CODE OF CONDUCT

Unisem seeks to be a good corporate citizen in all aspects of its operations and activities. We recognise that our operations may impact upon the communities and the environment in which we operate. We therefore are committed to addressing and monitoring aspects of sustainability that are relevant to our business. These include economic growth, good ethical behaviour, 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 RBA Code of Conduct. The RBA 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 Labour Standards from the International Labour Organization, OECD Guidelines for Multinational Enterprises from the Organisation for Economic Co-operation and Development, ISO and SA standards from the International Organization for Standardization, and many more.

Our commitment to sustainability and corporate social responsibility, upheld by our SWCs, is embodied in our CSR Policy, which is available on our website[1].

The committees are responsible to ensure that appropriate systems are established, implemented and maintained in accordance with Unisem CSR Policy, the RBA Code of Conduct, and other international standards and guidelines.

[1] http://www.unisemgroup.com/pdf/careers/CSR%20Policy%20Jun%202014.pdf

SUSTAINABILITY PERFORMANCE HIGHLIGHTS

+10.8%
annual growth of revenue

90%
satisfied key customers

15%
Greenhouse Gas ("GHG") emission per unit reduction

1.91
injury frequency rate for industrial accidents

Compliant
with effluents regulations

58%
total scheduled (hazardous) waste recycled

Sustainability Matters	KPI	2017 Target	2017 Performance	Status
Growing the Business	Revenue growth	To achieve revenue growth	+10.8% (vs. 2016)	➔
Customer Satisfaction	Satisfied key customers rate	80%	90%	✔
Greenhouse Gas Emissions	Greenhouse Gas ("GHG") emission per unit reduction (baseline 2011)	10%	15% (vs. 2011)	✔
Occupational Health and Safety	Injury frequency rate for industrial accidents	< 2.00	1.91	✔
Effluent and Waste Management	Compliance with Standard B under EQA (Industrial Effluents) Regulation 2009	Compliance	Complied	✔
	Total scheduled (hazardous) waste recycling rate	50%	58%	✔

LEGEND: ✔ Achieved ➔ On track ✖ Challenging

SUSTAINABILITY REPORT (cont'd)

MANAGING OUR BUSINESS

We believe that expanding our product and service offering, enhancing the development of our technology, ensuring robust management of our supply chain, whilst maintaining integrity in our business conduct will ultimately support our mission in generating profits, accelerating growth and be recognised as a leading global multinational company in our sector.

We constantly explore new business opportunities and encourage innovation to improve our technology in order to further meet our customers' needs. In addition to that, we strive to maintain an effective supply chain management system as it is key to creating positive impact on the economic conditions of our suppliers and contractors. We also endeavour to manage business with integrity as we are mindful that any forms of corruption would degrade the trust of our stakeholders place in us and ultimately affect our competitive edge in the industry.

GROWING THE BUSINESS

KPI	To achieve revenue growth		
Target	On-going growth of revenue		
Performance	+21.4% in 2015	+5.0% in 2016	+10.8% in 2017

Unisem Group has a portfolio offering full turnkey solutions, packaging capability includes all types of leadframe based packages, leadless packages, modules, wafer level CSP, flip chip and MIS based packaging to international customers from the United States of America, Europe and Asia. Our ten largest customers accounted for approximately 60 - 70% of our revenue in the last three years. As for the revenue generated by countries where our customers are headquartered, customers in the United States of America and Asia contributed higher than those in Europe due to the larger customer pool. In 2017, Unisem Group recorded a total revenue of RM1.47 billion, an increase of 10.8% against the revenue of RM1.32 billion achieved in 2016. The increase in revenue was attributable to higher sales, improved average selling prices and the appreciation of USD/MYR exchange rate as compared to the prevailing rate in the corresponding year.

For more information on the Group's growth, please refer to the Chairman's Letter to Shareholders and Financial Statements in this Annual Report.

	Revenue (RM '000)		
	2015	2016	2017
United States of America	509,947	532,635	661,095
Europe	194,582	195,254	208,044
Asia	555,896	594,891	596,588
Total Group Revenue	1,260,425	1,322,780	1,465,727

Unisem believes that fulfilling our responsibilities to the environment and society are essential in strengthening the growth of our business. Hence, we endeavour to invest in resources that further drive efficiency and productivity of operations with the least environmental impact wherever we can. This is in line with our corporate vision to be the leading Malaysian semiconductor manufacturer and service provider that sets an example to others on the importance to conduct business with sound environmental practices. Whilst pursuing manufacturing excellence and profits, we will continuously invest in our employees' welfare and nurture them into competent and highly skilled individuals who can support our business growth.

TECHNOLOGY AND INNOVATION

	2015	2016	2017
Research and development expenditure (RM '000)	8,662	8,683	8,400
Research and development expenditure as a percentage of revenue (%)	1%	1%	1%

Unisem continuously focuses on offering our customers first-to-market, leading-edge technologies and design solutions that contribute to their product success in today's challenging market environment. Our R&D team supports us in our operational advancement and development. The team consists of a senior vice-president, a senior manager and 10 full-time employed engineers, with an average of 11.4 years of relevant experience. In 2017, Unisem Group continued to invest in research and development ("R&D"), with a total R&D expenditure amounting to RM8.4million, which is slightly lower than previous years.

Unisem's research and development programme focuses on developing new and advanced packages. One of our key achievements is our collaboration with our customer and supplier to develop an ultra-thin SLP package with an additional package footprint reduction with the invention of routable lead frame capability. Over the course of next year, Unisem intends to develop other packages, such as Fan-Out Wafer Level Package (WLP) ,Panel Level Packages (PLP) and MEMS caring packages.

In addition, Unisem intends to improve process technology, such as advanced flip chip technology and wafer bumping, to improve operational efficiency and give us a competitive advantage. Some of our efforts include increased package reliability especially for Automotive Grade requirement and the use of alternate raw materials, such as the use of copper wire or silver alloy wire instead of gold wire, to reduce production costs. Furthermore we seek to enhance reliability of test services and shorten test times. To do so, we seek to expand the range of test platforms used, to customise software and develop new processes.

A total of 11 new processes/materials were qualified in 2016 and 10 in 2017. To date, Unisem has obtained 18 patents with another 2 patents in progress.

SUSTAINABILITY REPORT (cont'd)

The table below summarises the current technology road map at Unisem.

Project	Descriptions	Challenges	Target for Production Readiness
Fan-out Wafer Level Packages	As an alternative of Fan-In WLP, Laminate Substrate Based Flip chip and System in Package ("SiP") integration, as well as driving for higher package functionality, better product performance & competitive cost	• High Capex investment • Cost competitive • Technical challenges e.g. carrier warpage	2018
Power SLP	A high power product requirement	• Relative high lead frame cost • Package sawing with thick lead fame material	End 2017
Super Thick Module SLP	SLP integrated with thick inductor for higher power rating	• New mold equipment investment • Technical challenges such as mold void, incomplete mold & thick package sawing	2018
Super High Thermal Epoxy	Higher thermal dissipation for better product performance	• High material cost • Narrow process window e.g. epoxy fast dry off • High modulus, thus it is not appropriate for long term reliability test.	2018
Thin WLCSP	Align with handheld market need for thinner profile product	• New equipment investment • Technical challenges e.g. warpage, crack die	2018
12" WaterBumping	Establish the capability for wafer bumping on 12" wafer size. The objective is to align with customers' technology roadmap & demands. With this capability, wider range of business opportunity for current as well as new customers.	• High Capex investment • Cost competitive • Technical challenges e.g. automation handling	2019

Unisem R&D team works closely with customers as well as material/equipment suppliers in establishing its package and process roadmap. The roadmap is reviewed annually to ensure it is relevant and meeting the dynamic environment in the industry.

SUPPLY CHAIN MANAGEMENT

We believe in fostering strong relationships with our suppliers and managing the economic, environmental and social impacts of our supply chain. We work with our suppliers to eliminate any risks of non-compliance, as well as any labour, health and safety, environmental and ethical violations. 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.

It is our policy to:

a) Proactively engage with our suppliers with a focus on building trust, collaborative 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 suppliers' contracts.

g) Employ appropriate methods of 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.

Presently, our Group CSR Policy upholds our commitment to engage with suppliers whose sustainability policies are in line with ours. Furthermore, we endeavour to 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 RBA Code of Conduct and Unisem's Code of Ethics (the "Codes"), which are to be complied by all direct material suppliers and service providers.

To foster our suppliers' understanding on the Codes, we hold regular briefings and training, and share best practice. We also require our key direct material suppliers and service providers to comply with all aspects of the RBA Code of Conduct by signing a Letter of Conformance, pledging their compliance to the Codes.

Supplier Audits

We manage supply chain risks by requiring all key suppliers to complete the RBA Self-Assessment Questionnaire ("SAQ"). This is also part of our effort to integrate our suppliers within our Environmental Management System ("EMS"). The results of the questionnaire identify high-risk areas and potential gaps against the RBA Code of Conduct including both social and environmental issues. In addition, we perform on-site audits on some of our key direct material suppliers. Our key direct material suppliers comprise 20 suppliers and cover 85% of total direct material spending. Our plan is to audit 80% of our key direct suppliers over a period of two years (2017 and 2018). Our performance is shown below.

Year	Target	Performance
2016	Perform 6 key direct material suppliers audit	Completed 6 audits
2017	Perform 8 key direct material suppliers audit	Completed 9 audits
2018	Perform 8 key direct material suppliers audit	Target to complete 8 audits

SUSTAINABILITY REPORT (cont'd)

Each on-site audit assesses how the supplier manages various aspects of the RBA Code of Conduct, which includes:

- RESPECT OF HUMAN RIGHTS
- OCCUPATIONAL HEALTH AND SAFETY
- ETHICS IN THE MARKETPLACE
- ENVIRONMENTAL RESPONSIBILITY
- EFFECTIVE MANAGEMENT SYSTEM

Upon completion of on-site audits, findings are communicated and corrective actions are agreed upon and implemented. The suppliers will reply with corrective actions within seven working days upon issuance of the audit report and closure will be verified by the Unisem audit team. All key direct material suppliers will be audited periodically on their levels of conformance and overall performance in line with Unisem requirements. The following table summarises the status of key findings and corrective actions for supplier audits conducted in 2017. No significant issues under the theme of environmental responsibility have been identified during the 2017 supplier audits.

Theme	Risk area	Key Finding	Corrective action
Respect of human rights	Freely chosen employment	Workers' passports were held in a safe place by employment contractors and returned upon request	All passports to be returned to workers for safekeeping
	Non-discrimination	Recruitment documents required the provision of discriminatory-inclined information	Remove requirements on discriminatory-inclined information from recruitment documents
Occupational health and safety	Occupational safety	Inadequate enforcement of occupational safety	Review and enhance enforcement procedures, and increase awareness on occupational safety
	Emergency preparedness	Access to fire-fighting equipment and escape routes were obstructed	Improve accessibility to emergency routes and equipment, as well as enhance emergency preparedness by conducting periodic inspections and boosting emergency awareness programmes
		Fire / evacuation drills are not conducted twice a year, and all employees do not participate	Improve fire / evacuation drill procedures, by ensuring fire / evacuation drills are conducted twice a year and make certain that all employees participate
	Occupational injury and illness	First aiders are not trained regularly	First-aid trainings are to be conducted every two years, and a record of trainings should be kept
	Hazardous substances	Chemicals for machinery setup were temporarily stored in unprotected area, without a secondary container inside the plating line	Provide the spill tray and a separate location for chemical replenishment

Theme	Risk area	Key Finding	Corrective action
Ethics in the marketplace	Conflict of interest	Lack of comprehensive procedures on the provision and acceptance of gifts exceeding a reasonable amount and frequency	To establish policy and procedure on the provision and acceptance of gifts
	Whistleblower protection	Lack of policy/procedure to protect the identity of whistleblowers and prevent retaliation towards whistleblowers	To establish a policy and procedure to protect whistleblowers and enable safe and fair whistleblowing channels
Effective management system	Management accountability & responsibility	There is no evidence of a "Policy CSR, Management Accountability and Responsibility procedure", assigned to Labour and Ethics	To improve management system structure role and responsibility in accordance with RBA requirements and standards

Compliance Gap Closure

Following the issuance of corrective actions plans for supplier audits performed in 2017, 85% of supplier audits have been completed, including the implementation of respective correction plans. The remaining 2017 audits will be completed in the following year, as the audits were primarily performed in the months of November and December, and the suppliers require a reasonable time frame to implement the corrective action plans and to respond. When issues raised require immediate attention, the implementation of corrective actions are critical and suppliers must implement them within a very short time frame.

New Supplier Screenings

Our sourcing team is constantly sourcing new products and looking for new suppliers to meet Unisem's and our customers' needs. As and when needed, we will send our team to assist new suppliers in upgrading and developing their capability to meet quality standards and social requirements. All new suppliers are screened using standardised procedures.

The Materials/Purchasing Department will first establish that the supplier's products and capacity meet Unisem's requirements. The process starts with the new supplier completing a Pre-Qualification Form. For direct materials, the Quality Assurance, Technology Development and Engineering Departments will be involved in the qualification process. New direct material suppliers are also required to complete the RBA SAQ, and an additional on-site audit shall be performed, where relevant. All new suppliers are either 'Approved to supply' or 'Approved pending the completion of certain criteria', as detailed in a corrective action/improvement plan based on SAQ and/or audit findings.

Conflict-free Minerals

Unisem's Group Policy on Conflict Minerals upholds our commitment to prohibit suppliers from sourcing conflict minerals and to work with our suppliers to identify the metals sourced from conflict minerals in the supply chain. These metals are tin, tantalum, tungsten and gold.

Our Conflict Mineral Policy is available on our website[2].

[2] https://www.unisemgroup.com/wp-content/uploads/2017/06/Conflict-Minerals-Policy-2017.pdf

SUSTAINABILITY REPORT (cont'd)

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 suppliers of products containing these metals to determine whether they are sourced from the Democratic Republic of the Congo ("DRC"), or any adjoining country, and if those metals directly or indirectly financed or benefited armed groups that are perpetrators of human rights abuse in the DRC or an adjoining country. As part of our due diligence process, Unisem utilises the Responsible Minerals Initiative ("RMI") Conflict Mineral Reporting Template ("CMRT") as a data tool to report and review the smelter list in our supply chain. In addition, we communicate our Policy on Conflict Minerals to suppliers, obtain a written confirmation as part of the due diligence program, and require suppliers to complete the RMI Conflict Mineral Reporting Template.

None of our supplied materials are sourced from conflict areas, and the smelters in the supply chain are listed in the Conflict Free Smelter Program ("CFSP") compliant smelter list.

Fair Procurement Practices

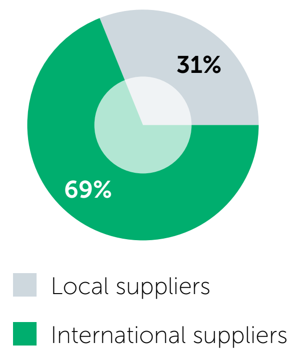
Annually, we conduct RBA Code of Conduct Awareness and Briefing to update our key direct material suppliers on the latest RBA requirements. Other suppliers are engaged via regular briefings on Unisem's Code of Ethics and RBA Code of Conduct.

Our Group Procurement Policy and tender procedures guide the business conduct of our employees to ensure all suppliers are treated fairly and in the best interest of Unisem, void of collusion and price fixing. Our Policy seeks to upkeep confidentiality and avoid conflicts of interest in transactions with our suppliers.

Suppliers based in Malaysia accounted for 31% of Unisem Ipoh's direct material spending in 2017, as illustrated below.

Due to the nature of Malaysia's natural resources and landscape, we are unable to source all our direct materials locally. Nonetheless, most of our contractors are local and we contribute actively to our local community. Our support towards the local community is further described on page 47.

Ratio of local and international suppliers



ANTI-CORRUPTION

Unisem is committed to the highest standards of integrity to be maintained 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 systems 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 the Malaysian Anti- Corruption Commission Act 2009, in respect of our conduct both at home and abroad.

We live up to these ideals through comprehensive ethics and compliance programmes 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[3].

In 2017, 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.

[3] http://www.unisemgroup.com/pdf/corgov_statement/Anti-corruption_WebsiteVersion pdf

OUR FOCUS ON CUSTOMERS

Ensuring the success of our customers as well as attracting new business partners is essential to our business. To achieve this objective, we make every effort to build strong relationships to attain total customer satisfaction as well as commit to safeguarding customer privacy and proprietary information.

Our strategy revolves around producing quality products and services in the most cost effective manner whilst ensuring on-time delivery. We are also particularly careful in maintaining continuous communication and engagement with customers to ensure a perfect understanding of their needs and work hand-in-hand towards engineering innovative enhancement to our processes. We also endeavour to maintain customers' trust and confidence in our services by preventing any breach of intellectual property and by maintaining the highest social and environmental standards.

CUSTOMER SATISFACTION

Our customer base comprises primarily fabless companies and integrated device manufacturers. Unisem Ipoh is committed to providing quality services to our customers. This is embedded in our Quality and Environmental Policies and reflected by our ISO 14001:2015 and ISO/TS 16949:2009 certification.

KPI	Satisfaction of key customers		
Target	To achieve 80% of satisfied key customers		
Performance	100% in 2015	90% in 2016	90% in 2017

We encourage continuous communication with our key customers to further understand their needs whilst ensuring high quality and reliability of products and services delivered. We also regularly assess key customer satisfaction to continuously improve our operational processes in meeting key customers' needs and expectations.

SUSTAINABILITY REPORT (cont'd)

Mode to Assess Customer Satisfaction	Frequency	Details
Balanced scorecard	Quarterly	Approximately 80% of key customers evaluated their satisfaction on Unisem's services using balanced scorecard. There is no general satisfaction target set due to the different targets defined by each key customer.
Customer satisfaction survey	Yearly	Unisem provides its own survey form to around 20% of its key customers who do not use balanced scorecard.
Quarterly Business Review (QBR)	Quarterly	Quality Business Review ("QBR") is conducted by the key customers so that key customers can give feedback to Unisem.

We are committed to continuously enhance our performance to improve customer's satisfaction on our services, particularly in addressing customer feedback. Program managers are tasked to oversee key customer accounts in all aspects, from quality, yield, output and even delivery performance. They also act as the key communication channel with the customer and serve as the customer champion to drive improvement teams to meet customer expectations.

Customer feedback is routinely reviewed and considered by Management and then developed into appropriate improvement plans, all-in-all becoming an integral part of the customer satisfaction process with a complete closed loop. Unisem has maintained a focus on customer survey data not only to evaluate past performance but also as a base to identify future focus areas. Unisem acts on the belief that customer satisfaction leads to loyalty, and customer loyalty leads to higher levels of retention and expansion. Furthermore, the quality of our services was acknowledged as we have been awarded with Supplier of the Year / Outstanding Supplier Award by various international customers since 1995 to present.

On an annual basis, top management, technology and marketing teams visit key customers located in the United States of America, Europe and Asia to strengthen customer relationships and align technology road maps.

