



**HANA**

**Microelectronics Public Company Limited**

บริษัท ฮานา ไมโครอิเล็กทรอนิกส์ จำกัด (มหาชน)



**Annual Report 2013**  
**รายงานประจำปี 2556**





# Contents

The Group Financial Highlights	1
Chairman's Statement	2
Operation Review	4
Board of Directors	8
Management Team	9
Profile of Directors & Management	11
Hana Overview and Nature of Business	15
Management Structure	24
Corporate Governance	35
Internal Control and Risk Management	47
Related Party Transaction	48
Corporate Social Responsibility	50
Audit Committee Report	57
Nomination Committee Report	58
Management's Discussion and Analysis	59
Risk Factors	62
Report of the Board of Directors' Responsibilities for Financial Statements	64
Independent Auditor's Report	65
Financial Statements	66

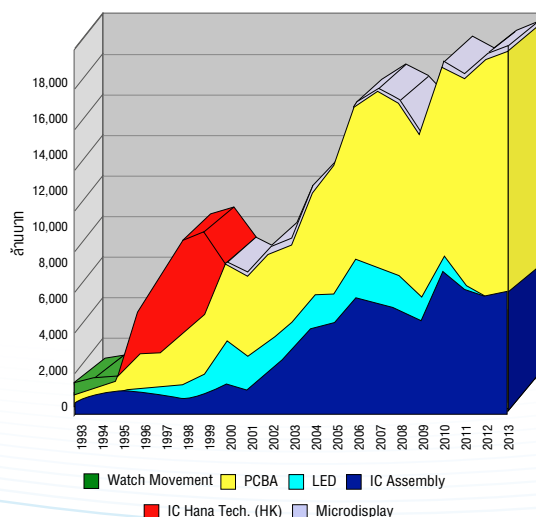


# The Group Financial Highlights

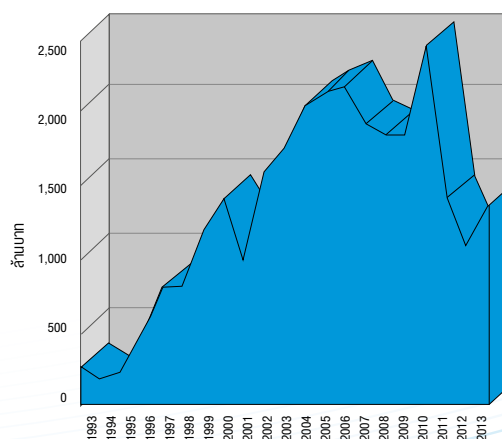
(Baht millions)

	2013	2012 (Restated)	2011 (Before Restated)	2013/2012 % change
Total Revenue	19,152	18,388	16,998	4%
Sales Revenue	17,667	17,233	16,315	3%
Gross Profit	2,002	1,683	2,054	19%
Operating Profit	1,377	1,076	1,426	28%
EBITDA	2,560	2,305	2,614	11%
Net Profit before Exceptional Items	1,506	1,373	1,717	10%
Net Profit (Loss) for the year	2,337	1,610	1,618	45%
Total Assets	20,157	17,930	17,912	12%
Net Fixed Assets	6,845	6,622	6,373	3%
Total Liabilities	3,563	3,035	3,347	17%
Shareholders Equity	16,594	14,895	14,565	11%
Net (Cash) Debt / Equity	(0.19)	(0.17)	(0.17)	
Net Profit (after tax) % Sales	13%	9%	10%	41%
EBITDA Margin	14%	13%	16%	8%
Return on Equity	14%	11%	11%	30%
Dividend per share (from the profits of)	1.50	1.50	1.00	0%
Payout ratio (excl. exceptional items)	80%	88%	47%	-9%
EPS before Exceptional Item	1.95	1.50	1.98	30%
EPS after Exceptional Item	2.90	2.00	2.01	45%
Book Value per share (net of treasury shares)	20.62	18.51	18.10	11%
Shares balance repurchased (m)			25.60	
Net Number of shares outstanding (year end)	804.88	804.88	804.88	0%

Sales Revenue



Operating Profit





# Chairman's Statement

# HANA



## Dear Shareholder,

The year 2013 has been a challenging one both for the global electronics industry in general and Hana in particular. The company focused on two primary goals. Firstly to return our semiconductor operations back to profitability and secondly to manage the weakness in certain industries that was being experienced by some of our key customers.