RBA Management

Meeting the requirements outlined in the RBA Code of Conduct is integral to our customer relationships. As part of our commitment to adhere to the RBA Code of Conduct, we assess our facilities through RBA-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 RBA WCs 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 RBA working committees' representatives also participated in public workshops and forums. In April 2016, the representatives attended the RBA co-convened a one-day, multi-industry forum on Combating Forced Labour held 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, Unisem underwent a second RBA Validated Audit Process (VAP), performed by a third party auditor appointed by RBA, following the initial VAP in November 2014. The findings were communicated to the respective departments and corrective action plans were put in place.

CUSTOMER PRIVACY AND DATA PROTECTION

Unisem is committed to safeguarding customer proprietary information as we understand that failure to do so will erode customer trust and confidence. In addition to direct financial consequences such as penalties and fines, breach of customer privacy may pose a risk to reputation as well as customer loyalty and satisfaction.

Our information security management ensures the confidentiality and integrity of customer proprietary information. As part of this effort, we have established the "IT Acceptable Use Policy" that defines procedures in handling confidential and proprietary information.

Below are the key internal controls in place to protect customer privacy and data.

Customer privacy and data protection
To protect the confidentiality of proprietary information, all employees are required to comply with the Unisem Code of Business Conduct and sign a Non-Disclosure Agreement
Ensuring secured scrap unit disposal of defective products to be in line with internal scrap procedures
Securing all computers, laptops and workstations with password-protected screensaver, anti-virus software, Security Endpoint Protection Software and firewall
Creating a confidential relationship between Unisem and its contractors, suppliers and service providers with the signing of Non-Disclosure Agreements
Attending IT-related trainings

SUSTAINABILITY REPORT (cont'd)

PEOPLE

To fulfil our mission of being a caring company and employer of choice, we are committed to instilling a safe, nurturing and high performing culture that allows our employees to pursue their professional growth and support our business excellence and development, whilst creating positive impact on the local communities.

We strive every day to ensure the welfare of our employees, nurture every individual's talent, respect and protect labour rights, and establish a productive and safe working environment. Our commitment extends beyond the boundaries of our sites as we also play an active role in the communities where we operate.

EMPLOYEE WELFARE

We understand that our employees need meaningful career development and skills improvement as well as competitive compensation and benefits to support their families and cope with rising cost of living. To do so, our Human Resource team regularly reviews compensation and benefits packages, monitors facilities and privileges, ensures equal opportunities in the workplace, develops skills and retains the best talents. Alongside this, our Training team tailors a range of learning courses to cater for the needs of our employees from various functions and ensure they possess the appropriate skills and competencies.

Compensation and Benefits

Unisem Ipoh complies with the local statutory requirements on wages and benefits such as minimum wages order, employees' provident fund, employees' social security and leaves provision. Employees also receive personal accident insurance coverage, child delivery subsidies, birthday gifts and medical benefits for outpatient, specialist and hospitalisation treatment.

In conjunction to signing a new collective agreement, Unisem Ipoh reviews its compensation and benefits every three years through collective bargaining with the in-house union. The review takes into consideration benchmarking against other companies that operate in the same area (Ipoh, Perak), the organisation performance as well as the views of employees. In addition to that, the salary scale is also reviewed on a periodic basis and benchmarked against other multi-national companies.

During the festive season, Unisem Ipoh also provides advance of up to 35% of the month's salary to those employees requesting support.

Facilities and Privileges

Unisem Ipoh is well equipped with facilities for employees' convenience such as an in-house clinic with full-time industrial nurses, a surau facility, a 24-hour canteen, a mini sundry shop operated by Koperasi Pekerja-Pekerja Unisem (M) Berhad, a gated parking space, a library and a hostel for operators who live outside of Ipoh.

To take care of employees with special needs, Unisem Ipoh also provides dedicated parking for employees who are pregnant or with disabilities. Besides, breast feeding mothers can use a dedicated lactation room to help them better care for their children. Flexible working hours are also made available to support work-life balance, especially for parents who need to drop off and pick up their children to and from school or nursery. Female and male employees of Unisem Ipoh are also entitled by law to apply for maternity and paternity leaves respectively.

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Total Working Parents (%)	24.72	40.31	22.49	42.28	21.41	44.17
Number of Parental Leave (Days)	4,363	272	4,585	247	4,450	312
Total Employees that Took Parental Leave (%)	3.30	8.51	3.10	7.57	2.91	9.10
Total Employees that Returned to Work after Parental Leave Ended (%)	94.25	98.94	91.95	100.00	93.02	98.11

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 NGOs in the community we are in.

The Sports & Recreation Club of Unisem Ipoh (the "Club") organised a total of 16 events in 2017 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.

Employee Communication

SUSTAINABILITY REPORT (cont'd)

Unisem Ipoh has communicated and set up procedures and anonymous complaint mechanisms such as a help line for employees (including suppliers and customers) to report inappropriate ethical behaviours and workplace grievances. In addition, there shall be no retaliation to all whistleblowers in good faith and their identity shall not be disclosed to maintain confidentiality.

Unisem Group's Ethics Hotline

T (+) 6012-5334890
E ethicsqueries@unisemgroup.com

In 2017, Unisem Ipoh received 3 workplace grievances and 1 whistleblowing complaint from the employees, as compared to 2016 where there were 2 cases of workplace grievances. 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.

	Summary of Complaints	Action Taken by Unisem
Workplace grievances complaints	Poor handing of discipline issue	Mediation conducted with all parties to resolve the issue
Whistleblowing complaints	Pilferage	Investigation conducted and found complaint to be invalid

We also believe that by maintaining regular and open communication channels with employees, we can understand and gain awareness on our employees' needs and concerns pertaining to the workplace. On an annual basis, Unisem Ipoh conducts an Employee Climate Survey in which 5% of each employee category (Operator, Non-Executives and Executives) are surveyed for their feedback on a range of issues such as management, job satisfaction and development, communication within the Unisem Ipoh and many more. Feedbacks are then analysed and discussed with the management team to derive appropriate action plans that address employees' concerns. The action plans are executed immediately or over a period of time, as deemed appropriate. Following that, a summary of the Employee Climate Survey outcome and action plans is communicated to employees via the appropriate communication channels.

Employees are satisfied with	Employees' concerns
Increment of salary and timely payment	Controlled maximum overtime
Knowledge learned in the working place	Strict discipline control
Clean, comfortable and work place harmony	To improve canteen food variety
Benefits and good facilities (particularly hostel condition)	To improve facilities in plant (Rest area, Toilet, Company bus)
Caring management	
Workplace culture (friendliness of people, recognition in the workplace)	

Employee Learning and Talent Development

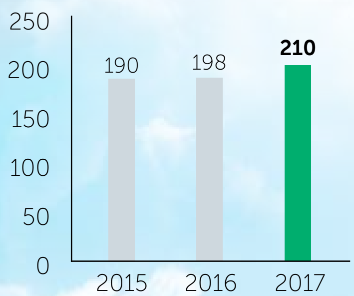
Unisem Ipoh believes that the continuous driving force for growing Unisem Ipoh lies in people who identify themselves with the organisation, its objectives and values. Our employees are diverse: they are generally reflective of our communities, customers, vendors and co-workers in the global market.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

We invest in training our employees to build the skills necessary to perform their work safely, ethically and efficiently.

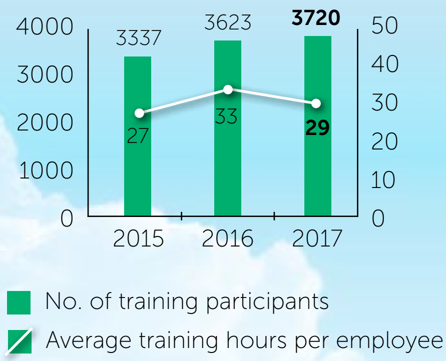
All new employees go through the New Employee Program to familiarise themselves with all aspects of the business, including operations, strategies and expectations. This programme also includes quality, environmental, health and safety awareness as well as our expectations for ethical conduct.

Unisem Ipoh runs a comprehensive continuous training programme for all its employees. On average, each Unisem Ipoh employee received about 29 hours of training in 2017. This training takes the form of on-the-job training and a series of development programmes. Manufacturing operators are formally certified in-house and must be re-certified every 6 months. Other trainings such as firefighting, first aid, evacuation drill and code of ethic are also provided to all employees.

Average training cost per employee per year (RM)



Number of training participants (No.) and average training hours per employee per year (hrs)



SUSTAINABILITY REPORT (cont'd)

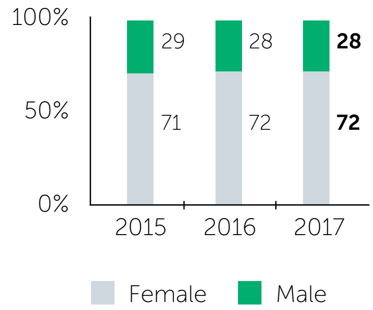
Our classroom training and development programs can be categorised as per below.

Training Programmes	Description of Training
Quality Courses	Focusing on the need to build quality and reliable products and subsequently on-time delivery to customers
Technical Courses	Keeping abreast with the latest, state-of-the-art equipment and methodologies
Safety and Health	Complying with legal and occupational regulation and workplace safety and health
Environmental	Heightening awareness and caring for the environment to make our surroundings a better place to live-in
Ethics, Anti-Corruption & Disciplinary	Educating employees on our code of ethics, anti-corruption and disciplinary measures
Soft Skills - Motivational/ Leadership/Supervisory	Development of leadership skills and personal effectiveness of our staff to better manage the complex and diverse people management challenges
Statistical – Design of Experiment, Statistical Process Control, Six Sigma, etc.	Performing statistical techniques and analysis to promote engineering excellence in process and product development for engineering staff
Team Building	To reinforce the strong teamwork culture, relationship building, and to build a positive work environment
IT Courses - Network Security, Programming	Continuous enhancement of IT security platforms and systems
Special Requirements (e.g. RBA / TS16949 / ISO14001 / OSHA / GST / X-Ray etc.)	Catering to the needs of customers, regulatory agency/government and international standards

To build a high performance culture and empower Unisem Ipoh's employees, we recognise that effective and timely performance evaluation sessions enable employees to identify their strengths and areas that require further improvement throughout their tenure with the Group.

During the performance evaluation sessions, both managers and their team members meet at least once a year to review and clarify their performance results, determine the training and development gaps and discuss career aspirations and plans. Managers are also required to engage with their subordinates constantly and have a continuous one-on-one feedback sessions to ensure that all levels of employee in the organisation stay motivated and aligned towards a common goal.

Employees by Gender (%)



Employee Workforce

The diversity of our workforce is one of our main strengths as it brings together individuals with various skills and backgrounds.

As at 31 December 2017 Unisem Ipoh employed 72% of female employees and 28% of male employees. In the past years, the operator group of employee has relied on a majority of female employees. Of our workforce, 67% are local and 33% are foreign. All our foreign workers are contract workers while our temporary workers only constitute students on internship with us.

KPI	Annual turnover rate		
Target	To meet annual turnover rate of 25%		
Performance	19.9% in 2015	18.9% in 2016	21.0% in 2017

Considering the vitality of our company as well as the external economic environment, we believe that a healthy turnover rate of full-time employees should be lower than 25%. In 2017, the turnover rate increased by 2.1%. This is largely due to our foreign workers completing their contracts during the year and not opting to renew the contract for the coming period as they have decided to return home. As a result, Management has sought to hire a better skilled workforce during the year to compensate for the workers who have left us.

Equal Opportunity in Employment

Unisem is in compliance with the RBA Code of Conduct which addresses issues including non-discrimination and equal opportunities. Hence, we provide equal employment opportunity without discriminating our candidates against their race, colour, age, gender, sexual orientation, gender identity and expression, ethnicity, national origin, religion, disability, pregnancy, political affiliation, union membership, covered veteran status, protected genetic information or marital status. This includes hiring and employment practices such as wages, promotions, rewards, and access to training.

We take pride in being able to do our part as a responsible and caring organisation. Since 2000, Unisem has employed four physically challenged employees.

LABOUR RIGHTS

We have always been strong supporters of human rights as this is also in line with our core values, reflected in our tag line: "We Care We Can". We acknowledge that when employees are treated with respect, we can accomplish workplace harmony and create a sense of belonging.

As such, we are committed to upholding the human rights of workers and to treating 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 and child labour are strictly prohibited at all times.

Our commitment to human rights is embedded in the Unisem Code of Ethics and Group CSR Policy. It addresses diversity and non-discrimination, workplace safety, child labour, forced labour and human trafficking, working hours and minimum wages, freedom of association, collective bargaining and data privacy.

Refer to our Code of Ethics and Corporate Social Responsibility for more information on our commitments on employee's welfare and safeguarding human rights[4].

[4] https://www.unisemgroup.com/wp-content/uploads/2016/05/Code-of-Ethics.pdf
https://www.unisemgroup.com/wp-content/uploads/2016/01/CSR-Policy-Jun-2014.pdf

SUSTAINABILITY REPORT (cont'd)

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

As and when necessary, Unisem Ipoh hires foreign workers to meet its operation requirements. No foreign workers are required to pay any fees and levy related to their employment other than expenses for lodging and direct transportation from the workers' home to the job placement centre in their original country. All foreign workers are made aware and provided with information on the minimum mandatory fees allowable as per RBA requirement.

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

Unisem Ipoh respects the rights of workers to associate freely, to decide whether they wish to join labour unions or not, to seek representation in accordance with the Trade Union Act. Unisem Ipoh has an in- house union – Kesatuan Pekerja-Pekerja Unisem ("KPU"), established in 2011 and its current membership consists of about 900 members. The KPU membership is open to all employees who are eligible in accordance with local laws and is on a voluntary basis. In July 2017, Unisem Ipoh signed the third collective agreement with KPU.

As at 2017, there have been no incidences of human rights violations nor violations of labour standards at Unisem Group.

OCCUPATIONAL HEALTH AND SAFETY

We have always taken pride in providing a safe and healthy working environment for our employees, as well as to our customers, suppliers/contractors, surrounding communities and users of our products and services. We believe that a safe and healthy work environment contribute significantly towards a more productive workforce and as the saying goes "Health is Wealth".

Our employees will feel highly confident in carrying out their duties and responsibilities when the working environment is safe. In this respect, Unisem Ipoh aims to constantly promote high safety and health standards. Workplace safety is embedded in Unisem's Code of Ethics and Group CSR Policy, as it is part of our commitment to protect human rights.

Refer to our Safety and Health Policy for more information on the maintenance of safety and health in our workplace[5].

Health and Safety Management

KPI	Injury frequency rate for industrial accidents[6]		
Target	Injury frequency rate for industrial accidents below 2 accidents per million hours worked		
Performance	1.08 in 2015	1.52 in 2016	1.91 in 2017

	2015	2016	2017
Fatality Rate	0	0	0

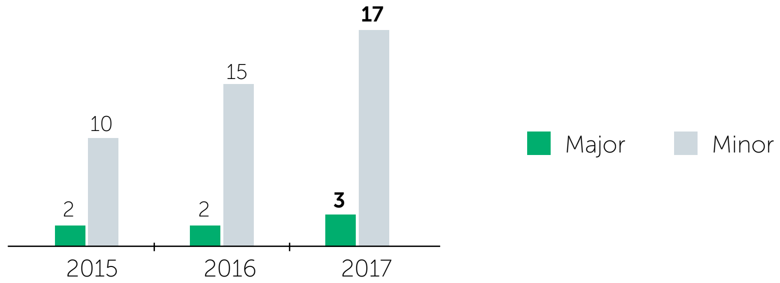
[5] https://www.unisemgroup.com/wp-content/uploads/2016/05/Safety-and-Health-Policy.pdf

[6] Injury frequency rate is calculated as [total no. of work related accidents/ total no. of man-hours worked)*1,000,000], as in line with definition by the Malaysian Department of Occupational Safety and Health (DOSH)

The Unisem Ipoh's Safety and Health Committee consists of employer and employee representatives from several departments. Their areas of responsibilities include: 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. The committee is headed by the senior manager of the Facility Department and directly under the responsibility of the site's COO.

Our Safety and Health Committee is responsible for closely monitoring work-related incidents that occur within our facility, particularly the injury frequency rate for industrial accidents. Work-related accidents are categorised into 'major' and 'minor' work-related accidents to enable swift responses and to accurately support our performance data on injury frequency rate for industrial accidents. Major work-related accidents are defined as accidents which cause employees to be on medical leave above 4 days. The number of major and minor work-related accidents over the last years is shown below:

Major and Minor Work-related Accidents



Injury frequency rate is calculated as total no. of work-related accidents per one million hours worked. As our total working hours have not changed significantly across the years, the increase in injury rate is primarily attributable to the increase in minor work-related accidents. These accidents are mainly due to trip and fall cases, resulting in the workers being away from work. Therefore, Management took actions to conduct awareness training and increase the number of warning signs on site. To minimise work-related injuries, Management also encourages employees to report any unsafe act or workplace condition, including near-miss cases. Following which, we endeavour to keep implementing various safety and health initiatives as well as reviewing and monitoring the progress and outcome of our implementation plan.

Safety and Health Measures

SAFETY AND HEALTH TRAINING	HEALTH AND SPECIAL CARE	SAFETY AND HEALTH IMPROVEMENT ACTION PLANS

SUSTAINABILITY REPORT (cont'd)

Safety and Health Training

On-going training programmes, as shown in the table below, target specific employees based on their responsibilities and the nature of their work. Most training programmes are conducted annually except for some of the safety hazard training programmes that are held on a bi-annual basis. Employees who have attended trainings are then responsible to disseminate and apply the knowledge and skills learned with other employees in the areas and departments where they operate.

Safety and Health Training Programmes	No. of participants		
	2015	2016	2017
Fire ERT	47	34	39
First Aid	77	88	70
Chemical Spillage	58	40	217
Fire Warden	107	112	94
Forklift	0	19	0
Safety hazard training (noise/electrical/machine/ergonomic/HIRARC, etc.)	166	111	211

Health and Special Care

To complement safety and health, Unisem Ipoh provides an in-house 24-hour clinic with fulltime industrial nurses and a panel of visiting doctors to provide medical consultation and treatment for its employees. Unisem is proactive in promoting safety and health by organising various talks on safety and health issues on a monthly basis. Health screenings were also conducted for employees and their family members in 2017.