For our IC division, in addition to an overall weakness from the PC and consumer markets, the loss of a number of customers in 2011 due to the flood continued to weigh on our performance. As such, 2013 was a year focusing on rebuilding our reputation and our customer's trust. By the midyear I am pleased to say significant progress had been achieved which was rewarded by an increase in business from our key customers. Coupled with an improvement in overall demand, our IC division finally returned to profitability in the third quarter of 2013 – eighteen months after we resumed operations in January 2012. Whilst further improvement remains to be done, Hana Ayutthaya can now build upon this improved platform and is expected to play an important part in the group's growth in 2014.

For our IC division in Jiaxing, the year was also weak as they too suffered from the lack of industry demand and although the division continued to operate at a consistently profitable level we were unable to meet our internal growth targets. Nonetheless, we believe 2014 will be a better year as we have a number of projects in the pipeline that could substantially improve our utilization and increase operating performance.

For our microelectronics businesses both in Lamphun and Jiaxing, the start of 2013 saw a substantial reduction in our PC and laptop business. Whilst there were some bright spots in certain PC technologies such as touch screens, the industry saw a steep drop in demand as tablets and mobile smart phones continued to eat into their market share. As such demand for touch pads and components for the computer mouse saw a steep correction as the industry began to address the excess capacity. This coupled with an overall weakness for a number of other industries with the exception of our automotive business, played heavily on our operating performance. With the IC division still in recovery mode the Hana group slipped marginally into the red in the first quarter of 2013 - our first ever operating loss as a public company since 1992.

However, I am happy to report that the rebound in the second quarter was immediate and by the third quarter the group was back to strong operating profitability with the micro business enjoying good demand for mobile phone components, automotive sensors and even the PC industry which had cut back aggressively needed to re-stock again. This has carried on until the year end and even continues strongly at the start of 2014.

Our key financial results for 2013 were as follows:

- |  |  |
|--|--|
| • Revenues up                                | 3% from THB 17,232 million to THB 17,667 million |
| • Operating income up                        | 28% from THB 1,076 million to THB 1,377 million  |
| • EBITDA income up                           | 11% from THB 2,305 million to THB 2,560 million  |
| • NPAT up                                    | 45% from THB 1,610 million to THB 2,337 million  |
| • Cash reserves and short term investment up | 22% from THB 5.5 billion to THB 6.7 billion      |

# Chairman's Statement



Despite the significant challenges that have faced the group over the past few years including the great flood, a significantly higher cost base from the rise in direct labour costs (close to 50% in the past two years) and a rising currency, we still believe that manufacturing will continue to have a strong demand. The key is to time ones expansion and ride the cyclical of our industry as best possible. Thus the decision to expand our capacity in Lamphun taken in 2012 is now looking the correct one with the global economy looking more positive especially from the USA. With completion expected by the middle of 2014, we are already in discussion with some major customers and are confident our expansion has been timely.

Our entry into Cambodia has faced a number of expected difficulties relating to our corporate registration and the finalization of our land lease. However I am pleased to report that as at the end of 2013 Hana Microelectronics (Cambodia) Co., Ltd. was established and we have registered our land leases both for the factory and dormitory land plots. Starting in 2014 we shall be finalizing the building designs and selection of contractors with an anticipated completion by the early part of 2015.

Our insurance claims related to the floods have made progress during the year with both the property and inventory damage claims totaling THB 1,242m now fully settled. However our business interruption claim is still undergoing review. An interim payment of THB 400m was received in 2012 with the final payment expected to be settled before the end of the second quarter.

Finally with sadness tempered with a little excitement I have to inform you that after 28 years our head office lease is up and we are finally relocating to a new site a short distance away and on a land plot that this time is owned by the company. With a contemporary aspect the building is designed to accommodate all our corporate office requirements and will allow for additional expansion in the future.

We enter 2014 against a backdrop of political uncertainty for Thailand. The country is now in "uncharted waters" and the outcome of which remains very unclear. Nobody expects a quick resolution to deep rooted divisions which have finally boiled over. However we also do not anticipate that the engines of industry will be fundamentally impeded and all of our customers fully understand and expect that it will be "business as usual". As such with an anticipated improvement for global economic growth, especially for the USA, additional manufacturing capacity coming on-stream and a balance sheet of record strength, we enter the New Year with optimism that we can deliver growth in 2014.

I extend my heartfelt thanks to all our staff and management for their efforts and dedication during the year. Through difficult times they have all responded magnificently. To all our customers, suppliers and bankers who continue to support our company, I express my gratitude.

To my fellow board members, current and those who recently retired towards the end of 2013, your support and guidance is deeply appreciated. On behalf of the board may I say that we shall continue to strive for greater shareholder value and we appreciate your continued support for our company.

Mr. Bancha Tarnprakorn  
Chairman of the Board of Directors



# Operation Review



The 2013 was a good year for Hana Lamphun despite the worldwide economic slow-down and labour wage increases. We again broke our sales record with 8% growth year-on-year. Our second half was particularly strong as several big projects in the smart-phone segment were successfully launched. Quality demands from our customers will continue to increase and our team will prepare and continually improve our processes for the trend towards achieving "zero defect".

At the start of 2014, our team will be busy preparing for the new plant which has over 20,000 sqm. of floor space currently under construction at the Saha Group Industrial Park – Lamphun, a nearby industrial zone located 10km from our existing plant. The new plant is being designed for highly automated semiconductor type module production and will meet world class standards. To support this new plant we will restructure the factory organization and make further equipment upgrades.

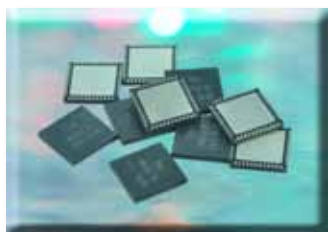
The new plant is scheduled for completion by the middle of 2014. This increased capacity will nearly double our existing floor space and will allow further expansion for Hana Lamphun, driving our growth for the next few years.

One of our biggest challenges operationally has been the increase in direct labour turnover. As such, we have been focusing heavily to improve this area and our focused activities have yielded excellent results. In 2013 we hit the historical lowest direct turnover rate. This is very important because having an experienced workforce helps to increase our manufacturing quality, reduce wastage and overall cost.

I would like to thank all Hana Lamphun staff for their dedication to enable us to achieve yet again a record historical sales performance in 2013 and for all their hard work in preparation for our new plant expansion.

Mr. Wing Keung Chow  
Vice President and General Manager

# Operation Review



2013 continued to be a year of recovery and rebuilding for the Hana Semiconductor Co., Ltd (Ayutthaya) "Hana-AYT" operations after the great flood of Thailand in Q4-2011. During the year, the Bangkok operation was closed and production moved to Hana-AYT in a seamless manner.

It was also a year of several milestones for the Hana-AYT team. As a result of the single minded focus of the management team and with the support from our customers, the revenues increased by 11% year-on-year in 2013. Product shipment volume also increased by 16%. Despite the fact that the factory was not as fully utilized when compared to pre flood levels plus the substantial wages increases Hana-AYT was able to report operation profitability by June of 2013.

Our team focused on quality and achieved success with numerous customer audits allowing us to gain greater customer confidence and increase our top line revenues. This focus on deep dive quality metrics will continue during 2014. Attention and focus on 5S and Quality Awareness programs will also be very much enhanced.

During 2013, Hana-AYT continued to invest in new capabilities and technologies to provide our customers enhanced manufacturing processes. Looking forward to 2014, Hana AYT will remain focused on technology and capability enhancements, cost, quality and operational excellence to enable us to be a world class service provider to our customers. Focus on custom packaging and technically challenging packages will be our area of focus which will supplement our standard leaded and leadless packages portfolio. We will also be expanding our presence in the automotive segment of the business.

We once again extend our sincere thanks to our customers for believing in the Hana AYT team and we look to them for support as we continue with the business recovery process in 2014.

Finally, I would like to extend my sincere thanks and gratitude to the employees of Hana-AYT. It is only due to their dedication, loyalty, trust and teamwork that we have been able to achieve so much in 2013. We are confident of continued growth in 2014.