Health Training Campaign	No. of participants		
	2015	2016	2017
Free eye fungus screening	210	268	346
Ipoh Specialist Hospital of Healthy Life Style Campaign	382	249	411
Mammogram/Pap Smear Campaign	104	81	192
First Aid Training	75	150	70
Antenatal Talk on Nutrition in Pregnancy and its Myths	47	71	63

Health Training Campaign	No. of participants		
	2015	2016	2017
Weight Loss Challenge	52	0	108
Health Week Promotion Health Products	158	349	224
Blood Screening Test	127	166	269
Health Talk/Perkeso Talk/Road Safety	354	437	507
Bone Density Test	75	273	244
Blood Donation Campaign	371	320	335
Eye Care Programme by Optic Lily	139	174	233
Exhibition on Dengue/Zika virus disease/TIBI/ Breast cancer/Hypertension/Diabetic Mellitus/ Quit Smoking and BMI	33	136	175
Hearing Test	0	47	115

SUSTAINABILITY REPORT (cont'd)

Safety and Health Improvement Action Plans

Year	Safety and Health Improvement Action Plan	Objectives	Achievements
2015	Chemical spillage drill	To assess the chemical handler and Emergency Response Team ("ERT") response to emergency	Exercise met the specification and no review is required
	Evacuation drill	To assess the effectiveness of evacuation and ERT response to emergency	Assembly within the designated assembly point
2016	Ergonomic assessment	To assess the ergonomic hazards and risks in the workplace To determine the significant hazards to be controlled for employees, contractors and visitors who may be exposed to the risk of Work Related Muscular Skeletal Disorders	No significant hazards identified with regard to ergonomic issues except for lifting heavy objects of more than 25 kg and most of the results were categorised as low risk
	Evacuation drill	To assess the effectiveness of evacuation and ERT response to emergency	Assembly within the designated assembly point
2017	Chemical spillage drill	To assess the chemical handler and Emergency Response Team (ERT) response to emergency	Exercise met the specification and no review is required
	Evacuation drill	To assess the effectiveness of evacuation and ERT response to emergency	Assembly within the designated assembly point

For continuous improvement, the Unisem Ipoh factory is required to ensure that its internal management practices including emergency response and effectiveness of evacuation processes are in compliance with Unisem's Emergency Response Plan. Emergency response exercises and evacuation drills are conducted annually with all shift workers in order to increase awareness on safety and health measures to take should an incident occur.

Unisem Ipoh also achieved Level 5 (excellent) of the Systematic Occupational Health Enhancement Level Programme ("SOHELP") which was organised by the Department of Occupational Safety and Health Malaysia ("DOSH") in March 2017. Level 5 is the highest level of the SOHELP program implementation.

About SOHELP	Designed to help industries comply with relevant regulations pertaining to occupational health particularly in the field of chemical management, ergonomic issues and hearing protection
SOHELP Assessment Methodology/Process	• Gather accident statistic, workplace inspection and safety audit • Provide safety training & communication among Management team, SHC & employees
Objective of SOHELP Programme	To prevent occupational disease
Unisem KPI	Reduction of health risk exposure in relation to ergonomics, chemicals and noise in the workplace
Key action plans	• Enhance employees' safety awareness and convey safety information including prevention of accident • Conduct promotion activities such as Health Talk, TV display & banner to promote safety awareness • Carry out risk assessment at the work areas for hazard identification and control • Perform safety inspection & audit for continuous improvement
Achievements	Implementation from Level 1 (Entry) to Level 5 (Excellent) in 2016

LOCAL COMMUNITIES

Unisem Ipoh strives to support local organisations and institutions in Ipoh and the state of Perak, involved in health and welfare, education, culture, recreation and civic activities. Our objectives are three-fold:

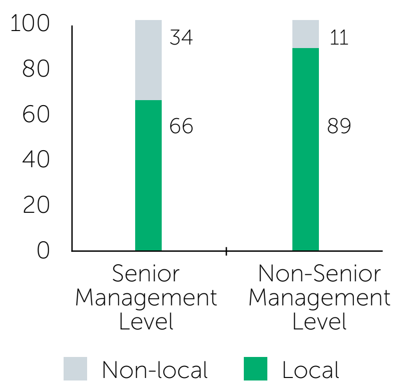
1. Be recognised as a responsible corporate citizen that reinvests in the society and communities it operates in
2. Promote recognition and awareness of the less fortunate in the community
3. Support programmes that promote the well-being of the community in general and for our employees living in the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

Local Hire and Internships

As one of the largest private sector employers in Ipoh, we are committed to providing employment and career development opportunities to the local community where we operate.

Our workforce at Unisem Ipoh originates predominantly from our local communities within the state of Perak. This is particularly evident for non-management employee categories where about 90% of our employees were hired locally.

Ratio of local and non-local Senior Managers and Non-Senior Managers (%)



SUSTAINABILITY REPORT (cont'd)

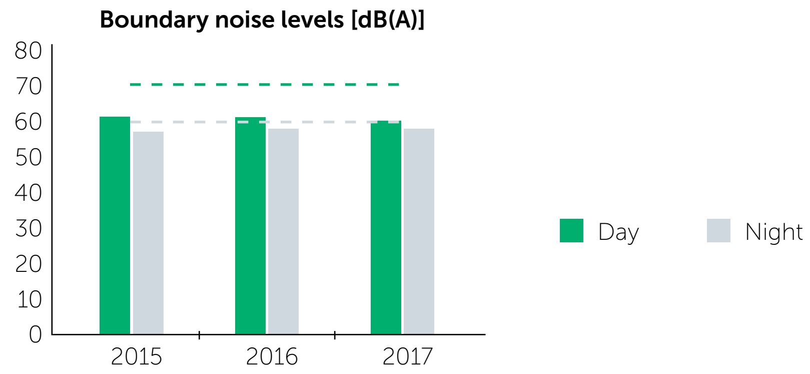
Annually, Unisem Ipoh trains industrial trainees from various universities and polytechnic institutions and provides them career opportunities in various functions such as Assembly, Final Test, Quality Assurance, Engineering, Maintenance, Finance, Management Information Systems and Human Resources.

In 2017, Unisem Ipoh provided opportunities to a total of 148 students from various local polytechnics and universities in Malaysia as trainees, of which 110 are pursuing Engineering Studies and 38 are from Non-Engineering backgrounds.

Noise Monitoring

We practice open channels of communication with our local communities and one of the greater concerns is the level of noise caused by our manufacturing plant.

Even though levels of noise pollution are maintained below thresholds as permitted by the Guidelines for Environmental Noise Limits & Control, published by the Department of Environment Malaysia ("DOE"), Unisem Ipoh conducts a structured programme to monitor and reduce noise levels as much as possible. Our Facility team monitors and reviews noise levels on a yearly basis, including conducting Boundary Noise Monitoring exercise annually. As a result, noise levels have been maintained below legal limits over the years.



Donations and Employee Involvement

Every year, we actively engage our local community through our volunteer programmes and donations. Our donation programmes are reviewed annually to ensure that distribution of corporate contributions continues to effectively address the community's changing needs.

Our long term volunteer programmes include annual blood donation drives, visits to local orphanages, old folks' homes and physically challenged centres during festive periods. Every year we conduct these programmes to support the local organisations. In addition, our employees participated in volunteer clean-up events at the local mosque and an annual in-house festive celebration. Our biggest volunteer event this year was our annual blood donation drive, held in January, May and October of 2017, supported by 335 of our employees.

Furthermore, Unisem Ipoh made a donation of RM15,000 this year, which includes cash, daily necessities and sponsorship to the local schools, children's and special needs' homes, the local fire and rescue association, festive events, local unions and special events.

We will continue to support local communities as we hold steadfast to our commitment of being a good corporate citizen.

ENVIRONMENT

In line with our corporate vision to be the leading Malaysian company providing total semiconductor packaging and test services globally and be recognised 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.

We take steps to understand, reduce or avoid the environmental impacts occurring along our value chain while creating the best products and services for our customers. We conduct various initiatives to manage energy and water efficiently, reduce our greenhouse gas emissions, apply best practice in effluents and waste management and guarantee environmental stewardship of our products.

ENVIRONMENTAL MANAGEMENT

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[7].

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

Progress at Unisem Ipoh is regularly reviewed by our site COO and GM, who are responsible for sustainability initiatives and reports to the Board. All Unisem sites are ISO 14001:2015 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 bumping, 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 programme and an environmental management system that enable us to reduce our environmental impacts and increase operating efficiency. Emphasis is placed on monitoring emissions of pollutants, waste and chemical management, energy saving and conservation of water use, reuse and recycling of natural resources.

[7] http://www.unisemgroup.com/operations/ehs.html

SUSTAINABILITY REPORT (cont'd)

CLIMATE CHANGE AND ENERGY EFFICIENCY

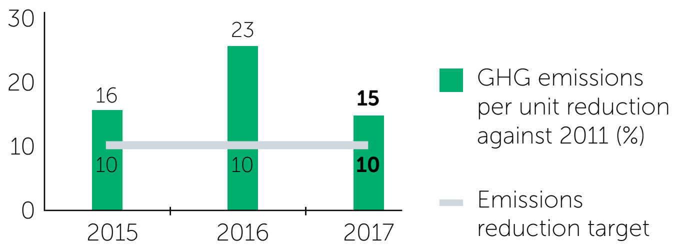
KPI	Greenhouse Gas ("GHG") emissions per unit reduction[8] (baseline 2011)		
Target	To achieve 10% reduction in GHG emissions per unit[8] (baseline 2011)		
Performance	16% in 2015	23% in 2016	15% in 2017

We recognise that climate change is a significant issue and its effects are beginning to alter the lands and waters we depend upon for survival. Our most significant GHG emissions come from the energy use in our plants/facilities and business travel. Our initiatives in mitigating GHG emissions rely on improving energy efficiency of our facilities and equipment, as well reducing our emissions associated with travelling, as detailed below. In 2017, the reduction in GHG emissions per unit compared to baseline year 2011 is 15%, while it was 23% in 2016. This is primarily due to a change in product mix, resulting in a lower number of units produced in 2017, compared to 2016. Our operational GHG emissions are independently verified by a third party RBA Validated Audit Process (VAP) auditor.

Plant energy use	Improve energy efficiency with the following implementation: • Retro-commissioning of HVAC (Heating, Ventilation, and Air Conditioning) system • Controls upgrades • Heat recovery • Installation of LED lighting • Re-engineering of production equipment facility support system (Air Compressor and Vacuum system)
Office environment	• Turning off office lights and air-conditioning during lunch hours
Air travel	• Reducing non-essential flights by promoting videoconferencing

Year	Electricity Consumption (GWh)	GHG Emissions Associated with Electricity Consumption ('000 tCO2e)
2015	101.1	66.3
2016	98.5	64.5
2017	103.1	67.6

GHG emissions per unit reduction[8] against 2011 (%)



[8] No. of wafers produced by UAT was converted to no. units produced based on an estimation of 10,000 units per wafer.

EFFLUENTS AND WASTE MANAGEMENT

Effluents Management

KPI and Target	Compliance with Standard B under EQA (Industrial Effluents) Regulation 2009		
Performance	Complied in 2015	Complied in 2016	Complied in 2017

Unisem Ipoh is subject to regular reviews of its wastewater discharge by the DOE. Most pollutants are treated on site in our wastewater treatment plant. Other waste substances (such as waste oil, spent solvent and metal hydroxide sludge) are sent to government-licensed waste disposal units or specialist contractors. Below are the measures taken in managing effluent and wastewater discharged:

- Daily monitoring of wastewater quality (e.g. flow rate, pH, COD and BOD concentration, etc.)
- Preventive maintenance by trained employees conducted regularly
- On-site wastewater treatment in facility before discharging into drainage
- Weekly and monthly monitoring conducted by an external accredited laboratory to ensure wastewater quality complies with the regulation standards [Standard B, under the EQA (Industrial Effluent) Regulations 2009]

Water Quality Indicator	Unit	Effluent Standard	Min. ~ Max.	Compliance for 2017
pH	pH	5.5-9.0	6.2~8.3	✓
COD concentration	Mg/L	<200	15~31	✓
BOD concentration	Mg/L	<50	3.2~10.0	✓
Suspended solid ("SS") concentration	Mg/L	<100	3.0~23.0	✓
Cu^2+ concentration	Mg/L	<1.0	0.013~0.090	✓
Ni^2+ concentration	Mg/L	<1.0	0.005~0.209	✓

	2015	2016	2017
Total wastewater discharge (m^3 per day)	565,158	578,895	657,000

SUSTAINABILITY REPORT (cont'd)

Waste Management

KPI	Recycling rate of scheduled (hazardous) waste generated		
Target	To achieve 50% recycling rate of total scheduled (hazardous) waste generated		
Performance	53% in 2015	56% in 2016	58% in 2017

Given the nature of our industry, our operations generate scheduled waste, which includes, amongst other waste streams, electrical and electronic waste and chemical waste. We are committed to constantly monitoring and ensuring responsible treatment of the waste before final disposal. Unisem Ipoh engages with authorised licensed contractors, certified by the DOE, to ensure legal and proper treatment as well as recycling of waste. Furthermore, we regularly conduct audits of our waste contractors to ensure compliance to local laws and regulations in relation to environmental, health and safety aspects.

Year	Total scheduled waste generated (metric tonnes)	Total scheduled waste recycled (metric tonnes)
2015	227	121
2016	266	151
2017	280	163

In 2017, 280 metric tonnes of scheduled waste were generated of which 58% were recycled. Thus, we achieved our target of recycling more than 50% of our scheduled waste.

We encourage our employees to reduce, reuse and recycle domestic waste generated (paper, plastic, aluminium cans, metal, etc.) in the office, as well as at our production facility. Domestic waste collected is sent to licensed waste contractors for further treatment every month. We began collecting data on the recycling rate of domestic waste via waste collection documents provided by our waste contractors. Therefore, we are able to report that we achieved a 43% recycling rate of domestic waste in 2017. From here on, we will continue to collect and report on our domestic waste data.

We have also implemented various reuse programmes aimed at reducing the use of new materials, such as shipping tubes, canister cans and wafer carriers/containers in our operations. These programmes have been established for more than five years and have contributed to cost savings and effective use of materials.

WATER CONSUMPTION

The largest part of our water use is associated with our wafer fabrication and packaging facilities. Water is used to produce ultra-pure water ("UPW") necessary to clean silicon wafers during fabrication. As part of our effort to increase water efficiency, we have been able to reduce the amount of water required to produce UPW. After UPW has been used to clean wafers, the lightly contaminated water is still suitable for various industrial purposes and irrigation. Our facilities are equipped with complex rinse water collection systems and separate drains to collect lightly contaminated wastewater for reuse. With this reuse strategy, we recycle as much water from our manufacturing processes as possible.

Unisem Ipoh's water consumption in the past years is set out below.

Years	Water consumption (million m^3)	% of water recycled
2015	1.6	3
2016	1.8	3
2017	1.9	3

PRODUCT STEWARDSHIP

Each Unisem site has achieved third party certification on the Sony Green Partner and Samsung Eco Partner certification schemes. 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.

For each raw material, compliance with RoHS is measured through the analysis report that is renewed on a yearly basis following the EU Directive 2011/65/EU. Supporting documents such as declaration letter, Certificate of Compliance ("CoC") and Safety Data Sheet ("SDS") are also used to verify the compliance. We also ensure our suppliers comply with RoHS by communicating with them and facilitating their own compliance.

SUSTAINABILITY REPORT (cont'd)

GLOBAL REPORTING INITIATIVE SUSTAINABILITY REPORTING STANDARDS ("GRI" INDEX)

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Related Section of Annual Report / Sustainability Report	Page Number
GRI 102 General Disclosures				
1	102-1	Name of the organization	Company Profile	2
2	102-2	Activities, brands, products, and services	Unisem Group	3
3	102-3	Location of headquarters	Corporate Information	Inside back cover
4	102-4	Location of operations	Unisem Group	3
5	102-5	Ownership and legal form	Shareholders' Statistics	167
6	102-6	Markets served	Company Profile	2
7	102-7	Scale of the organization	Unisem Group	3
8	102-8	Information on employees and other workers	-	
9	102-9	Supply chain	Supply Chain Management	28
10	102-10	Significant changes to the organization and its supply chain	-	
11	102-11	Precautionary Principle or approach	-	
12	102-12	External initiatives	Sustainability Report's Scope Supply Chain Management	15 28
13	102-13	Membership of associations	Growing the Business	26
14	102-14	Statement from senior decision-maker	Chairman's Letter to the Shareholders	6
15	102-15	Key impacts, risks, and opportunities	Sustainability Governance Stakeholder Engagement Sustainability Topics Materiality Assessment	16 18 21 22
16	102-16	Values, principles, standards, and norms of behavior	Supply Chain Management Employee Learning and Talent Development	28 39
17	102-17	Mechanisms for advice and concerns about ethics	Employee Communication	37
18	102-18	Governance structure	Corporate Governance Overview Statement Sustainability Governance	69 16
19	102-19	Delegating authority	Sustainability Governance	16
20	102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Governance	16
21	102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement	18
22	102-22	Composition of the highest governance body and its committees	Corporate Governance Overview Statement	71/74
23	102-23	Chair of the highest governance body	Corporate Governance Overview Statement	69
24	102-24	Nominating and selecting the highest governance body	Corporate Governance Overview Statement/CG Report	69/16
25	102-25	Conflicts of interest	Directors' conflict of interest disclosure/ CG report	65/16
26	102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance Overview Statement	69
27	102-27	Collective knowledge of highest governance body	Corporate Governance Overview Statement	71
28	102-28	Evaluating the highest governance body's performance	Corporate Governance Overview Statement	72

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Related Section of Annual Report / Sustainability Report	Page Number
GRI 102 General Disclosures				
29	102-29	Identifying and managing economic, environmental, and social impacts	Sustainability Governance Stakeholder Engagement	16 18
30	102-30	Effectiveness of risk management processes	Sustainability Governance Statement on Risk Management and Internal Control	16 87
31	102-31	Review of economic, environmental, and social topics	Sustainability Governance	16
32	102-32	Highest governance body's role in sustainability reporting	Sustainability Governance	16
33	102-33	Communicating critical concerns	Employee Communication	37
34	102-34	Nature and total number of critical concerns	Employee Communication	37
35	102-35	Remuneration policies	Corporate Governance Overview Statement/CG Report	76/23
36	102-36	Process for determining remuneration	Corporate Governance Overview Statement/CG Report	76/23-34
37	102-37	Stakeholders' involvement in remuneration	Corporate Governance Overview Statement/CG Report	76/24
38	102-38	Annual total compensation ratio	-	
39	102-39	Percentage increase in annual total compensation ratio	-	
40	102-40	List of stakeholder groups	Stakeholder Engagement	18
41	102-41	Collective bargaining agreements	Labour Rights	41
42	102-42	Identifying and selecting stakeholders	Stakeholder Engagement	18
43	102-43	Approach to stakeholder engagement	Stakeholder Engagement	18
44	102-44	Key topics and concerns raised	Materiality Assessment	22
45	102-45	Entities included in the consolidated financial statements	Financial Statements	90
46	102-46	Defining report content and topic Boundaries	Sustainability Report's Scope Sustainability Topics	15 21
47	102-47	List of material topics	Sustainability Topics	21
48	102-48	Restatements of information	No restatement made	
49	102-49	Changes in reporting	No changes in reporting	
50	102-50	Reporting period	Sustainability Report's Scope	15
51	102-51	Date of most recent report	31 December 2016	
52	102-52	Reporting cycle	Sustainability Report's Scope	15
53	102-53	Contact point for questions regarding the report		
54	102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report's Scope	15
55	102-55	GRI content index	GRI Standards Content Index	54
56	102-56	External assurance	-	