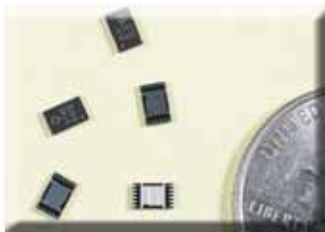
**Mr. Sanjay Mitra**  
Vice President and General Manager



# Operation Review



**Hana Microelectronics (Jiaxing) Co., Ltd.**



The year of 2013 was by all accounts a challenging one for Hana Jiaxing. Overall our division suffered a 9% drop in revenue over 2012. Our operations were hard hit by the substantial reduction in global demand for laptop computers, which led to a reduction of our customer's demand for assembly of laptop touch pads. At the same time the cost of operations continued to increase due the inexorable rise in direct labour costs and the strengthening of the RMB. That, coupled with continuing price pressures meant our margins continued to suffer.

To cope with the situation, we restructured our manufacturing teams by separating them into three operations to allow greater focus with the aim of achieving higher efficiency and productivity. We worked on many Value Analysis and Value Engineering Programs "VA/VE" to improve the overall manufacturing cost and we have achieved good success in mitigating our cost increases.

During the year we have continued our efforts in automating our assembly and test processes for more labor intensive assemblies to reduce labour dependency. The driving factor was not only the labour cost, but the labor supply because difficulties in hiring sufficient labour have affected our capacity to support loading upsides when they occurred. In order to make future business expansion possible, continuous reduction of the dependence on labor through increased process automation, is expected to be one of the most important strategies for us in 2014 and in future years.

We also continued our efforts to enhance the product quality and improve the customer service which was the corner stone of our past success. We received awards of the Supplier of the Year from a few customers including two major customers in 2013.

With a number of new products from both new and existing customers going into mass production late in 2013, we believe that we will see the growth again in 2014. I am confident our team at Hana Jiaxing is well prepared to support the growing demands from all our customers and that 2014 will be a better year.

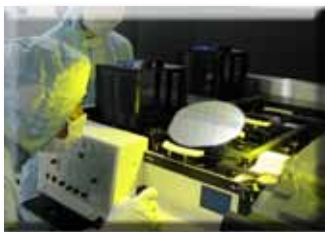
**Mr. Steven Lee**  
Vice President and General Manager



# Operation Review



## Hana Microdisplay Technologies, Inc.



Year 2013 was a rebuilding year for Hana Microdisplay Technologies “HMT”. After large cutbacks in 2012, HMT worked to stabilize its largest customers in preparation for growth and development of new customers in new markets.

The microdisplay-related business had a strong finish to the year after a disappointing second quarter. The majority of the growth in the second half of the year came from telecom device assemblies for both long-term and new customers in that market. HMT also experienced growth in optical device assemblies for camera modules. Expected growth in miniature projection systems remains a positive potential, but the significant amount of that business will be delayed until 2014.

The internal RFID manufacturing capacity was more heavily utilized in 2013, but the product mix moved almost exclusively to lower-priced units, using mostly consigned materials. Thus, the overall revenue from this capability was reduced slightly. HMT expects to be fully utilized in 2014 on its internal RFID manufacturing. Production of RFID tire tags was very strong in the first half of the year. The two largest customers for these products had plans for growth in the second half of the year, but both delayed the start of those projects until 2014. HMT expects significant growth in this business in 2014.

HMT aims for growth in 2014 through both of its main business sections and we expect to increase our utilization of the Ayutthaya microdisplay factory by transferring two new projects there in 2014. HMT will also grow its relationship with the Lamphun factory through an increase in tire-tag production and the start of a new joint project in display assemblies.

Dr. John Erdmann  
President and Chief Executive Officer

# Board of Directors



1 2 3  
4 5 6

**1. Mr. Terrence Philip Weir**

Executive Director and Chief Financial Officer

**2. Mr. Richard David Han**

Executive Vice Chairman and Chief Executive Officer

**3. Mr. Winson Moong Chu Hui**

President and Chief Operating Officer

**4. Mrs. Salachitt Preedaporn**

Independent Director

**5. Mr. Bancha Tarnprakorn**

Chairman of the Board and Independent Director

**6. Mr. Yingsak Jenratha**

Independent Director



# Management Team



## Lamphun Management

9 10 11 12 13 14 15  
1 2 3 4 5 6 7 8

1. **Mrs. Napassawan Namwongsa**  
Senior Manager of Quality Management System
2. **Mr. Reynaldo San Agustin**  
Director of Quality Management
3. **Mr. Steven G. Spittal**  
Director of Business Development
4. **Mr. Wing Keung Chow**  
Vice President & General Manager
5. **Mr. Sathit Umpai**  
Director of Operations
6. **Mr. Christian Cron**  
Director of Supply Chain Management
7. **Mr. Wichai Sukprasertkul**  
Director of Operations
8. **Ms. Juthamard Trerattanawongse**  
Senior Manager of Finance
9. **Mr. Wong Wan Wah Vincent**  
Senior Manager of Supply Chain Management
10. **Mr. Seree Nuanim**  
Senior Manager of Operations
11. **Mr. Tosaporn Musikcharoen**  
Senior Manager of Industrial Engineering and Facility
12. **Mr. Thawatchai Kumprasert**  
Senior Manager of Management Information System (MIS)
13. **Mr. Chalermpon Narksang**  
Senior Manager of Traffic and Logistics
14. **Mr. Somjai Namwongsa**  
Senior Manager of Human Resources Department
15. **Mr. Anawat Aroonsawat**  
Senior Manager of Production and Material Control



## Ayutthaya Management

9 10 11 12 13 14 15 16 17 18  
1 2 3 4 5 6 7 8

1. **Ms. Areenee Kittisupornpong**  
Senior Manager of Management Information System (MIS)
2. **Ms. Samantha Kulasinghe**  
Director of Manufacturing Support, Production and Material Control, Industrial Engineering
3. **Mrs. Saowanee Rachatakarn**  
Senior Manager Financial Controller
4. **Mrs. Thawanvaree Pichitnorakarn**  
Senior Manager of Purchasing
5. **Mrs. Tappawong Na Tarlang**  
Senior Manager of Marketing and Account Management
6. **Ms. Suparin Kengradomkij**  
Senior Manager of Logistics and Inventory Control
7. **Ms. Praphaphun Naradilok**  
Senior Manager of Human Resources and Training
8. **Ms. Nataporn Charusabha**  
Senior Manager of Research and Development (R&D)
9. **Mr. Vincente T. Lau**  
Director of Quality and Reliability Assurance (QRA)
10. **Mr. Wanakorn Nonkhunthod**  
Director of Supply Chain Management and Facility
11. **Mr. Punsak Eammongkolchai**  
Director of Assembly Operations
12. **Mr. Pongsakorn Jangsatian**  
Senior Manager of Quality and Reliability Assurance (QRA)
13. **Mr. Supakit Tantara**  
Director of Assembly Engineering and New Product Introduction (NPI)
14. **Mr. Sanjay Mitra**  
Vice President & General Manager
15. **Mr. Worawit Sriburanasorn**  
Senior Manager of Marketing and Account Management
16. **Mr. Pongsak Klongjai**  
Senior Manager of Assembly Production
17. **Mr. Chanarong Disyamal**  
Senior Director of Customer Specific Operations (CSO)
18. **Mr. Chaweng Tantiyaphorn**  
Director of IC-Test Operations

# Management Team



## Jiaxing Management

8 9 10 11 12 13 14  
1 2 3 4 5 6 7

1. **Ms. Lucy Guo**  
Senior Manager of Human Resources
2. **Mr. Steven Chua**  
Director of Micro Engineering
3. **Mr. Andy Shen**  
Director of Micro Manufacturing
4. **Mr. Steven Lee**  
Vice President and General Manager
5. **Mr. Felix Zheng**  
Director of IC Operations
6. **Mr. Martin Chen**  
Director of New Project Introduction and Technology
7. **Ms. Jane Li**  
Senior Manager of Finance, Inventory Control and Logistics
8. **Mr. SW Lum**  
Senior Manager of Purchasing
9. **Mr. KY Chew**  
Senior Manager of Marketing & Business Development
10. **Mr. Steven Quah**  
Quality and Reliability Assurance (QRA) Manager
11. **Mr. Gordon Gu**  
Senior Manager of Facility
12. **Mr. TC Cheah**  
Senior Manager of IC Engineering, Test and Technical Support
13. **Mr. Peter Xu**  
Senior Manager of Production and Material Control, Management Information System (MIS) and Industrial Engineer
14. **Mr. York Li**  
Senior Manager of Manufacturing Support