SUSTAINABILITY REPORT (cont'd)

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Related Section of Annual Report / Sustainability Report	Page Number
GRI 103 Management Approach				
57	103-1	Explanation of the material topic and its Boundary	Sustainability Report's Scope Materiality Assessment	15 22
58	103-2	The management approach and its components	Managing Our Business Our Focus on Customers People Environment	21
59	103-3	Evaluation of the management approach	Managing Our Business Our Focus on Customers People Environment	21
GRI 201 Economic Performance				
60	201-1	Direct economic value generated and distributed	Financial Statements	90
61	201-2	Financial implications and other risks and opportunities due to climate change	-	
62	201-3	Defined benefit plan obligations and other retirement plans	Financial Statements	90
63	201-4	Financial assistance received from government	Financial Statements	90
GRI 202 Market Presence				
64	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	
65	202-2	Proportion of senior management hired from the local community	Local Communities	47
GRI 203 Indirect Economic Impacts				
66	203-1	Infrastructure investments and services supported	-	
67	203-2	Significant indirect economic impacts	-	
GRI 204 Procurement Practices				
68	204-1	Proportion of spending on local suppliers	-	
GRI 205 Anti-Corruption				
69	205-1	Operations assessed for risks related to corruption	-	
70	205-2	Communication and training about anti-corruption policies and procedures	Anti-Corruption	32
71	205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption	32
GRI 206 Anti-Competitive Behaviour				
72	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A	
GRI 301 Materials				
73	301-1	Materials used by weight or volume	-	
74	301-2	Recycled input materials used	-	
75	301-3	Reclaimed products and their packaging materials	-	
GRI 302 Energy				
76	302-1	Energy consumption within the organization	Climate Change and Energy Efficiency	50
77	302-2	Energy consumption outside of the organization	-	
78	302-3	Energy intensity	-	
79	302-4	Reduction of energy consumption	Climate Change and Energy Efficiency	50
80	302-5	Reductions in energy requirements of products and services	-	

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Related Section of Annual Report / Sustainability Report	Page Number
GRI 303 Water				
81	303-1	Water withdrawal by source	-	
82	303-2	Water sources significantly affected by withdrawal of water	-	
83	303-3	Water recycled and reused	-	
GRI 304 Biodiversity				
84	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
85	304-2	Significant impacts of activities, products, and services on biodiversity	N/A	
86	304-3	Habitats protected or restored	N/A	
87	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A	
GRI 305 Emissions				
88	305-1	Direct (Scope 1) GHG emissions	-	
89	305-2	Energy indirect (Scope 2) GHG emissions	Climate Change and Energy Efficiency	50
90	305-3	Other indirect (Scope 3) GHG emissions	-	
91	305-4	GHG emissions intensity	-	
92	305-5	Reduction of GHG emissions	Climate Change and Energy Efficiency	50
93	305-6	Emissions of ozone-depleting substances (ODS)	-	
94	305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	-	
GRI 306 Effluents and Waste				
95	306-1	Water discharge by quality and destination	Water Consumption	53
96	306-2	Waste by type and disposal method	Effluents and Waste Management	51
97	306-3	Significant spills	-	
98	306-4	Transport of hazardous waste	-	
99	306-5	Water bodies affected by water discharges and/or runoff	-	
GRI 307 Environmental Compliance				
100	307-1	Non-compliance with environmental laws and regulations	Effluents and Waste Management	51
GRI 308 Supplier Environmental Assessment				
101	308-1	New suppliers that were screened using environmental criteria	Supply Chain Management	28
102	308-2	Negative environmental impacts in the supply chain and actions taken	Supply Chain Management	28
GRI 401 Employment				
103	401-1	New employee hires and employee turnover	Employee Welfare	36
104	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Welfare	36
105	401-3	Parental leave	Employee Welfare	36
GRI 402 Labour Management/ Relations				
106	402-1	Minimum notice periods regarding operational changes	-	

SUSTAINABILITY REPORT (cont'd)

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Related Section of Annual Report / Sustainability Report	Page Number
GRI 403 Occupational Health and Safety				
107	403-1	Workers representation in formal joint management–worker health and safety committees	Occupational Health and Safety	42
108	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety	42
109	403-3	Workers with high incidence or high risk of diseases related to their occupation	-	
110	403-4	Health and safety topics covered in formal agreements with trade unions	-	
GRI 404 Training and Education				
111	404-1	Average hours of training per year per employee	Employee Welfare	36
112	404-2	Programs for upgrading employee skills and transition assistance programs	Employee Welfare	36
113	404-3	Percentage of employees receiving regular performance and career development reviews	-	
GRI 405 Diversity and Equal Opportunity				
114	405-1	Diversity of governance bodies and employees	Corporate Governance Overview Statement	69
115	405-2	Ratio of basic salary and remuneration of women to men	-	
GRI 406 Non-discrimination				
116	406-1	Incidents of discrimination and corrective actions taken	Employee Communication	37
GRI 407 Freedom of Association and Collective Bargaining				
117	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Labour Rights	41
GRI 408 Child Labour				
118	408-1	Operations and suppliers at significant risk for incidents of child labor	Labour Rights	41
GRI 409 Forced or Compulsory Labour				
119	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Labour Rights	41
GRI 410 Security Practices				
120	410-1	Security personnel trained in human rights policies or procedures	N/A	
GRI 411 Rights of Indigenous Peoples				
121	411-1	Incidents of violations involving rights of indigenous peoples	N/A	
GRI 412 Human Rights Assessment				
122	412-1	Operations that have been subject to human rights reviews or impact assessments	Supply Chain Management Labour Rights	28 41
123	412-2	Employee training on human rights policies or procedures	Employee Welfare	36
124	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	

GRI Standards Content Index				
#	Disclosure Number	Disclosure Title	Related Section of Annual Report / Sustainability Report	Page Number
GRI 413 Local Communities				
125	413-1	Operations with local community engagement, impact assessments, and development programs	Local Communities	47
126	413-2	Operations with significant actual and potential negative impacts on local communities	Local Communities	47
GRI 414 Supplier Social Assessment				
127	414-1	New suppliers that were screened using social criteria	Supply Chain Management	28
128	414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management	28
GRI 415 Public Policy				
129	415-1	Political contributions	-	
GRI 416 Customer Health and Safety				
130	416-1	Assessment of the health and safety impacts of product and service categories	-	
131	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	
GRI 417 Marketing and Labeling				
132	417-1	Requirements for product and service information and labeling	N/A	
133	417-2	Incidents of non-compliance concerning product and service information and labeling	N/A	
134	417-3	Incidents of non-compliance concerning marketing communications	N/A	
GRI 418 Customer Privacy				
135	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	
GRI 419 Socioeconomic Compliance				
136	419-1	Non-compliance with laws and regulations in the social and economic area	-	

PROFILE OF DIRECTORS

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

Mr John Chia Sin Tet, aged 68, 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.

Mr Lee Hoong Leong, aged 60, 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.

LEE HOONG LEONG
Executive Director,
Malaysian, Male

FRANCIS CHIA MONG TET
Executive Director,
Malaysian, Male

Mr Francis Chia Mong Tet, aged 66, 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)

Mr Alexander Chia Jhet-Wern, aged 37, 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.

ALEXANDER CHIA JHET-WERN
Executive Director,
Malaysian, Male

MARTIN GILES MANEN
Independent Director,
Malaysian, Male

Mr Martin Giles Manen, aged 63, 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 & Risk Management Committee and a member of the Nomination Committee.

Mr Manen served more than 21 years with Sime Darby Group, holding various senior positions including Group Tax Controller, Group Company Secretary, Group Finance Director and Divisional Director of the Allied Products & Services Division. He started his career at KPMG with whom he served 11 years in Malaysia and the United Kingdom undertaking audit, tax and business advisory assignments. He served as a Director of Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) from 2009 to 2012.

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

Y.Bhg. Dato' Gregory Wong Guang Seng, aged 66, 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 a member of Audit & Risk Management Committee and the Chairman of the Nomination Committee and 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.

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

ANG CHYE HOCK
Independent Director,
Singaporean, Male

Mr Ang Chye Hock, aged 68, 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 & Risk Management 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)

Y.Bhg. Tan Sri Dato' Wong See Wah, aged 72, 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.

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

Mr Yen Woon @ Low Sau Chee, aged 70, 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.

Mr Yen Woon was issued and has paid a compound by the Companies Commission of Malaysia in February 2017 for breach of Section 69F of the Companies Act 1965 in relation to Substantial Shareholder Notification.

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

Mdm Lim Siew Eng, aged 65, 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 & Risk Management 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 (MIMB), (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 (MIBB) 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.

LIM SIEW ENG
Independent Director,
Malaysian, Female

MAHANI BINTI AMAT
Independent Director,
Malaysian, Female

Puan Mahani Binti Amat, aged 63, 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. Save as disclosed above, there were no public sanctions and/or penalties imposed on the Directors by the relevant regulatory bodies during the financial year.

PROFILE OF SECRETARIES

CHUA HENG FATT
Company Secretary,
Malaysian, Male

Mr Chua Heng Fatt, aged 68, 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 52, 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 65, 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 56, 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 63, is Senior Vice President, Chief Operating Officer of the 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 68, 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 72, 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 54, 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 public sanctions and/or penalties imposed on the senior management by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors supports the objectives of the Malaysian Code on Corporate Governance ("MCCG") 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 MCCG.

Set out below is an overview of the corporate governance practices of the Company during the financial year ended 31 December 2017. This overview statement is prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") and it is to be read together with the Corporate Governance Report 2017 of the Company ("CG Report") which is available on the Company's website: https://www.unisemgroup.com/company-info/corporate-governance/

The CG Report provides the description of how the Company has applied each Practice as set out in the MCCG throughout the financial year ended 31 December 2017.

PRINCIPLES OF CORPORATE GOVERNANCE

PRINCIPLE A -BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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.
- Promote ethical and responsible decision-making.
- Oversee the conduct of the Group's business, including its control and accountability systems.
- Monitor succession planning.
- Identify principal risks and ensure the implementation of appropriate internal controls.
- Review the adequacy and the integrity of the management information and internal controls system.
- Ensure that the market and shareholders are fully informed of material developments.

Chairman of the Board

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Role of Chairman and CEO

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.

Role and Responsibilities of Company Secretaries

The Board is supported by suitably qualified and competent Company Secretaries to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices. 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 regularly update the Board on new statutes and directives issued by the regulatory authorities and keep the Board informed of their responsibilities. The Company Secretaries regularly attend trainings to keep themselves abreast with the many developments around corporate and securities laws, listing rules and corporate governance practices and issues.

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 reviewed and approved the amendments to the Board Charter and terms of reference of Board Committees to incorporate practices in the MCCG.

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/

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. The Board reserved matters are included in the Board Charter and is accessible at the Company's website https://www.unisemgroup.com/company-info/corporate-governance/

The composition of the Executive Management Committee and their terms of reference is available at the Company's website under the Company Info - Corporate Governance section. https://www.unisemgroup.com/company-info/corporate-governance/

Code of Conduct and Ethics & Whistleblower Protection Policy

Unisem has established the Unisem Code of Ethics 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/

Unisem also has in place procedures and anonymous complaint mechanisms for employees, suppliers and customers to report inappropriate ethical behaviours and workplace grievances. Please refer to page 37, Employee Communication of the Sustainability Report in this Annual Report for further details

II. Board Composition

Size and Composition of the Board

Currently, there are 11 Board members in Unisem (M) Berhad comprising 4 executive directors, 5 independent directors and 2 non-executive non-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 60 to 65 of the Annual Report. All these skills and experience enable the Board to effectively lead and control the Company.

Even though the number of independent directors is less than half of the Board (5 over 11), due to the active participation of all the Directors with diverse perspectives and insights, including the 5 independent directors, no individual or small group of individuals can dominate the Board's decision making process. It is a policy that all decisions of the Board are unanimous and are made in the best interest of the Company. In the event of even a single dissenting voice a resolution will not be put to a vote and will be deferred or aborted. One of the priorities on the Board CG agenda is to introduce more independent directors to the Board as vacancies arise and suitable candidates identified.

The Board has put in place a policy in the Board Charter which limits the tenure of its independent directors to nine years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Board Diversity

In 2015 and early 2016, two female directors were appointed to the board as non-executive independent directors. One of our priorities on the Board CG agenda is to work towards the goal of having 30% women directors on the Board in 2018. 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.

Appointment of Directors

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.

Re-election of Directors

In accordance with the constitution 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 by the shareholders. Directors who are appointed by the Board are subject to election by the shareholders at the Annual General Meeting held following their appointments.

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.

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 2017 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. The Directors also identified areas of improvement relating to training needs, product/technology knowledge enhancement and more involvement in the enterprise risk management exercise with management.

Board Meetings and Commitment

A total of five Board meetings were held during the financial year ended 31 December 2017. The attendance of each Director to the Board meetings held during the year is 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.

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 November 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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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.

Board Committees

Four Board Committees have been established to assist the Board in fulfilling its duties and responsibilities.

Audit & Risk Management Committee

The following Directors sit on the Audit & Risk Management Committee:
1. Mr Martin Giles Manen (Chairman of the Committee) - Independent Director
2. Y.Bhg. Dato' Gregory Wong Guang Seng - Independent Director
3. Mr Ang Chye Hock - Independent Director
4. Mdm Lim Siew Eng - Independent Director

The Audit & Risk Management Committee comprises wholly of Independent Directors.

Please refer to the Audit & Risk Management Committee Report on page 82 for further information on our Audit & Risk Management Committee.

Nomination Committee

The following Directors sit on the Nomination Committee:

Name	Number of meetings attended in 2017
1. Y.Bhg. Dato' Gregory Wong Guang Seng (Chairman of the Committee) - Independent Director (appointed to the Committee on 18 January 2017)	-
2. Mr Martin Giles Manen - Independent Director	1/1
3. Puan Mahani Binti Amat - Independent Director (appointed to the Committee on 18 January 2017)	-
4. Y.Bhg. Tan Sri Dato' Wong See Wah - Independent Director ***(ceased to be committee member on 18 January 2017)***	1/1
5. Mr Ang Chye Hock - Independent Director ***(ceased to be committee member on 18 January 2017)***	1/1
6. Mdm Lim Siew Eng - Independent Director ***(ceased to be committee member on 18 January 2017)***	1/1

The Nomination Committee consists wholly of Independent Directors and is chaired by the Senior Independent Director.

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

Remuneration Committee

The following Directors sit on the Remuneration Committee:

Name	Number of meetings attended in 2017
1. Mr John Chia Sin Tet *(Chairman of the Committee)* – Executive Non-Independent Director	1/1
2. Mr Ang Chye Hock - Independent Director	1/1
3. Mdm Lim Siew Eng - Independent Director	1/1
4. Mr Martin Giles Manen - Independent Director ***(ceased to be committee member on 18 January 2017)***	1/1
5. Mr Lee Hoong Leong – Executive Non-Independent Director ***(ceased to be committee member on 18 January 2017)***	1/1

The Remuneration Committee consists mainly of Independent 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/

Sustainability Committee

The following Directors sit on the Sustainability Committee:

Name	Number of meetings attended in 2017
1. Y.Bhg. Dato' Gregory Wong Guang Seng (Chairman of the Committee) - Independent Director	2/2
2. Mr Ang Chye Hock - Independent Director	2/2
3. Puan Mahani Binti Amat - Independent Director	2/2

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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 Sustainability Committee met 2 times and reviewed the following:

- The scope of the sustainability report
- The sustainability governance
- Stakeholders prioritization and identifying key stakeholders for stakeholder engagement
- Identifying and prioritizing sustainability matters
- The Sustainability Report

III. Remuneration

The Board is guided by a remuneration policy for the Directors. The remuneration policy for the Directors is reviewed periodically against market practices by the Remuneration Committee and the Board to ensure that it 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 packages of the senior management are determined with the objective to attract, retain and reward the senior management who run the operations of the Group.

The remuneration packages of the senior management of the Group consist of both fixed and performance-linked elements. The fixed components include salary and ordinary contractual entitlements. The performance-linked component includes a discretionary bonus payment taking into consideration the Group and individual performance and never of a percentage of the Group's revenue. There are no other incentives or compensation for 'loss of employment' or termination benefits.

The Corporate HR conducts benchmarking exercises regularly to ensure that our remuneration packages are competitive and adequately remunerate our employees.

It is commercially disadvantageous to disclose the remuneration of our top senior management in this very competitive environment. The recruitment and retention of key technical/managerial personnel is challenging and is a key focus of our HR policy. Remuneration remains an important consideration in this regard.

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit & Risk Management Committee

The Audit & Risk Management Committee comprises wholly of Independent Directors.

The Audit & Risk Management Committee possesses a wide range of necessary skills to discharge its duties. All members are financially literate and are able to understand matters under the purview of the Audit & Risk Management Committee including the financial reporting process.

Please refer to the Audit & Risk Management Committee Report on pages 82 to 86 for further information on our Audit & Risk Management Committee.

II. Risk Management and Internal Control Framework

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 system and compliance with laws and regulations as well as with internal procedures and guidelines, to safeguard the shareholders' investment and the Group's assets.

The Statement on Risk Management and Internal Control as set out on pages 87 to 89 of the Annual Report provides an overview of the state of internal control of the Company.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Senior Independent Director

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. In February 2018, The Board identified Y.Bhg. Dato' Gregory Wong Guang Seng, as Senior Independent Director to answer any queries or clarify any matters concerning the Company. Y.Bhg. Dato' Gregory Wong Guang Seng 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

II. Conduct of General Meetings

We encourage all shareholders to attend the Company's Annual General Meeting and to participate in the proceedings. Shareholders are given the opportunity to ask questions on the business and financial performance of the Company. Notices of general meetings of the Company and related papers are distributed to shareholders within a reasonable and sufficient time frame. Notice of Annual General Meeting is given to the shareholders at least 28 days prior to the meeting. 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.

All Directors attend the Company's general meetings. At the Annual General Meetings, the Chairman of the Board takes time to provide meaningful response to questions addressed to the Board.

This Corporate Governance Overview Statement was approved by the Board of Directors on 22 February 2018.

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 auditors for audit fees incurred by the Company and by the group of companies for the financial year amounted to RM278,000 and RM821,000 respectively.

(iv) Non-audit fees
The amount of non-audit fees incurred for corporate tax compliance and other advisory services rendered by the Company's auditors to the Company and its subsidiaries for the financial year amounted to RM67,550 and RM22,300 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.

(vi) Directors' Responsibility Statement on Annual Audited Financial Statements

The Directors are responsible for preparing the annual audited financial statements and the Board ensures that the financial statements and other financial reports of the Company are prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016.