## Hana Microdisplay Management

3 4 5  
1 2

1. **Mr. Paul R. Brown, Jr.**  
Vice President of Business Development
2. **Mr. Michael R. Davis**  
Controller
3. **Mr. Edward M. Stiles III**  
Vice President of Product Development
4. **Dr. John H. Erdmann**  
President and CEO
5. **Mr. D. Scott Worthington**  
Vice President of Manufacturing



## Hana Microelectronics Inc. Management

1 2 3 4 5 6 7

1. **Mrs. LeAna Bui**  
Account Manager
2. **Mr. BK Ng**  
Senior Manager of Strategic Projects and Technical Support
3. **Mr. Barry Maynard**  
Senior Manager of Business Development and Customer Support
4. **Mr. Sanjay Mitra**  
President – Hana (USA) Business Development & Customer Support
5. **Mr. Thang Bui**  
Director of Business Development and Customer Support
6. **Mr. Steve Hanway**  
Director of Business Development and Customer Support
7. **Mrs. Malee Lowchareonkul**  
Senior Manager of Business Development and Customer Support



# Profile of Directors & Management

## Mr. Bancha Tarnprakorn

**Position:** Independent Director  
Chairman of the Board of Directors  
Chairman of the Audit Committee

**Working Experience:** 2002 - present, Independent Director  
2007 - present, Chairman of the Board of Directors

**Educational Background:** Diploma of Institute of Banker, London, UK

**IOD Training Background:** Directors Accreditation Program (DAP) 40/2005

**Take the position as the director or management in other companies:** None

Shareholding of Mr. Bancha Tarnprakorn			Spouse
Number of shares as of 1 January 2013	Trading during the year	Number of shares as of 31 December 2013	Number of shares
45,000 shares	55,000 shares	100,000 shares (0.012%)	None

## Mr. Richard David Han

**Position:** Executive Director  
Executive Vice Chairman and Chief Executive Officer  
Director to the Nomination Committee

**Working Experience:** 1993 - present, Executive Director and Chief Executive Officer

**Educational Background:** B.A. Business Studies, Westminster, London, UK  
M.B.A. (Marketing), City University, London, UK

**IOD Training Background:** Directors Accreditation Program (DAP) 57/2006  
Understanding the Fundamental of Financial Statements (UFS) 4/2006

**Take the position as the director or management in other companies:** Yes

### Subsidiaries of Hana:

- Hana Semiconductor (BKK) Co., Ltd.
- Hana Semiconductor (Ayutthaya) Co., Ltd.
- Hana Microdisplay Technologies, Inc.
- Hana Microelectronics, Inc.
- Hana Microelectronics (Jiaxing) Co., Ltd.
- Hana Microelectronics Investment Co., Ltd.
- Hana Microelectronics International Co., Ltd.
- Hana Microelectronics Enterprise Co., Ltd.
- Hana Technologies Group Ltd.
- Hana Technologies Investment Ltd.
- Hana Semiconductor Holding Co., Ltd.
- Hana Semiconductor International Co., Ltd.
- Hana Macau Commercial Offshore Ltd.
- Omac Sales Ltd.
- Hana Microelectronics (Cambodia) Co., Ltd.

### Non-listed Company:

- Omac (HK) Limited
- Omac Limited

### Listed Company:

Thai British Security Printing Public Co., Ltd.

Shareholding of Mr. Richard David Han			Spouse
Number of shares as of 1 January 2013	Trading during the year	Number of shares as of 31 December 2013	Number of shares
1,040,000 shares	-	1,040,000 shares (0.125%)	None

# Profile of Directors & Management

## Mr. Winson Moong Chu Hui

**Position:** Executive Director  
President and Chief Operating Officer

**Working Experience:** 1993 - present, Executive Director and Chief Operating Officer

**Educational Background:** Bachelor of Engineering, Cheng Kong University, Taiwan

**IOD Training Background:** None

**Take the position as the director or management in other companies:** Yes

**Subsidiaries of Hana:**

1. Hana Semiconductor (BKK) Co., Ltd.
2. Hana Semiconductor (Ayutthaya) Co., Ltd.
3. Hana Microdisplay Technologies, Inc.
4. Hana Microelectronics, Inc.
5. Hana Microelectronics (Jiaxing) Co., Ltd.
6. Hana Technologies Group Ltd.
7. Hana Technologies Investment Ltd.
8. Hana Macau Commercial Offshore Ltd.
9. Hana Microelectronics (Cambodia) Co., Ltd.