(vii) 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 training attended by the following directors during the financial year:-

Date of Training	Type of Training	Attended by
10 January 2017	Sustainability Forum for Directors/CEOs: "The Velocity of Global Change & Sustainability - The New Business Model " organized by Bursa Malaysia	Mr Martin Giles Manen
22 February 2017	In-House Corporate Training Programme for Oldtown Berhad in respect of Management Discussion & Analysis (MD&A) organized by Tricor Knowledge House Sdn Bhd	Y.Bhg. Dato' Gregory Wong Guang Seng
27 February 2017	Asian Outlook and RMB Forum • Asian economic outlook, global foreign exchange, the economy of China and the RMB • One Belt One Road initiative and its commercial impact on the region organized by HSBC Bank Malaysia Berhad	Mr Martin Giles Manen
2 March 2017	Global Business Insights Series • Embracing Paradoxes organized by SIDC and IMD Business School, Switzerland and Singapore	Mr Martin Giles Manen
7 March 2017	Breakfast Talk with ACGA: CG Watch 2016 • Ecosystems Matter Presentation on CG Watch Report 2016 organized by ICLIF, MINDA and Asian Corporate Governance Association	Mr Martin Giles Manen
13 March 2017	Sustainability Engagement Series for Directors / Chief Executive Officers organized by Bursa Malaysia and INSEAD	Puan Mahani Binti Amat
21 March 2017	Briefing on Companies Act 2016 organized by Hong Leong Financial Group	Mr Martin Giles Manen
5 April 2017	Audit Committee Conference 2017 organized by Malaysian Institute of Accountants	Y.Bhg. Dato' Gregory Wong Guang Seng Mdm Lim Siew Eng

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

Date of Training	Type of Training	Attended by
18 May 2017	Market Integrity Symposium: Building and Maintaining Confidence organized by Bursa Malaysia	Mr Martin Giles Manen
18 May 2017	Compliance Conference 2017 • Fostering Culture of Integrity in Financial Institutions • Corruption and the Private Sector • Sharing session by Financial Intelligence and Enforcement Department (FIED) of BNM • Panel Session on Financial Institutions Integrity • Embedding Ethical Values into Corporate Culture organized by Bank Negara Malaysia	Mr Martin Giles Manen
19 May 2017	In-house Directors' Training • 4th Industrial Revolution: Impact and Opportunities for Manufacturing and Financial Services organized by Hong Leong Group	Mr Martin Giles Manen
15 June 2017	Sustainability Reporting in Malaysia: Putting Public Listed Issuers in the Know organized by Malaysian Institute of Accountants	Y.Bhg. Dato' Gregory Wong Guang Seng
13 & 14 July 2017	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
17 July 2017	Bursa CG Breakfast Series – "Board Excellence : How to Engage and enthuse Beyond Compliance with Sustainability" organized by Bursa Malaysia	Mr John Chia Sin Tet
25-26 July 2017	National Tax Conference 2017 organized by Chartered Tax Institute of Malaysia	Y.Bhg. Dato' Gregory Wong Guang Seng
17 August 2017	Sustainability Reporting Framework and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad organized by KPMG	Y.Bhg. Dato' Gregory Wong Guang Seng Mr Ang Chye Hock Puan Mahani Binti Amat
22 August 2017	Bursa Risk Management Programme - "I Am Ready to Manage Risks" organized by Bursa Malaysia	Puan Mahani Binti Amat Mdm Lim Siew Eng
25 August 2017	KPMG Exec briefing for Hong Leong Group • Malaysian Code on Corporate Governance Update and Cyber Security Awareness Session organized by Hong Leong Group	Mr Martin Giles Manen
5 September 2017	Briefing on Cambodian Economy organized by Cambodia Brewery Ltd (Heineken)	Mr Martin Giles Manen

Date of Training	Type of Training	Attended by
26 September 2017	Bursa Fraud Risk Management Workshop organized by Bursa Malaysia and PricewaterhouseCoopers	Mr Martin Giles Manen
27 September 2017	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • Corporate Disclosure Framework & Directors Disclosure Obligation Under The Listing Requirements organized by Bursa Malaysia	Y.Bhg. Dato' Gregory Wong Guang Seng
16 October 2017	Case Study Workshop for Independent Directors "Rethinking Independent Directors: A New Frontier" organized by Bursa Malaysia	Mr Martin Giles Manen
7 November 2017	CG Breakfast Series: "Integrating an Innovation Mindset with Effective Governance" organized by Bursa Malaysia and MINDA	Mr Martin Giles Manen
7 & 8 November 2017	MIA International Accountants Conference 2017 organized by Malaysian Institute of Accountants	Y.Bhg. Dato' Gregory Wong Guang Seng
14 November 2017	2nd SC-FIDE Forum Dialogue: "Leveraging Technology for Growth" organized by Securities Commission and FIDE	Mr Martin Giles Manen
14 & 15 November 2017	Heterogeneous Integration & Technology 2017 organized by SEMI	Mr Lee Hoong Leong
22 November 2017	Boardroom-MIRA 2017 Conference: 'Thriving Or Just Surviving? Why Your Business Can't Afford To Ignore Compliance Regulations' organized by Boardroom Limited and MIRA	Puan Mahani Binti Amat Mdm Lim Siew Eng
29 November 2017	In-House Corporate Training Programme for Oldtown Berhad in respect of Malaysian Code on Corporate Governance organized by Tricor Knowledge House Sdn Bhd	Y.Bhg. Dato' Gregory Wong Guang Seng
30 November 2017	AMLATFPUAA 2001, FSA 2013, CMSA 2007 & PDPA 2010: Risks, Challenges & Vulnerabilities towards Regulatory Compliance organized by Hong Leong Capital Berhad	Mr Martin Giles Manen
7 & 8 December 2017	• Unisem Group Year-End Sales Meeting including new products and technology update • "Automotive Semiconductors & Electronics: 3Q17 Forecast Update" presented by Mr Ganesh Ramamoorthy of Gartner • "Malaysian Code on Corporate Governance 2016" 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. Dato' Gregory Wong Guang Seng Y.Bhg. Tan Sri Dato' Wong See Wah 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.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The Audit & Risk Management Committee comprises wholly of Independent Directors.

Name & Qualification	Designation	Directorship	No. of Meetings Attended in 2017
Mr Martin Giles Manen (A Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA))	Chairman	Independent Director	5/5
Y.Bhg. Dato' Gregory Wong Guang Seng (A Fellow of the Institute of Chartered Accountants (England & Wales) and a Chartered Management Accountant (UK), a member of MIA, MICPA and an Associate Member of Tax Institute Malaysia)	Member	Independent Director	5/5
Mr Ang Chye Hock (Bachelor of Science in Electronics (Honours). More than 28 years of experience in the semiconductor industry)	Member	Independent Director	5/5
Mdm Lim Siew Eng (appointed to the Committee on 18 January 2017) (Bachelor of Economics (Honours) degree. More than 28 years of working experience in the corporate advisory sector of the financial services industry)	Member	Independent Director	4/5

TERMS OF REFERENCE

The terms of reference which include composition, authority, responsibilities, meetings and specific duties of the Audit and Risk Management Committee ("the ARMC" or "the 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 Committee met five times during the financial year ended 31 December 2017. The summary of work of the ARMC 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 were addressed.

For each of the significant matters the Committee considered the key facts and judgements outlined by management. The issues were also discussed with the external auditors. The Committee was satisfied that 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 the identified new financial reporting and other standards which may have had a significant impact on the financial statements of the Company and its subsidiaries and discussed with the external auditors the appropriate treatment thereof.

Audit 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.

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 2017 and 1 November 2017 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.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (cont'd)

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

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

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

- demonstration of objectivity and skepticism including challenges to management with their outcomes;
- assessment of safeguards on conflict of interest with regards to the provision of non-audit services;
- 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 five years with a cooling-off period of at least two years.

The Board has a policy that requires a former key audit partner/engagement partner to observe a cooling-off period of at least two years before being appointed as a member of the ARMC.

Risk Management And Internal Control

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

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

In January 2017, the Committee reviewed with management the annual budget of the Group together with the underlying business plans, marketing strategies, major assumptions and sensitivity analysis on the impact of foreign exchange rate to the revenue, EBITDA and profit attributable to shareholders.

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

Internal Auditors

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

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

SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION

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

The Internal Audit function is headed by Mr Lee Chiou Horng, the Head of Internal Audit, who reports directly to the ARMC. Mr Lee Chiou Horng, aged 36, was appointed as Head of Internal Audit for the Internal Audit Department of Unisem (M) Berhad ("Unisem") since 3 April 2017. Prior to joining Unisem Mr. Lee has worked his way up from Internal Audit Assistant to the position as Senior Internal Audit Manager over a span of 12 years in the manufacturing industry in Asia Pacific region with multi-national companies with manufacturing facilities located in China, Indonesia, Cambodia, Thailand, Australia, Vietnam and Malaysia. He attained his Bachelor of Commerce from Curtin University, Australia and is an Associate Member of the Institute of Internal Auditors Malaysia ("IIA Malaysia"). He is assisted by two Senior Auditors in the Internal Audit Department. The Internal Audit function adopts the *International Standards for the Professional Practice of Internal Auditing* to deal with its objectivity and independence. There were no family relationships or conflict of interest still subsisting as at the end of the financial year.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (cont'd)

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

- Presented the annual internal audit plan for the Committee's approval;
- Conducted audits in accordance to the approved audit plan and special reviews at the request of the Committee and senior management;
- Performed quarterly follow-up on unresolved audit findings with respective business owners and reported the status of implementation to the Committee; and
- Conducted risk assessment review workshops with the management of main business units to discuss and update the key risks that the Group is exposed to. This enables the Management to identify, evaluate, control, monitor and report to the Board the key risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks.

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

- Inventory and Logistics Management;
- Quality Assurance;
- Order to Cash;
- Code of Conduct; and
- Business Sustainability.

During the financial year, eight Internal Audit reports and one Business Sustainability report were issued and presented to the Committee with the recommended corrective actions acted upon. The Committee is of the view that there was no significant breakdown or weakness in the current system of internal controls of the Group that could have resulted in material losses incurred by the Group for the financial year ended 31 December 2017.

The cost incurred for the Internal Audit function of the Group in respect of the financial year ended 31 December 2017 amounted to RM436,280.

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 2017, 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 & Risk Management Committee ("the ARMC" or "the 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 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 with 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 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 Committee and risk and control issues were discussed during the 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 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 satisfied 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 Executive Director - 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 2017. 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.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors of **UNISEM (M) BERHAD** hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2017.

PRINCIPAL ACTIVITIES

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

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 13 to the financial statements.

RESULTS

The results 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	161,404	56,181
Profit attributable to:		
Owners of the Company	159,461	56,181
Non-controlling interests	1,943	-
	161,404	56,181

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, the amount of dividends paid/payable or proposed by the Company are in respect of the following:

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 19, 2017.

A first interim dividend of 7% or 3.5 sen per share, tax-exempt, amounting to RM25,684,086 in respect of the current financial year was paid on September 8, 2017.

A second interim dividend of 7% or 3.5 sen per share, tax-exempt, amounting to RM25,684,086 in respect of the current financial year was paid on January 5, 2018.

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, 2018.

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 financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that no known bad debts needed to be written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

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

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

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Mr. John Chia Sin Tet
Mr. 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

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Name of directors	**Subsidiaries**
Mr. John Chia Sin Tet	UI, UAT, UCC, UMH, UCIIEC
Mr. Lee Hoong Leong	UAT, UMH, UIHK
Mr. Francis Chia Mong Tet	UI, UAT, UCC, UMH, UCIIEC, UIHK, UG
Y.Bhg. Tan Sri Dato' Wong See Wah	UCC

Denotes:

UI	Unisem (Ipoh) Sdn. Bhd.
UAT	Unisem Advanced Technologies Sdn. Bhd.
UCC	Unisem Chengdu Co., Ltd.
UMH	Unisem (Mauritius) Holdings Limited
UCIIEC	Unisem Chengdu International Import & Export Co., Ltd.
PTU	PT. Unisem
UIHK	Unisem International (Hong Kong) Limited
UG	Unisem GmbH

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS

The interests in shares in the Company of those who were directors during or at the beginning and end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	No. of ordinary shares of RM0.50# each			
	BALANCE AS OF 1.1.2017	BOUGHT/ TRANSFERRED*	SOLD/ TRANSFERRED*	BALANCE AS OF 31.12.2017
Shares in the Company				
Registered in the name of directors				
Mr. John Chia Sin Tet	41,354,125	7,531,800 21,062,000*	- (2,000,000)*	**67,947,925**
Mr. Francis Chia Mong Tet	3,670,000	-	(1,950,000)*	**1,720,000**
Mr. Alexander Chia Jhet-Wern	2,000,000	-	-	**2,000,000**
Y.Bhg. Dato' Wong Guang Seng	500,000	-	-	**500,000**
Mr. Yen Woon @ Low Sau Chee	31,004,120	13,878,000*	(17,000,000)*	**27,882,120**
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	151,401,613	2,489,800 22,560,000*	(1,500,000) (66,400,000)*	**108,551,413**
Mr. Francis Chia Mong Tet	10,584,480	110,000	(800,000)	**9,894,480**
Mr. Yen Woon @ Low Sau Chee	66,593,000	150,000 17,000,000*	(8,500,000) (51,400,000)*	**23,843,000**

Upon the effective date of the Companies Act, 2016 as of January 31, 2017, the ordinary shares do not have any par value.

By virtue of his interests in the shares of the Company, Mr. John Chia Sin Tet is also deemed to have an interest in the shares of the subsidiaries to the extent that the Company has 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 or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 6 to 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.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors and/or officers of the Company. The amount of insurance premium paid/payable during the year amounted to RM50,890.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended December 31, 2017 is as disclosed in Note 5 to the financial statements.

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

JOHN CHIA SIN TET

MARTIN GILES MANEN

Kuala Lumpur
March 5, 2018

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, 2017, 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 101 to 164.

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, 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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 financial years arising from lower than expected demand from its major customers. Based on management's assessment, there are indications of impairment in relation to property, plant and equipment and investment in subsidiary due to recurring losses. The assessment of the carrying value of property, plant and equipment and investment cost requires significant management judgement, as described in Notes 3, 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 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 and actual revenue generated for the month of January 2018. We also compared the actual results for 2017 against forecast and obtained evidence to support directors' explanations for variances. 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 RM25,691,000 as of December 31, 2017 in relation to revised tax assessments and related late payment interest in respect of Years of Assessment 2009 to 2012, and these payments are reflected under tax recoverable in the statement of financial position. The abovementioned tax payments have not been reflected in the profit or loss pending outcome of the on-going court cases. Determining the outcome of the court cases are subject to judgement and are as such, a key audit matter. Management is of the view that the subsidiary stands a good chance of a favourable outcome and thus, no additional income tax expense needs 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 enquiry of management to understand the basis of recognition of additional assessments raised which includes reviewing the proceedings of the court cases. We have also obtained confirmation from the tax consultant and legal advisor on their opinion on the probability of a favorable outcome. We evaluated the competency of the tax consultant and legal advisor in the context of their ability to generate a reliable estimate of the outcome of the court cases, by assessing their professional qualifications, experience and independence from Unisem Group.

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, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

YEOH SIEW MING
Partner - 02421/05/2019 J
Chartered Accountant

Ipoh
March 5, 2018

STATEMENTS OF
PROFIT OR LOSS
for the year ended December 31, 2017

		THE GROUP		THE COMPANY	
		2017	2016	2017	2016
	NOTE	RM'000	RM'000	RM'000	RM'000
Revenue		**1,465,727**	1,322,780	**683,943**	657,848
Interest income	8	**4,966**	3,168	**3,371**	2,738
Other (losses)/gains	5	**(8,347)**	14,447	**(4,398)**	5,649
Other operating income	5	**18,712**	15,698	**10,853**	13,450
Changes in inventories of finished goods and work-in-progress		**4,540**	(2,105)	**(737)**	(44)
Raw materials and consumables used		**(513,087)**	(427,760)	**(193,156)**	(157,205)
Depreciation of property, plant and equipment	11	**(164,867)**	(166,886)	**(65,169)**	(61,679)
Impairment loss on investment in a subsidiary	13	**-**	-	**(49,500)**	(45,845)
Employee benefits expense	5	**(376,132)**	(331,429)	**(173,390)**	(157,127)
Directors' remuneration	6	**(10,656)**	(9,906)	**(10,656)**	(9,906)
Amortisation of prepaid interest in leased land	12	**(573)**	(560)	**(44)**	(44)
Finance costs	7	**(3,241)**	(4,449)	**(285)**	(333)
Other operating expenses	5	**(236,263)**	(225,840)	**(136,002)**	(133,404)
Profit before tax		**180,779**	187,158	**64,830**	114,098
Taxation	9(a)	**(19,375)**	(23,815)	**(8,649)**	(13,173)
Profit for the year		**161,404**	163,343	**56,181**	100,925
Attributable to:					
Owners of the Company		**159,461**	162,289	**56,181**	100,925
Non-controlling interests		**1,943**	1,054	**-**	-
		161,404	163,343	**56,181**	100,925
Earnings per share					
Basic and diluted (sen)	10	**21.73**	22.12		

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, 2017

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year	**161,404**	163,343	**56,181**	100,925
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**(29,283)**	(18,194)	**-**	-
Changes in fair value of available-for-sale investments	**280**	29	**252**	29
Reclassification adjustments relating to available-for-sale investments disposed of during the year	**(309)**	-	**(281)**	-
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligations	**(10,183)**	(1,595)	**-**	-
Deferred tax relating to remeasurement of defined benefit obligations	**2,547**	-	**-**	-
Total other comprehensive (loss)/income for the year	**(36,948)**	(19,760)	**(29)**	29
Total comprehensive income for the year	**124,456**	143,583	**56,152**	100,954
Total comprehensive income attributable to:				
Owners of the Company	**122,513**	142,529	**56,152**	100,954
Non-controlling interests	**1,943**	1,054	**-**	-
	124,456	143,583	**56,152**	100,954

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

STATEMENTS OF FINANCIAL POSITION

as of December 31, 2017

		THE GROUP		THE COMPANY	
		2017	2016	2017	2016
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**1,099,138**	1,128,975	**470,380**	459,031
Prepaid interest in leased land	12	**18,703**	19,711	**3,518**	3,562
Investments in subsidiaries	13	**-**	-	**336,012**	385,512
Intangible assets	14	**1,362**	3,625	**-**	-
Deferred tax assets	9(c)	**1,349**	1,229	**616**	616
Total non-current assets		**1,120,552**	1,153,540	**810,526**	848,721
Current assets					
Inventories	15	**162,677**	139,408	**85,401**	77,338
Trade receivables	16	**173,733**	204,913	**97,365**	108,118
Other receivables, deposits and prepaid expenses	16	**13,742**	14,195	**8,067**	6,741
Amount owing by subsidiaries	17	**-**	-	**31,129**	19,633
Tax recoverable	9(b)	**25,698**	20,320	**-**	-
Deposits and other cash and cash equivalents	18	**348,659**	253,788	**158,862**	171,013
Total current assets		**724,509**	632,624	**380,824**	382,843
Total assets		**1,845,061**	1,786,164	**1,191,350**	1,231,564

STATEMENTS OF FINANCIAL POSITION (cont'd)

as of December 31, 2017

	NOTE	THE GROUP 2017 RM'000	THE GROUP 2016 RM'000	THE COMPANY 2017 RM'000	THE COMPANY 2016 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	19	**595,367**	366,915	**595,367**	366,915
Reserves	20	**860,078**	1,046,738	**429,463**	682,484
Equity attributable to owners of the Company		**1,455,445**	1,413,653	**1,024,830**	1,049,399
Non-controlling interests		**7,298**	5,355	**-**	-
Total equity		**1,462,743**	1,419,008	**1,024,830**	1,049,399
Non-current liabilities					
Borrowings	21	**8,948**	15,487	**-**	-
Deferred income	22	**8,036**	8,562	**-**	-
Deferred tax liabilities	9(c)	**4,877**	8,326	**-**	-
Retirement benefit obligations	23	**40,097**	31,574	**-**	-
Total non-current liabilities		**61,958**	63,949	**-**	-
Current liabilities					
Trade payables	24	**89,431**	93,483	**42,075**	44,614
Other payables and accrued expenses	24	**190,076**	167,120	**96,612**	105,951
Amount owing to subsidiaries	17	**-**	-	**27,688**	29,914
Borrowings	21	**35,972**	36,131	**-**	-
Provision for taxation	9(b)	**4,881**	6,473	**145**	1,686
Total current liabilities		**320,360**	303,207	**166,520**	182,165
Total liabilities		**382,318**	367,156	**166,520**	182,165
Total equity and liabilities		**1,845,061**	1,786,164	**1,191,350**	1,231,564

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

STATEMENT OF
CHANGES IN EQUITY
for the year ended December 31, 2017

THE GROUP	NOTE	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	CAPITAL 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
Total comprehensive income for the year		-	-	-	(29)	(29,283)	151,825	122,513	1,943	124,456
Adjustments for effects of Companies Act, 2016	19	228,452	(228,452)	-	-	-	-	-	-	-
Dividends	25	-	-	-	-	-	(80,721)	(80,721)	-	(80,721)
Transfer to statutory reserve fund		-	-	5,958	-	-	(5,958)	-	-	-
Balance as of December 31, 2017		**595,367**	**-**	**30,590**	**-**	**160,980**	**668,508**	**1,455,445**	**7,298**	**1,462,743**

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

STATEMENT OF CHANGES IN EQUITY (cont'd)

for the year ended December 31, 2017

THE COMPANY	NOTE	SHARE CAPITAL RM'000	NON-DISTRIBUTABLE RESERVES SHARE PREMIUM RM'000	INVESTMENT REVALUATION RESERVE RM'000	DISTRIBUTABLE RESERVE RETAINED EARNINGS RM'000	TOTAL RM'000
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
Total comprehensive income for the year		-	-	(29)	56,181	56,152
Adjustments for effects of Companies Act, 2016	19	228,452	(228,452)	-	-	-
Dividends	25	-	-	-	(80,721)	(80,721)
Balance as of December 31, 2017		**595,367**	**-**	**-**	**429,463**	**1,024,830**

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

STATEMENT OF **CASH FLOWS**
for the year ended December 31, 2017

	NOTE	THE GROUP 2017 RM'000	THE GROUP 2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**161,404**	163,343
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**164,867**	166,886
Taxation		**19,375**	23,815
Provision for retirement benefit		**3,687**	4,050
Finance costs		**3,241**	4,449
Amortisation of intangible assets		**2,263**	2,271
Unrealised loss/(gain) on foreign exchange		**1,389**	(1,653)
Amortisation of prepaid interest in leased land		**573**	560
Changes in fair value of available-for-sale investments classified as cash and cash equivalents		**280**	29
Property, plant and equipment written off		**17**	1
Interest income		**(4,966)**	(3,168)
Gain on disposal of property, plant and equipment		**(1,566)**	(510)
Cumulative gain reclassified from equity on disposal of available-for-sale investments		**(309)**	-
Write back of allowance for slow-moving inventories		**(279)**	(406)
Amortisation of deferred income		**(212)**	(208)
Allowance for doubtful debts		**-**	19
Gain on liquidation of subsidiaries		**-**	(4,615)
		349,764	354,863
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		**(26,772)**	(8,970)
Trade receivables		**24,001**	(13,027)
Other receivables, deposits and prepaid expenses		**1,318**	(2,578)
Increase in:			
Trade payables		**2,211**	25,529
Other payables and accrued expenses		**18,602**	13,338
Cash Generated From Operations		**369,124**	369,155
Income tax paid		**(29,012)**	(17,490)
Defined benefit obligations paid	23	**(1,158)**	(1,157)
Net Cash From Operating Activities		**338,954**	350,508

STATEMENT OF CASH FLOWS (cont'd)

for the year ended December 31, 2017

	NOTE	THE GROUP 2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest received		**4,579**	3,164
Proceeds from disposal of property, plant and equipment		**3,646**	1,418
Additions to property, plant and equipment	18(a)	**(156,505)**	(122,077)
Net Cash Used In Investing Activities		**(148,280)**	(117,495)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from term loans		**4,945**	8,154
Proceeds from/(Repayment of) revolving credit/foreign currency trust receipts - net		**4,945**	(41,523)
Dividends paid		**(80,721)**	(55,037)
Repayment of term loans		**(11,341)**	(22,801)
Finance costs paid		**(2,792)**	(4,364)
Net Cash Used In Financing Activities		**(84,964)**	(115,571)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**105,710**	117,442
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**253,788**	133,008
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(10,839)**	3,338
CASH AND CASH EQUIVALENTS AT END OF YEAR	18(b)	**348,659**	253,788

	NOTE	THE COMPANY 2017 RM'000	THE COMPANY 2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**56,181**	100,925
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		**65,169**	61,679
Impairment loss on investment in a subsidiary		**49,500**	45,845
Taxation		**8,649**	13,173
Finance costs		**285**	333
Changes in fair value of available-for-sale investments classified as cash and cash equivalents		**252**	29
Amortisation of prepaid interest in leased land		**44**	44
Property, plant and equipment written off		**17**	1
Interest income		**(3,371)**	(2,738)
Unrealised (gain)/loss on foreign exchange		**(1,257)**	628
Cumulative gain reclassified from equity on disposal of available-for-sale investments		**(281)**	-
Gain on disposal of property, plant and equipment		**(144)**	(102)
Gain on liquidation of a subsidiary		**-**	(5,223)
		175,044	214,594
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		**(8,063)**	(7,422)
Trade receivables		**9,323**	6,890
Other receivables, deposits and prepaid expenses		**(1,166)**	(1,115)
(Decrease)/Increase in:			
Trade payables		**(901)**	10,601
Other payables and accrued expenses		**828**	3,650
Cash Generated From Operations		**175,065**	227,198
Income tax paid		**(10,190)**	(14,114)
Net Cash From Operating Activities		**164,875**	213,084

STATEMENT OF CASH FLOWS (cont'd)

for the year ended December 31, 2017

	NOTE	THE COMPANY 2017 RM'000	THE COMPANY 2016 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**7,923**	3,795
Interest received		**3,048**	2,738
Additions to property, plant and equipment	18(a)	**(93,481)**	(70,839)
Advances to subsidiaries		**(10,504)**	(2,262)
Net Cash Used In Investing Activities		**(93,014)**	(66,568)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid		**(80,721)**	(55,037)
Repayment to subsidiaries		**(2,048)**	(2,148)
Finance costs paid		**(285)**	(333)
Net Cash Used In Financing Activities		**(83,054)**	(57,518)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(11,193)**	88,998
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**171,013**	80,957
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(958)**	1,058
CASH AND CASH EQUIVALENTS AT END OF YEAR	18(b)	**158,862**	171,013

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 13.

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

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on March 5, 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 2016 in Malaysia.

(a) Application of new and revised MFRSs

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, 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(b) Standards in issue but not yet effective

The Group and the Company have not elected for early adoption of the relevant new and 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[1]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) [1]
MFRS 16	Leases[2]
MFRS 17	Insurance Contracts[3]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
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 140	Transfers of Investment Property[1]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts[1]
Amendments to MFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures[2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
IC Interpretation 23	Uncertainty over Income Tax Treatments[2]
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle[1]
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle[2]

[1] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

MFRS 9 *Financial Instruments*

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for derecognition, and in February 2014, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

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

MFRS 9 *Financial Instruments* (cont'd)

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability's that is attributable to changes in the credit risk of that liability, to be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on assessment of the directors, the impact on the financial statements of the Group and of the Company is as follows:

(i) *Classification of financial assets*
The available-for-sale ("AFS") investments will be reclassified from AFS to Fair Value through Profit or Loss ("FVTPL"). For financial assets designated to be measured at FVTPL, all fair value gains and losses will be reported in profit or loss. The Group and the Company have disposed of the entire AFS investments as of December 31, 2017 and no impact is expected on the financial statements of the Group and of the Company upon the adoption of MFRS 9 on January 1, 2018.

(ii) *Impairment of financial assets*
The impact of estimated impairment losses calculated based on expected credit loss model is immaterial to be reported in the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

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

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 have assessed the application of MFRS 15 and are of the opinion that there is no material impact on the amounts reported for Group and for the Company.

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.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

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

Amendments to MFRS 9 *Prepayment Feature with Negative Compensation*

These amendments allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the "solely payments of principal and interest" (SPPI) if specified criteria are met.

The amendments also clarify that the requirements on modification or exchange of a financial liability that does not result in derecognition is the same as that of modification of a financial asset that does not result in the derecognition of the financial assets as specified in MFRS 9.

The amendments apply retrospectively, with specific transition provisions apply depending on when the amendments are first applied, relative to the initial application of MFRS 9.

The amendments apply to annual periods beginning on or after January 1, 2019 with earlier application permitted. 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 Group's consolidated financial statements.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

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

IC Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation provides clarification on the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under MFRS 112.

It specifically considers whether tax treatments should be considered collectively, assumptions for taxation authorities' examination as well as the effects of changes in facts and circumstances.

The amendments apply to annual periods beginning on or after January 1, 2019 with earlier application permitted. It is to be applied retrospectively, only if it is possible without the use of hindsight, or using a modified retrospective approach without restatement of comparative information by recognising the cumulative effect of initially applying the Interpretation in opening equity at the date of initial application. 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 Group's consolidated financial statements.

Annual Improvements to MFRSs 2015 - 2017 Cycle

The *Annual Improvements to MFRSs 2015 - 2017 Cycle* include amendments to four MFRSs, as summarised below.

The amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendments to MFRS 112 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

The amendments to MFRS 123 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

These amendments are effective for annual periods beginning on or after January 1, 2019 with earlier application permitted. 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 Group's consolidated financial statements.

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)

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 substantively enacted by the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill

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

Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment loss is recognised immediately in 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 or the cash-generating unit ("CGU"), to which the asset belongs, is estimated.

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

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 and Intangible Assets

The Group regularly reviews the estimated useful lives of property, plant and equipment and intangible assets 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 and intangible assets would increase the recorded depreciation/amortisation and decrease the carrying amount of property, plant and equipment/intangible assets.

(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.

Additional income tax expense arising from revised tax assessments are recognised in the financial statements when there are no objections/appeals filed against these assesments. If objections/appeals are filed, additional income tax expense will not be recognised if management is of the view that a favorable outcome is expected after consultation with legal advisor and tax consultant.

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 Subsidiaries

The Company holds unquoted shares in subsidiaries 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 operations 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 2017 RM'000	ASIA 2016 RM'000	EUROPE 2017 RM'000	EUROPE 2016 RM'000	UNITED STATES OF AMERICA 2017 RM'000	UNITED STATES OF AMERICA 2016 RM'000	CONSOLIDATED 2017 RM'000	CONSOLIDATED 2016 RM'000
Geographical segments by location of customers								
Statement of Profit or Loss								
Revenue								
External sales	**596,588**	594,891	**208,044**	195,254	**661,095**	532,635	**1,465,727**	1,322,780
Results								
Segment results	**77,295**	89,392	**369**	61	**101,532**	97,874	**179,196**	187,327
Non-reportable segments							**(142)**	1,112
Finance costs							**(3,241)**	(4,449)
Investment income							**4,966**	3,168
Profit before tax							**180,779**	187,158
Taxation							**(19,375)**	(23,815)
Profit for the year							**161,404**	163,343

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

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

		THE GROUP		THE COMPANY	
		2017	2016	2017	2016
	NOTE	RM'000	RM'000	RM'000	RM'000
Grant income received		**2,762**	1,385	**-**	-
Rental income		**2,243**	3,231	**2,402**	3,484
Gain on disposal of property, plant and equipment		**1,566**	510	**144**	102
Cumulative gain reclassified from equity on disposal of available-for-sale investments		**309**	-	**281**	-
Amortisation of deferred income	22	**212**	208	**-**	-
Gain on disposal of available-for-sale investments		**53**	5	**41**	5
Gain on liquidation of subsidiaries		**-**	4,615	**-**	5,223
Foreign exchange:					
Realised (loss)/gain		**(8,887)**	12,280	**(6,121)**	6,170
Unrealised (loss)/gain		**(1,389)**	1,653	**1,257**	(628)
Amortisation of intangible assets	14	**(2,263)**	(2,271)	**-**	-
Rental expenses		**(1,026)**	(1,253)	**(328)**	(322)
Remuneration paid/payable to external auditors of:					
The Company:					
Statutory audit		**(510)**	(510)	**(278)**	(278)
Others		**(9)**	(8)	**(9)**	(8)
The subsidiaries:					
Statutory audit		**(311)**	(306)	**-**	-
Property, plant and equipment written off		**(17)**	(1)	**(17)**	(1)
Allowance for doubtful debts		**-**	(19)	**-**	-

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

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Defined benefit plans	**3,687**	4,050	**-**	-
Defined contribution plans	**28,599**	25,729	**9,407**	8,709

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. DIRECTORS' REMUNERATION

	THE GROUP AND THE COMPANY	
	2017 RM'000	2016 RM'000
Directors of the Company		
Executive:		
Fees	**661**	661
Other emoluments	**7,874**	7,217
Defined contribution plans	**942**	863
	9,477	8,741
Non-executive fees	**1,179**	1,165
	10,656	9,906

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 RM192,000 (2016: RM185,000).

7. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest on:				
Revolving credit	**1,733**	1,903	**-**	-
Term loans	**581**	1,202	**-**	-
Bank charges and commissions	**898**	1,287	**285**	305
Loan and facility arrangement fees	**29**	29	**-**	-
Commitment fees	**-**	28	**-**	28
Total interest expense for financial liabilities not classified as at fair value through profit or loss	**3,241**	4,449	**285**	333

8. INTEREST INCOME

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income from:				
Short-term deposits	**4,966**	3,168	**3,208**	2,738
Loan granted to a subsidiary (Note 17)	**-**	-	**163**	-
	4,966	3,168	**3,371**	2,738

9. TAXATION

(a) Taxation recognised in profit or loss

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Tax expense comprises:				
Current tax in respect of the financial year:				
Malaysian	**(9,306)**	(12,194)	**(9,041)**	(12,096)
Foreign	**(10,877)**	(6,652)	**-**	-
Deferred tax relating to origination and reversal of temporary differences	**397**	(3,898)	**-**	-
Adjustments recognised in the current year in relation to the taxes of prior years:				
- income tax	**411**	(1,086)	**392**	(1,077)
- deferred tax	**-**	15	**-**	-
Total tax expense	**(19,375)**	(23,815)	**(8,649)**	(13,173)

Malaysian income tax is calculated at the statutory tax rate of 24% for the year of assessment 2017 (2016: 24%) 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 Finance Act, 2017 which was gazetted on January 16, 2017, enacts 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:

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	**180,779**	187,158	**64,830**	114,098
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2016: 24%)	**(43,387)**	(44,918)	**(15,559)**	(27,384)
Effect of reduced tax rate for a foreign subsidiary operating in promoted area	**6,367**	3,699	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(56)**	(199)	**-**	-
Tax effects of:				
Utilisation of unutilised tax losses and reinvestment allowances not recognised as deferred tax assets	**24,613**	29,422	**18,124**	25,576
Income that is exempted from taxation	**1,243**	2,054	**1,233**	1,753
Unabsorbed capital allowances and unutilised tax losses not recognised as deferred tax assets	**(6,243)**	(4,417)	**-**	-
Expenses that are not deductible in determining taxable profit	**(2,323)**	(3,655)	**(12,839)**	(12,041)
Reversal of tax benefits previously recognised as deferred tax assets	**-**	(4,730)	**-**	-
	(19,786)	(22,744)	**(9,041)**	(12,096)
Adjustments recognised in the current year in relation to the taxes of prior years:				
- income tax	**411**	(1,086)	**392**	(1,077)
- deferred tax	**-**	15	**-**	-
Taxation recognised in the statements of profit or loss	**(19,375)**	(23,815)	**(8,649)**	(13,173)

9. TAXATION (CONT'D)

(b) Tax Recoverable and Provision for Taxation

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

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

	THE GROUP	
	2017 RM'000	2016 RM'000
Years of Assessment:		
2009	**10,630**	11,723
2010	**1,874**	2,077
2011	**8,831**	1,677
2012	**4,356**	4,829
Included in tax recoverable of the Group	**25,691**	20,306
Unpaid tax assessment for year of assessment 2011	**-**	3,583
Contingent tax expense pending outcome of court cases	**25,691**	23,889

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:

Year of Assessment 2009 (YA 2009)

PT Unisem had an outstanding appeal on tax assessment received for YA 2009 showing an underpayment of corporate income tax amounting to RM4,512,693 and interest of RM1,444,062 instead of an overpayment of RM449,526.

PT Unisem had made a partial payment of RM1,788,553, RM1,213,950 and RM2,954,253 in year 2011, 2012 and 2015 respectively for the assessed underpayment amount inclusive of interest of RM5,956,756 subsequent to the rejection of appeal by both the Director General of Tax and Tax Court. Following the rejected appeal, a penalty of RM4,164,520 was imposed on the late payment of the outstanding balance. In 2015, PT Unisem made a full payment of the penalty imposed of RM4,164,520.

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.

In March 2017, PT Unisem received additional tax assessment for YA 2009 of RM59,083 and made a full payment during the financial year.

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 RM1,691,384, instead of overpayment of RM277,489. PT Unisem had made a full payment on the assessed underpayment of corporate income tax in year 2010.

As at December 31, 2017, the judicial review in the Supreme Court is still in progress.

Year of Assessment 2011 (YA 2011)

PT Unisem has an outstanding appeal on tax assessment received for YA 2011 showing an underpayment of corporate income tax amounting to RM2,460,466 and interest of RM738,142, instead of an overpayment of RM1,587,482. In addition, there was an underpayment of withholding tax of RM459,816.

Appeal submitted to the Director General of Tax and Tax Court on the underpayment had been rejected. Following the rejected appeal, penalty of RM3,198,609 and RM460,710 were imposed on the late payment for corporate income tax and withholding tax respectively. In 2017, PT Unisem made a full payment of the penalty imposed.