**Non-listed Company:** Jowin Co., Ltd.

**Listed Company:** None

Shareholding of Mr. Winson Moong Chu Hui			Spouse
Number of shares as of 1 January 2013	Trading during the year	Number of shares as of 31 December 2013	Number of shares
8,320,000 shares	180,000 shares	8,140,000 shares (1.011%)	None

## Mr. Terrence Philip Weir

**Position:** Executive Director  
Vice President and Chief Financial Officer  
Chairman of the Corporate Governance Committee  
Chairman of the Risk Management Committee

**Working Experience:** 1993 - present, Executive Director and Chief Financial Officer

**Educational Background:** Bachelor of Economics, Macquarie University, CPA, Australia

**IOD Training Background:** Director Certification Program (DCP) 6/2001, Diploma

**No. of Share held as of 31 December 2013:** 225,000 Shares (0.028%)

**Shareholding of Spouse:** None

**Take the position as the director or management in other companies:** Yes

**Subsidiaries of Hana:**

1. Hana Semiconductor (BKK) Co., Ltd.
2. Hana Semiconductor (Ayutthaya) Co., Ltd.
3. Hana Microdisplay Technologies, Inc.
4. Hana Microelectronics, Inc.
5. Hana Microelectronics (Jiaxing) Co., Ltd.
6. Hana Microelectronics Investment Co., Ltd.
7. Hana Microelectronics International Co., Ltd.
8. Hana Microelectronics Enterprise Co., Ltd.
9. Hana Technologies Group Ltd.
10. Hana Technologies Investment Ltd.
11. Hana Semiconductor Holding Co., Ltd.
12. Hana Semiconductor International Co., Ltd.
13. Hana Macau Commercial Offshore Ltd.
14. Omac Sales Ltd.
15. Hana Microelectronics (Cambodia) Co., Ltd.

**Listed Company:** None

Shareholding of Mr. Terrence Philip Weir			Spouse
Number of shares as of 1 January 2013	Trading during the year	Number of shares as of 31 December 2013	Number of shares
175,000 shares	50,000 shares	225,000 shares (0.028%)	None



# Profile of Directors & Management

## Mrs. Salakchitt Preedaporn

**Position:** Independent Director  
Director to the Audit Committee  
Director to the Nomination Committee  
Director to the Corporate Governance Committee

**Working Experience:** 2013 – Present, Independent Director of Hana Microelectronic Public Co., Ltd.  
2009 - Present, Financial and Accounting Consultant  
1992 - 2009, Accounting Manager, S. Napa (Thailand) Co., Ltd.

**Educational Background:** Bachelor of Accounting, Thammasat University, Thailand

**IOD Training Background:** Risk Management for Committee Program (RMP) 2/2013  
Director Accreditation Program (DAP) 107/2014

Take the position as the director or management in other companies: None

Shareholding of Mrs. Salakchitt Preedaporn			Spouse
Number of shares as of 1 December 2013 (Appointment Date)	Trading during the year	Number of shares as of 31 December 2013	Number of shares
177,800 shares	-	177,800 shares (0.022%)	None

## Mr. Yingsak Jenratha

**Position:** Independent Director  
Director of the Audit Committee  
Chairman of the Nomination Committee  
Chairman of the Corporate Governance Committee

**Working Experience:** 2013 – Present, Independent Director of Hana Microelectronics Public Co., Ltd.  
2010 – 2011, Management Advisor, International Precision Product Co., Ltd.  
2008 -2009, Vice President and General Manager, Hana Microelectronics Co., Ltd. (Jiaxing), China