In May 2017, 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 2012 (YA 2012)

PT Unisem has an outstanding appeal on tax assessment received for YA 2012 showing an underpayment of corporate income tax amounting to RM3,130,627 and interest of RM1,001,800, instead of an overpayment of RM149,061.

In 2014, PT Unisem made a full payment of the assessed underpayment amount inclusive of interest of RM4,132,431. Appeal submitted to the Director General of Tax on the underpayment had been rejected. Following the rejected appeal, PT Unisem submitted an appeal to the Tax Court. 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 2017	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME RM'000	TRANSLATION RESERVE RM'000	AT END OF YEAR RM'000
Deferred tax assets					
Unutilised reinvestment allowances	64,540	(337)	-	-	**64,203**
Unabsorbed investment tax allowances and tax capital allowances and unutilised tax losses	10,221	(1,285)	-	(50)	**8,886**
Retirement benefits	8,268	383	2,547	(983)	**10,215**
Provisions	750	(43)	-	(31)	**676**
	83,779	(1,282)	2,547	(1,064)	**83,980**
Offsetting					**(82,631)**
Deferred tax assets (after offsetting)					**1,349**
Deferred tax liabilities					
Property, plant and equipment	(90,876)	1,679	-	1,689	**(87,508)**
Offsetting					**82,631**
Deferred tax liabilities (after offsetting)					**(4,877)**

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	64,477	63	-	64,540
Unabsorbed investment tax allowances and tax 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)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. TAXATION (CONT'D)

(c) Deferred Tax Balances (Cont'd)

THE COMPANY 2017	AT BEGINNING OF YEAR RM'000	RECOGNISED IN PROFIT OR LOSS RM'000	AT END OF YEAR RM'000
Deferred tax assets			
Unutilised reinvestment allowances	64,540	(337)	**64,203**
Offsetting			**(63,587)**
Deferred tax assets (after offsetting)			**616**
Deferred tax liabilities			
Property, plant and equipment	(63,924)	337	**(63,587)**
Offsetting			**63,587**
Deferred tax liabilities (after offsetting)			**-**
THE COMPANY 2016			
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)			-

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised investment tax allowances	**16,108**	22,110	**-**	-
Unutilised reinvestment allowances	**10,134**	14,483	**9,601**	14,483
Unabsorbed capital allowances and unutilised tax losses	**18,620**	13,368	**-**	-
	44,862	49,961	**9,601**	14,483

9. TAXATION (CONT'D)

(c) Deferred Tax Balances (Cont'd)

The deferred tax assets not recognised for one of the foreign subsidiaries will expire as follows:

	THE GROUP 2017 RM'000	THE GROUP 2016 RM'000
Unutilised tax losses expiring in:		
2018	**3,893**	3,796
2019	**1,162**	1,288
2020	**2,977**	3,301
2021	**4,485**	4,983
2022	**6,103**	-
	18,620	13,368

10. EARNINGS PER SHARE

	THE GROUP 2017	THE GROUP 2016
Basic and Diluted		
Profit for the year attributable to owners of the Company (RM'000)	**159,461**	162,289
Weighted average number of ordinary shares in issue ('000)	**733,831**	733,831
Basic and diluted earnings per ordinary share (sen)	**21.73**	22.12

11. PROPERTY, PLANT AND EQUIPMENT

THE GROUP 2017	COST: AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
Buildings	381,646	788	(17,471)	(4,958)	-	1,756	361,761
Plant and machinery	3,024,763	82,885	(82,841)	(58,461)	-	68,498	3,034,844
Electrical installation	16,243	490	-	-	-	-	16,733
Office equipment	80,845	2,640	(2,407)	(4,567)	(519)	-	75,992
Air-conditioners	13,077	1,155	(187)	-	-	-	14,045
Motor vehicles	4,253	382	(51)	(536)	-	-	4,048
Furniture and fittings	16,777	318	(875)	-	-	-	16,220
Production support equipment	60,131	127	(2,148)	-	-	124	58,234
Capital work-in-progress	11,375	77,198	(2,443)	-	-	(70,378)	15,752
Total	3,609,110	165,983	(108,423)	(68,522)	(519)	-	3,597,629

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

THE GROUP 2017	ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	AT END OF YEAR RM'000
Buildings	**161,560**	**8,723**	**(11,610)**	**(2,972)**	**-**	**155,701**
Plant and machinery	**2,180,356**	**145,663**	**(63,362)**	**(58,402)**	**-**	**2,204,255**
Electrical installation	**15,042**	**489**	**-**	**-**	**-**	**15,531**
Office equipment	**60,158**	**4,628**	**(2,248)**	**(4,548)**	**(502)**	**57,488**
Air-conditioners	**11,254**	**280**	**(167)**	**-**	**-**	**11,367**
Motor vehicles	**2,895**	**378**	**(39)**	**(520)**	**-**	**2,714**
Furniture and fittings	**15,428**	**299**	**(862)**	**-**	**-**	**14,865**
Production support equipment	**33,442**	**4,407**	**(1,279)**	**-**	**-**	**36,570**
Capital work-in-progress	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,480,135**	**164,867**	**(79,567)**	**(66,442)**	**(502)**	**2,498,491**

THE GROUP 2016	COST AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
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

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

THE GROUP 2016	ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	TRANSLATION RESERVE RM'000	DISPOSALS RM'000	WRITE OFF RM'000	AT END OF YEAR RM'000
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

THE COMPANY 2017	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	**94,199**	**788**	**-**	**-**	**1,756**	**96,743**
Plant and machinery	**1,436,492**	**78,834**	**(58,502)**	**-**	**-**	**1,456,824**
Electrical installation	**15,904**	**483**	**-**	**-**	**-**	**16,387**
Office equipment	**43,458**	**2,480**	**(74)**	**(519)**	**-**	**45,345**
Air-conditioners	**8,071**	**1,155**	**-**	**-**	**-**	**9,226**
Motor vehicles	**3,172**	**92**	**(57)**	**-**	**-**	**3,207**
Furniture and fittings	**5,377**	**70**	**-**	**-**	**-**	**5,447**
Capital work-in-progress	**3,235**	**412**	**-**	**-**	**(1,756)**	**1,891**
Total	**1,609,908**	**84,314**	**(58,633)**	**(519)**	**-**	**1,635,070**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

THE COMPANY 2017	ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES AT BEGINNING OF YEAR RM'000	CHARGE FOR THE YEAR RM'000	DISPOSALS RM'000	WRITE OFF RM'000	TRANSFERS RM'000	AT END OF YEAR RM'000
Buildings	26,141	2,141	-	-	-	28,282
Plant and machinery	1,070,656	58,753	(50,734)	-	-	1,078,675
Electrical installation	13,900	461	-	-	-	14,361
Office equipment	27,038	3,085	(62)	(502)	-	29,559
Air-conditioners	6,750	280	-	-	-	7,030
Motor vehicles	1,850	285	(58)	-	-	2,077
Furniture and fittings	4,542	164	-	-	-	4,706
Capital work-in-progress	-	-	-	-	-	-
Total	1,150,877	65,169	(50,854)	(502)	-	1,164,690

THE COMPANY 2016	COST AT BEGINNING OF YEAR RM'000	ADDITIONS RM'000	DISPOSALS RM'000	WRITE OFF 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

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	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 GROUP	CARRYING AMOUNTS 2017 RM'000	2016 RM'000
Buildings	**206,060**	220,086
Plant and machinery	**830,589**	844,407
Electrical installation	**1,202**	1,201
Office equipment	**18,504**	20,687
Air-conditioners	**2,678**	1,823
Motor vehicles	**1,334**	1,358
Furniture and fittings	**1,355**	1,349
Production support equipment	**21,664**	26,689
Capital work-in-progress	**15,752**	11,375
Total	**1,099,138**	1,128,975
THE COMPANY		
Buildings	**68,461**	68,058
Plant and machinery	**378,149**	365,836
Electrical installation	**2,026**	2,004
Office equipment	**15,786**	16,420
Air-conditioners	**2,196**	1,321
Motor vehicles	**1,130**	1,322
Furniture and fittings	**741**	835
Capital work-in-progress	**1,891**	3,235
Total	**470,380**	459,031

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 prior financial years due to lower than expected demand from its major customers, 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 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 2017 and 2016 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 16.00% (2016: 12.92%) was used in the calculation of recoverable amount that reflects the current market assessment and the risks specific to the subsidiary.
- 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, administrative and marketing expense) - mostly constant but reflect material changes in activity level.

12. PREPAID INTEREST IN LEASED LAND

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost:				
At beginning of year	**29,885**	29,852	**4,354**	4,354
Translation reserve	**(1,142)**	33	**-**	-
At end of year	**28,743**	29,885	**4,354**	4,354
Less: Amortisation				
At beginning of year	**10,174**	9,394	**792**	748
Charge for the year	**573**	560	**44**	44
Translation reserve	**(707)**	220	**-**	-
At end of year	**10,040**	10,174	**836**	792
Net	**18,703**	19,711	**3,518**	3,562

13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost		
At beginning of year	**533,328**	662,464
Additions/(Disposals)	**-**	(129,136)
At end of year	**533,328**	533,328
Accumulated impairment losses		
At beginning of year	**147,816**	221,800
Additions	**49,500**	45,845
Disposals	**-**	(119,829)
At end of year	**197,316**	147,816
	336,012	385,512

Impairment review of investments in subsidiaries

PT Unisem has been making losses for the current and prior 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.

The recoverable value of the investment cost is determined using PT Unisem as a whole as the CGU. Recognising that the recoverable value of the investment cost is sensitive to changes in assumptions over 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.

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

- Discount rate - a pre-tax discount rate of 15.50% (2016: 11.90%) was used in the recoverable amount calculation that reflects the Group's current market assessment and the risks specific to PT Unisem.

- Revenue growth rate - based on management's expectations of revenue of PT Unisem, 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 of PT Unisem.

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

Based on review, the Company recognised additional impairment loss of RM49,500,000 (2016:RM45,845,000) 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 2017 %	2016 %	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 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.

\# 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, 2017 of RM7,298,000 (2016: RM5,355,000) 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, 2016	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
Translation reserve	(713)	(2,198)	(191)	(3,102)
As of December 31, 2017	**23,452**	**25,516**	**1,763**	**50,731**
Accumulated amortisation and impairment losses				
As of January 1, 2016	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
Charge for the year	1,728	535	-	2,263
Translation reserve	(713)	(2,198)	(191)	(3,102)
As of December 31, 2017	**22,355**	**25,251**	**1,763**	**49,369**
Carrying amounts				
As of December 31, 2016	2,825	800	-	3,625
As of December 31, 2017	**1,097**	**265**	**-**	**1,362**

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 a year (2016: 2 years).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. INVENTORIES

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost:				
Raw materials	**78,207**	68,918	**36,223**	33,094
Factory supplies	**61,277**	51,219	**40,794**	35,425
Work-in-progress	**18,859**	17,216	**7,374**	8,385
Finished goods	**4,782**	3,300	**961**	687
Goods-in-transit	**49**	7	**49**	-
	163,174	140,660	**85,401**	77,591
Less: Allowance for slow-moving inventories:				
At beginning of year	**(1,252)**	(2,016)	**(253)**	(412)
Reversal	**279**	406	**-**	-
Write off	**428**	348	**253**	159
Translation reserve	**48**	10	**-**	-
At end of year	**(497)**	(1,252)	**-**	(253)
	162,677	139,408	**85,401**	77,338

The costs of inventories of the Group and of the Company recognised as an expense during the year were approximately RM1,212,691,000 (2016: RM1,084,798,000) and RM539,811,000 (2016: RM482,198,000) respectively.

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

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	**173,752**	204,932	**97,365**	108,118
Less: Allowance for doubtful debts				
At beginning of year	**(19)**	-	**-**	-
Additions	**-**	(19)	**-**	-
At end of year	**(19)**	(19)	**-**	-
	173,733	204,913	**97,365**	108,118

Trade receivables comprise amounts receivable for sale of goods and services rendered. The credit terms granted range from 30 to 60 days (2016: 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	**6,196**	6,686	**5,330**	3,347
Deposits	**3,214**	3,266	**376**	376
Prepaid expenses	**4,332**	4,243	**2,361**	3,018
	13,742	14,195	**8,067**	6,741

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	**5,439**	3,876	**5,330**	3,347
Chinese Renminbi	**569**	1,897	**-**	-
US Dollar	**188**	913	**-**	-
	6,196	6,686	**5,330**	3,347

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

The amounts owing by/(to) subsidiaries are unsecured interest-free and are repayable upon demand except for an amount owing by a subsidiary which represents loan granted of RM8,093,000 (2016: Nil) which bears interest at 5.00% per annum (2016: Nil).

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

	THE COMPANY	
	2017 RM'000	2016 RM'000
US Dollar	**22,863**	11,551
Ringgit Malaysia	**8,194**	8,082
Euro	**72**	-
	31,129	19,633

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	
	2017 RM'000	2016 RM'000
US Dollar	**27,688**	29,818
Euro	**-**	96
	27,688	29,914

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

	THE COMPANY	
	2017 RM'000	2016 RM'000
Subsidiaries		
Loan granted	**8,093**	-
Disposal of property, plant and equipment	**7,646**	3,615
Marketing support fee paid/payable	**3,359**	3,915
Purchase of property, plant and equipment	**953**	2,160
Management fees received/receivable	**576**	576
Rental income	**400**	400
Other marketing support fees paid/payable	**398**	331
Marketing support fees received/receivable	**193**	297
Interest received/receivable on loan granted (Note 8)	**163**	-

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

	THE GROUP	
	2017 RM'000	2016 RM'000
Related parties		
Included in other payables	**322**	322

Compensation of key management personnel

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

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefit	**8,123**	7,612	**2,757**	2,500
Post employment benefit	**77**	-	**-**	-
	8,200	7,612	**2,757**	2,500

18. DEPOSITS AND OTHER CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term deposits with licensed banks	**160,347**	142,620	**49,175**	109,607
Cash on hand and at banks	**188,312**	100,167	**109,687**	50,405
Other cash equivalents	**-**	11,001	**-**	11,001
	348,659	253,788	**158,862**	171,013

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

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
US Dollar	**225,300**	110,098	**76,496**	47,802
Ringgit Malaysia	**117,005**	138,581	**82,365**	123,209
Chinese Renminbi	**5,916**	4,612	**-**	-
Euro	**158**	93	**-**	-
Indonesian Rupiah	**141**	144	**-**	-
Singapore Dollar	**138**	258	**-**	-
Others	**1**	2	**1**	2
	348,659	253,788	**158,862**	171,013

The average effective interest rates per annum are as follows:

Short-term deposits	2017 %	2016 %
The Group	**1.85 - 4.00**	0.74 - 4.00
The Company	**3.65 - 3.95**	2.40 - 4.00
Bank current account		
The Group	**2.05 - 2.85**	-
The Company	**2.05 - 2.85**	-

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

Short-term deposits	2017 DAYS	2016 DAYS
The Group	**30 - 90**	1 - 90
The Company	**30 - 90**	1 - 90

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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 were no transfers between Level 1 and Level 2 during the previous financial 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Additions during the year	**165,983**	130,509	**84,314**	83,029
Outstanding balances	**(38,197)**	(28,719)	**(12,462)**	(21,629)
Cash payment in respect of additions in:				
Current year	**127,786**	101,790	**71,852**	61,400
Prior year	**28,719**	20,287	**21,629**	9,439
	156,505	122,077	**93,481**	70,839

(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. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term deposits	**160,347**	142,620	**49,175**	109,607
Cash on hand and at banks	**188,312**	100,167	**109,687**	50,405
Other cash equivalents	**-**	11,001	**-**	11,001
	348,659	253,788	**158,862**	171,013

19. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2017 NUMBER OF ORDINARY SHARES '000 UNITS	2016 NUMBER OF ORDINARY SHARES '000 UNITS	2017 RM'000	2016 RM'000
Authorised:				
Ordinary shares	**-**	1,000,000	**-**	500,000
Issued and fully paid:				
Ordinary shares				
At beginning of year	**733,831**	733,831	**366,915**	366,915
Transfer from share premium	**-**	-	**228,452**	-
At end of year	**733,831**	733,831	**595,367**	366,915

The Group's and the Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM0.50 each. The new Companies Act, 2016, which came into operation on January 31, 2017, introduced the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provision of the Companies Act, 2016, the amount standing to the credit of the Group's and of the Company's share premium account has become part of the Group's and the Company's share capital. These changes do not have an impact on the number of shares in issue or the related entitlement of any of the shareholders. However, the Company has a period of twenty four months from the effective date of the Companies Act, 2016 to use the existing balances credited in the share premium in a manner as specified by the Companies Act, 2016.

20. RESERVES

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable reserves:				
Share premium	**-**	228,452	**-**	228,452
Foreign currency translation reserve	**160,980**	190,263	**-**	-
Capital reserve	**30,590**	24,632	**-**	-
Investment revaluation reserve	**-**	29	**-**	29
Distributable reserve:				
Retained earnings	**668,508**	603,362	**429,463**	454,003
	860,078	1,046,738	**429,463**	682,484

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. RESERVES (CONT'D)

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 investments.

21. BORROWINGS

	THE GROUP	
	2017 RM'000	**2016 RM'000**
Secured:		
Revolving credit	**26,302**	24,000
Term loans	**4,653**	1,991
Unsecured:		
Term loans	**13,965**	25,627
	44,920	51,618
Less: Amount due within 12 months (shown under current liabilities)	**(35,972)**	(36,131)
Non-current portion	**8,948**	15,487

The non-current portion is repayable as follows:

	THE GROUP	
	2017 RM'000	**2016 RM'000**
Financial years ending December 31:		
2018	**-**	10,139
2019	**5,874**	5,348
2020	**1,052**	-
2021	**1,052**	-
2022	**970**	-
	8,948	15,487

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

The Company has RM40,000,000 (2016: RM90,000,000) unsecured revolving credit, overdrafts, trade financing and bank guarantee facilities with two (2016: three) local banks.

21. BORROWINGS (CONT'D)

The subsidiaries have the following banking facilities:

i) RM34,395,000 (2016: RM38,131,000) Islamic term loan facilities with a local bank which are repayable over four (2016: four) years commencing from year 2016. These facilities are guaranteed by the Company;

ii) RM16,186,000 (2016: RM13,458,000) term loan facility with a foreign bank which is repayable over five (2016: five) years commencing from years ranging from 2013 to 2018. This facility is guaranteed by the Company. During the financial year, term loan of RM12,140,000 (2016: RM13,458,000) has been fully repaid; and

iii) RM61,126,000 (2016: RM65,402,000) revolving credit, overdrafts, supplier financing and bank guarantee facilities with two (2016: three) foreign and local banks. These facilities are guaranteed by the Company.

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

The details of interest rates charged are as follows:

Term loans	- 1.50% (2016: 1.50%) per annum plus LIBOR
	- 4.25% (2016: 4.25%) per annum below bank lending term rate
Revolving credit	- 4.75% (2016: 4.75%) per annum below bank lending rate
Supplier financing	- 5.60% (2016: 5.60%) per annum below bank best lending rate

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

			NON-CASH CHANGES			
THE GROUP	BALANCE AS OF JANUARY 1, 2017 RM'000	FINANCING CASH FLOWS (1) RM'000	EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES RM'000	AMORTISATION OF LOAN ARRANGEMENT FEES (NOTE 7) RM'000	UNREALISED GAIN ON FOREIGN EXCHANGE RM'000	BALANCE AS OF DECEMBER 31, 2017 RM'000
Revolving credit	24,000	4,945	(2,643)	-	-	**26,302**
Term loans	27,618	(6,396)	(374)	29	(2,259)	**18,618**
	51,618	(1,451)	(3,017)	29	(2,259)	**44,920**

(1) The cash flows from bank borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. DEFERRED INCOME

	THE GROUP 2017 RM'000	THE GROUP 2016 RM'000
At beginning of year	**8,562**	9,004
Amortisation	**(212)**	(208)
Translation reserve	**(314)**	(234)
At end of year	**8,036**	8,562

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 of 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, 2017 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 2017 RM'000	THE GROUP 2016 RM'000
Current service costs	**576**	1,383
Interest on obligations	**2,031**	1,625
Other adjustments	**1,080**	1,042
	3,687	4,050

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

	THE GROUP 2017 RM'000	THE GROUP 2016 RM'000
At beginning of year	**31,574**	25,043
Benefits paid	**(1,158)**	(1,157)
Remeasurement recognised in other comprehensive income	**10,183**	1,595
Expense recognised in the statement of profit or loss	**3,687**	4,050
Translation reserve	**(4,189)**	2,043
At end of year	**40,097**	31,574

23. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	THE GROUP	
	2017 RM'000	2016 RM'000
US Dollar	**26,565**	10,970
Indonesian Rupiah	**13,532**	20,604
	40,097	31,574

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

	THE GROUP	
	2017 %	2016 %
Actuarial Assumptions		
Discount rate		
US Dollar based salary	**3.00**	3.50
Indonesian Rupiah ("IDR") based salary	**7.00**	8.50
Future salary increases:		
US Dollar based salary	**2.00**	4.00
IDR based salary	**7.00**	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% (2016: 1%) higher/(lower), the defined benefit obligations would decrease by RM3,860,000 (2016: RM2,943,000) or increase by RM4,415,000 (2016: RM3,347,000).

- If the expected future salary growth increases/(decreases) by 1% (2016: 1%), the defined benefit obligations would increase by RM4,378,000 (2016: RM3,396,000) or decrease by RM3,901,000 (2016: RM3,033,000).

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 RM470,000 (2016: RM401,000) 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 (2016: 30 to 60 days).

The currency profile of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
US Dollar	**86,241**	77,851	**40,552**	43,351
Ringgit Malaysia	**1,674**	1,263	**1,517**	1,263
Japanese Yen	**852**	182	**-**	-
Singapore Dollar	**216**	13,065	**6**	-
Indonesian Rupiah	**210**	291	**-**	-
Chinese Renminbi	**114**	89	**-**	-
Others	**124**	742	**-**	-
	89,431	93,483	**42,075**	44,614

Other payables and accrued expenses consist of:

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other payables	**125,402**	110,207	**65,462**	74,980
Accrued expenses	**64,674**	56,913	**31,150**	30,971
	190,076	167,120	**96,612**	105,951

Other payables comprise mainly outstanding balances for dividend payable, 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 (2016: 30 to 60 days).

Transactions with related parties are disclosed in Note 17.

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

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

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	**81,645**	80,930	**75,469**	76,146
US Dollar	**72,247**	57,101	**19,776**	28,702
Chinese Renminbi	**22,295**	19,770	**-**	-
Indonesian Rupiah	**8,484**	4,506	**-**	-
Singapore Dollar	**4,051**	4,550	**1,349**	1,103
Euro	**1,138**	112	**-**	-
Japanese Yen	**216**	151	**18**	-
	190,076	167,120	**96,612**	105,951

25. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2017 RM'000	2016 RM'000
1st Interim dividend paid:		
3.5 sen per share, tax-exempt (3.5 sen per share, tax-exempt for 2016)	**25,684**	25,684
2nd Interim dividend paid/payable:		
3.5 sen per share, tax-exempt (3.5 sen per share, tax-exempt for 2016)	**25,684**	25,684
Final dividend paid:		
4 sen per share, tax-exempt for 2016 (4 sen per share, tax-exempt for 2015)	**29,353**	29,353
	80,721	80,721

The first interim dividend in respect of the current financial year was paid on September 8, 2017.

The second interim dividend in respect of the current financial year was paid on January 5, 2018.

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 sales, operating expenses, capital expenditure and bank borrowings are denominated primarily in US Dollar, Ringgit Malaysia and Chinese Renminbi.

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

The carrying amounts of the foreign currency denominated monetary assets and 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% (2016: 0.5%) 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	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
US Dollar impact	**877**	533	**308**	110
Chinese Renminbi impact	**-**	-	**80**	67
THE COMPANY				
US Dollar impact	**445**	249	**-**	-

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% (2016: 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	
	2017 RM'000	2016 RM'000
Profit or loss	**171**	196

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	
	2017 RM'000	2016 RM'000
Corporate guarantee provided to banks for subsidiaries' facilities	**44,921**	51,621

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 2017 RM'000	THE GROUP 2016 RM'000	THE COMPANY 2017 RM'000	THE COMPANY 2016 RM'000
Neither past due nor impaired	**164,866**	194,239	**92,161**	100,354
Past due but not impaired:				
61 - 90 days	**5,353**	5,300	**2,480**	3,214
91 - 120 days	**272**	1,004	**-**	695
Above 120 days	**3,242**	4,370	**2,724**	3,855
	8,867	10,674	**5,204**	7,764
Past due and impaired:				
Above 120 days	**19**	19	**-**	-
	173,752	204,932	**97,365**	108,118

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

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

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

(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 RM80,060,000 and RM33,799,000 (2016: RM125,747,000 and RM84,441,000) 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, 2017			
Trade payables, other payables and accrued expenses	**279,124**	**-**	**-**
Bank borrowings	**36,829**	**9,578**	**-**
As of December 31, 2016			
Trade payables, other payables and accrued expenses	260,120	-	-
Bank borrowings	36,936	15,847	-

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, 2017			
Trade payables, other payables and accrued expenses	**138,687**	**-**	**-**
Amount owing to subsidiaries	**27,688**	**-**	**-**
As of December 31, 2016			
Trade payables, other payables and accrued expenses	150,565	-	-
Amount owing to subsidiaries	29,914	-	-

(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 statement of financial position.

	THE GROUP	
	2017 RM'000	2016 RM'000
Total borrowings	**44,920**	51,618
Total equity attributable to owners of the Company	**1,455,445**	1,413,653
Gearing ratio	**0.03**	0.04

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

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

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 has outstanding operating lease rentals, which fall due as follows:

	THE GROUP	
	2017 RM'000	2016 RM'000
Within one year	**14**	252
In the second to fifth year inclusive	**10**	302
	24	554

Operating lease payments represent rentals payable by the Group for its subsidiaries' office and residential properties.

(b) Capital expenditure

As of December 31, 2017, the Group and the Company have the following commitments in respect of property, plant and equipment:

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Approved and contracted for	**10,285**	64,552	**5,363**	46,426

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, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2017 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

JOHN CHIA SIN TET

MARTIN GILES MANEN

Kuala Lumpur
March 5, 2018

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 5th day of March, 2018.

Before me,

No. W530
Tan Seok Kett
COMMISSIONER FOR OATHS

SHAREHOLDERS' **STATISTICS**

as at 23 February 2018

1. Issued Shares and Voting Right

The total number of issued shares of the Company stands at 733,831,055 ordinary shares, with voting right of one vote per ordinary share.

2. Analysis of Shareholdings

NO. OF HOLDERS	SIZE OF HOLDINGS	NO. OF SHARES	% OF TOTAL ISSUED SHARES
393	Less than 100	6,500	0.00
884	100 to 1,000	589,779	0.08
3,333	1,001 to 10,000	14,731,764	2.01
1,062	10,001 to 100,000	31,970,045	4.35
377	100,001 to less than 5% of issued Shares	533,482,957	72.70
2	5% and above of issued Shares	153,050,010	20.86
6,051		**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	87,102,085	11.87	6,798,700	0.93 (a)
John Chia Sin Tet	65,947,925	8.99	110,982,213	15.12 (b)
Yen Woon @ Low Sau Chee	27,882,120	3.80	23,193,000	3.16 (c)
The Estate of Soo Yut Kuan	-	-	93,900,785	12.80 (d)

Notes:

(a) Held indirectly through SCQ Industries Berhad.

(b) Held indirectly through 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, Lancar Indah Sdn Bhd and nominee companies/pledged security accounts.

(d) Held indirectly through Jayvest Holdings Sdn Bhd and SCQ Industries Berhad.

SHAREHOLDERS' STATISTICS (cont'd)

as at 23 February 2018

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	87,102,085	11.87
2.	John Chia Sin Tet	65,947,925	8.99
3.	Yen Woon @ Low Sau Chee	23,966,420	3.27
4.	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 14)	16,851,525	2.30
5.	HSBC Nominees (Asing) Sdn Bhd TNTC For The Highclere International Investors Smaller Companies Fund	16,841,200	2.29
6.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	16,113,700	2.20
7.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt An For Deutsche Bank AG London (Prime Brkrg CLT)	15,632,700	2.13
8.	Tan Kok Heng	13,255,000	1.81
9.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	13,195,800	1.80
10.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	12,382,500	1.69
11.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	11,787,965	1.61
12.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB For John Chia Sin Tet (PB)	8,945,000	1.22
13.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For OCBC Securities Private Limited (Client A/C-R ES)	8,759,000	1.19
14.	Chua Khing Chiew	8,210,000	1.12
15.	HSBC Nominees (Asing) Sdn Bhd BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	7,721,000	1.05
16.	Sundra Moorthi A/L V.M. Krishnasamy	7,699,700	1.05
17.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Prulink Equity Fund	7,207,200	0.98
18.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Total International Stock Index Fund	7,142,700	0.97
19.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investments Islamic Small-Cap Fund	7,014,000	0.96

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.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	6,884,320	0.94
21.	SCQ Industries Berhad	6,798,700	0.93
22.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund	6,462,100	0.88
23.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank Of New York Mellon For Ensign Peak Advisors Inc.	6,292,400	0.86
24.	Citigroup Nominees (Asing) Sdn Bhd UBS AG	6,183,400	0.84
25.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank For Yen Woon @ Low Sau Chee (PBCL-0G0416)	6,000,000	0.82
26.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Francis Chia Mong Tet (CEB)	5,670,480	0.77
27.	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 9)	5,525,665	0.75
28.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank Of New York Mellon For Acadian Emerging Markets Small Cap Equity Fund, LLC	5,291,600	0.72
29.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yen Woon @ Low Sau Chee (6000012)	5,250,000	0.72
30.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	5,199,200	0.71
		421,333,285	**57.44**

STATEMENT OF DIRECTORS' INTEREST

as at 23 February 2018

Directors' Shareholdings (as per the Register of Directors Shareholdings)

	NO. OF SHARES HELD			
NAME OF DIRECTORS	DIRECT INTEREST	%	DEEMED INTEREST	%
John Chia Sin Tet	65,947,925	8.99	110,982,213	15.12 (a)
Lee Hoong Leong	-	-	-	-
Francis Chia Mong Tet	1,720,000	0.23	9,894,480	1.35 (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	27,882,120	3.80	23,193,000	3.16 (c)
Lim Siew Eng	10,000	0.00	-	-
Mahani Binti Amat	-	-	-	-

Notes:

(a) Held indirectly through Jayvest Holdings Sdn Bhd, Lancar Indah Sdn Bhd, SCQ Industries Bhd, his son and nominee companies/pledged securities accounts.
(b) Held indirectly through nominee companies/pledged securities accounts, his sons and daughter and ANF Tet Holdings Sdn Bhd.
(c) Held indirectly through his spouse, Lancar Indah Sdn Bhd and nominee companies/pledged securities accounts.

LIST OF PROPERTIES HELD BY THE GROUP

as at 31 December 2017

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 2017 (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	-	**2,322**
	Factory building Phase I	Factory	-	130,000 sq ft	March 1992	26	**7,020**
	Factory building Phase II	Factory	-	110,000 sq ft	August 1996	22	**9,141**
	Factory building Phase III	Factory	-	330,000 sq ft	September 2000	17	**40,882**
	Factory building wafer bumping	Factory	-	22,000 sq ft	August 2005	12	**2,112**
PN 289781 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Industrial land	Vacant	99 years leasehold expiring 2100	115,500 sq m	October 2000	-	**6,131**
PT 19130 Mukim Sungai Raya, Daerah Kinta, Perak, Malaysia	Residential land	Hostel	99 years leasehold expiring 2104	20,429 sq m	June 2005	-	**1,196**
	Residential	Hostel	-	50,000 sq ft	June 2012	6	**9,306**

LIST OF PROPERTIES HELD BY THE GROUP (cont'd)

as at 31 December 2017

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 2017 (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	-	**3,581**
	Industrial land	Factory	49 years leasehold expiring 2057	9.002 hectare	September 2007	-	**4,455**
	Factory building	Factory	-	366,000 sq ft	December 2005	12	**74,204**
	Factory building	Factory	-	254,000 sq ft	December 2012	5	**58,497**
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	-	**330**
	Industrial land	Factory	30 years leasehold expiring 2019	8,991 sq m	May 1998	-	**691**
	Factory Building Main Building	Factory	-	14,640 sq m	November 1991	26	**38**
	Factory Building East Wing	Factory	-	17,500 sq m	1998	19	**3,733**
	Factory Building East Wing Extension	Factory	-	1,600 sq m	2007	10.5	**1,124**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 29th 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 25 April 2018, 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 2017 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 2017. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM1,839,917 for the financial year ended 31 December 2017, an increase of RM13,792 from RM1,826,125 in 2016. **Resolution 2**

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

   (i) Mr Francis Chia Mong Tet **Resolution 3**

   (ii) Mr John Chia Sin Tet **Resolution 4**

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 5**

   As Special Business:

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

6. **Authority To Allot Shares** **Resolution 6**

   "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 share capital of the Company for the time being."

7. **Proposed Share Buy-Back Up To Ten Percent (10%) Of The Issued Share Capital Of The Company** **Resolution 7**

   "**THAT** subject always to the Companies Act, 2016 ("Act"), provisions of the Company's constitution and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, and other relevant approvals, approval be and is hereby given to the Company and the Directors of the Company to purchase the ordinary shares of the Company ("Shares") through Bursa Securities, subject to the following:-

   (a) the maximum number of Shares that may be purchased by the Company shall not exceed ten percent (10%) of the total number of issued shares of the Company at any point of time;
   (b) the maximum fund to be allocated by the Company for purpose of purchasing its Shares shall not exceed the total retained profits of the Company; and
   (c) the Shares purchased are to be treated in either of the following manner:-
      (i) cancel the Shares so purchased; or
      (ii) retain the Shares so purchased as treasury shares; or
      (iii) retain part of the Shares purchased as treasury shares and cancel the remainder

   The treasury shares may be distributed as dividends to the shareholders and/or resold through Bursa Securities and/or subsequently cancelled.

NOTICE OF
ANNUAL GENERAL MEETING (cont'd)

AND THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:-

(a) the conclusion of the next Annual General Meeting, at which time it will lapse, unless the authority is renewed by a resolution passed at the meeting, either unconditionally or subject to conditions; or
(b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to the provision of the Act; or
(c) revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting of the Company,

whichever occurs first.

AND THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities and to deal with all matters in relation thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. **Proposed Adoption of New Constitution of the Company** **Special Resolution 1**

"**THAT** approval be and is hereby given for the Company to amend the existing Memorandum and Articles of Association of the Company in its entirety and in place thereof the proposed new Constitution of the Company as set out in Appendix III of the Circular to Shareholders dated 27 March 2018 be and is hereby adopted with immediate effect as the Constitution of the Company **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing"

9. Any other business

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the record of depositors will be closed on 7 May 2018 to determine shareholders' entitlement to the final dividend of 4 sen per share tax-exempt for the financial year ended 31 December 2017. The dividend, if approved, will be paid on 25 May 2018.

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 7 May 2018 in respect of transfers;
(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

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

27 March 2018
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 18 April 2018 are entitled to attend, speak and vote at the AGM of the Company to be held on 25 April 2018.*
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. Proxy form by facsimile will not be accepted.*
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 6

The proposed Resolution 6, 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 28th Annual General Meeting held on 26 April 2017, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 76(2) of the Companies Act, 2016. No new shares of the Company were issued or allotted during the year pursuant to this mandate.

The proposed Resolution 6 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.

Resolution 7

The proposed Resolution 7, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to purchase the Shares of the Company through Bursa Securities up to 10% of the issued share capital of the Company at any point of time. This authority, unless renewed, revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Special Resolution 1

The proposed Special Resolution 1, if passed, will give effect to the adoption of the new Constitution of the Company as set out in Appendix III of the Circular to Shareholders dated 27 March 2018.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DIRECTORS WHO ARE SEEKING RE-ELECTION AND RE-APPOINTMENT AT THE 29th ANNUAL GENERAL MEETING OF THE COMPANY

The details of the directors seeking re-election and re-appointment are set out in their respective profiles on pages 60 to 65 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 170 of this Annual Report.

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

PROXY FORM

I/We ______________________________ NRIC/Passport No. ______________________________

of ____

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

______________________________ NRIC/ Passport No. ______________________________

of ____

or failing him/her, ____

NRIC/Passport No. ______________________________ of ______________________________

as my/our proxy to vote on my/our behalf at the 29th 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 25 April 2018, 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
Ordinary Resolution 1	To approve the declaration of a final dividend of 4 sen per share tax-exempt for the financial year ended 31 December 2017.		
Ordinary Resolution 2	To approve the payment of Directors' fees amounting to RM1,839,917 for the financial year ended 31 December 2017, an increase of RM13,792 from RM1,826,125 in 2016.		
Ordinary Resolution 3	To re-elect Mr Francis Chia Mong Tet as a Director who retires pursuant to Article 124 of the Company's Articles of Association.		
Ordinary Resolution 4	To re-elect Mr John Chia Sin Tet as a Director who retires pursuant to Article 124 of the Company's Articles of Association.		
Ordinary Resolution 5	To appoint Deloitte PLT as Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 6	To authorise the Directors under Section 76(2) of the Companies Act, 2016 to issue new shares not exceeding 10% of the issued share capital of the Company.		
Ordinary Resolution 7	Proposed Share Buy-Back Up To Ten Percent (10%) Of The Issued Share Capital Of The Company		
Special Resolution 1	Proposed Adoption of New Constitution of the Company		

Dated this __________ day of ____________________ , 2018.

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 18 April 2018 are entitled to attend, speak and vote at the AGM of the Company to be held on 25 April 2018.*
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. Proxy form by facsimile will not be accepted.*
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.*

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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