**Educational Background:** Bachelor of Art in Political Sciences, Chaingmai University, Thailand  
Mini MBA, Kasetsart University, Thailand  
Operation Management Certificate from GIBA (Graduated Institute of Business Administration), Chulalongkorn University, Thailand

**IOD Training Background:** Anti-Corruption for Executive Program (ACEP) 9/2014

Take the position as the director or management in other companies: None

Shareholding of Mr. Yingsak Jenratha			Spouse
Number of shares as of 1 December 2013 (Appointment Date)	Trading during the year	Number of shares as of 31 December 2013	Number of shares
90,000 shares	-	90,000 shares (0.011%)	None

# Profile of Directors & Management

## Mr. Wing Keung Chow

Position: Vice President and General Manager Hana-Lamphun

Working Experience: 2008 - Present, Vice President and General Manager of Hana Microelectronics Public Co., Ltd. (Lamphun)  
2001 - 2007, Vice President Marketing & Customer Services Hana-Lamphun

Educational Background: Master Degree of Management, SASIN, Chulalongkorn University, Thailand

IOD Training Background : None

Take the position as the director or management in other companies: None

Shareholding of Mr. Wing Keung Chow			Spouse
Number of shares as of 1 January 2013	Trading during the year	Number of shares as of 31 December 2013	Number of shares
999,500 shares	80,000 shares	919,500 shares (0.120%)	None

## Ms. Achara Chaicharncheep

Position: Senior Accounting Manager

Working Experience: 1996 – present, Senior Accounting Manager, Hana Microelectronics Public Co., Ltd. (Headquarter)

Educational Background: Bachelor of Accounting, Kasetsart University, Thailand

IOD Training Background : None

Take the position as the director or management in other companies: None

Shareholding of Ms. Achara Chaicharncheep			Spouse
Number of shares as of 14 October 2013 (Appointment Date)	Trading during the year	Number of shares as of 31 December 2013	Number of shares
25,000 shares	-	25,000 shares (0.003%)	None



# Hana Overview and Nature of Business

## HANA OVERVIEW

Hana Group is one of South East Asia's leading independent "Electronics Manufacturing Service" (EMS) producers. The company's headquarter is located in Bangkok and there are 4 manufacturing bases are located in Lamphun and Ayutthaya provinces in Thailand, Jiaxing in China and Ohio in U.S.A. The company is going to expand another 2 manufacturing bases in Lamphun province at Sahaphat Group Industrial Park and in Koh Kong, Cambodia which could be operated in 2014 and 2015 respectively.

Hana Microelectronics Public Co., Ltd. is the parent company. Initially, the company was established under the name of Hana Microelectronics Co., Ltd. on 28 February 1978 and then has registered to be a public company limited on 26 July 1993.

## Vision, Mission and Corporate Objectives

### Vision

To become the electronic manufacturing services' company of choice, by providing world class quality manufacturing through a diverse field or related disciplines.

### Mission

To create long-term shareholder value in a manner which minimizes fluctuations in earnings; to develop and promote our employees' wellbeing; to create strong customer- satisfaction and to be a good corporate citizen maintaining high corporate, environmental and social practices for the benefit of all stakeholders.

### Corporate objectives/Long term goals

1. Develop and foster our human resources base for continuous expansion and in order to meet the ever changing demands of the market and for their own personal career paths
2. Build strong and long relationships with our core customers to foster continuous growth
3. Understand our customers' demands and endeavour to meet them
4. Continuous to diversity our customer base, geographic and industry exposure in order to cope with fluctuations in economic cycles
5. Create and grow shareholder value through the distribution of profits and increasing returns
6. Maintain integrity through business ethics in dealings with all stakeholders

## Major changes and development of the company

Major changes and development of the company and subsidiaries in the past 3 years are as follows.

<b>2011</b>	Hana Semiconductor (Ayutthaya) Co., Ltd., a 100% owned subsidiary of the company, was inundated in early October 2011 as a result of the extensive flooding in Thailand. The subsidiary suffered major damages to its property and business interruption losses. The subsidiary has processed to claim to the insurance companies.
<b>2012</b>	Hana Semiconductor (Ayutthaya) Co., Ltd. received the initial compensation payments on its property damages of Baht 300 million and the business interruption losses of Baht 400 million due to flooding in 2011.

# Hana Overview and Nature of Business

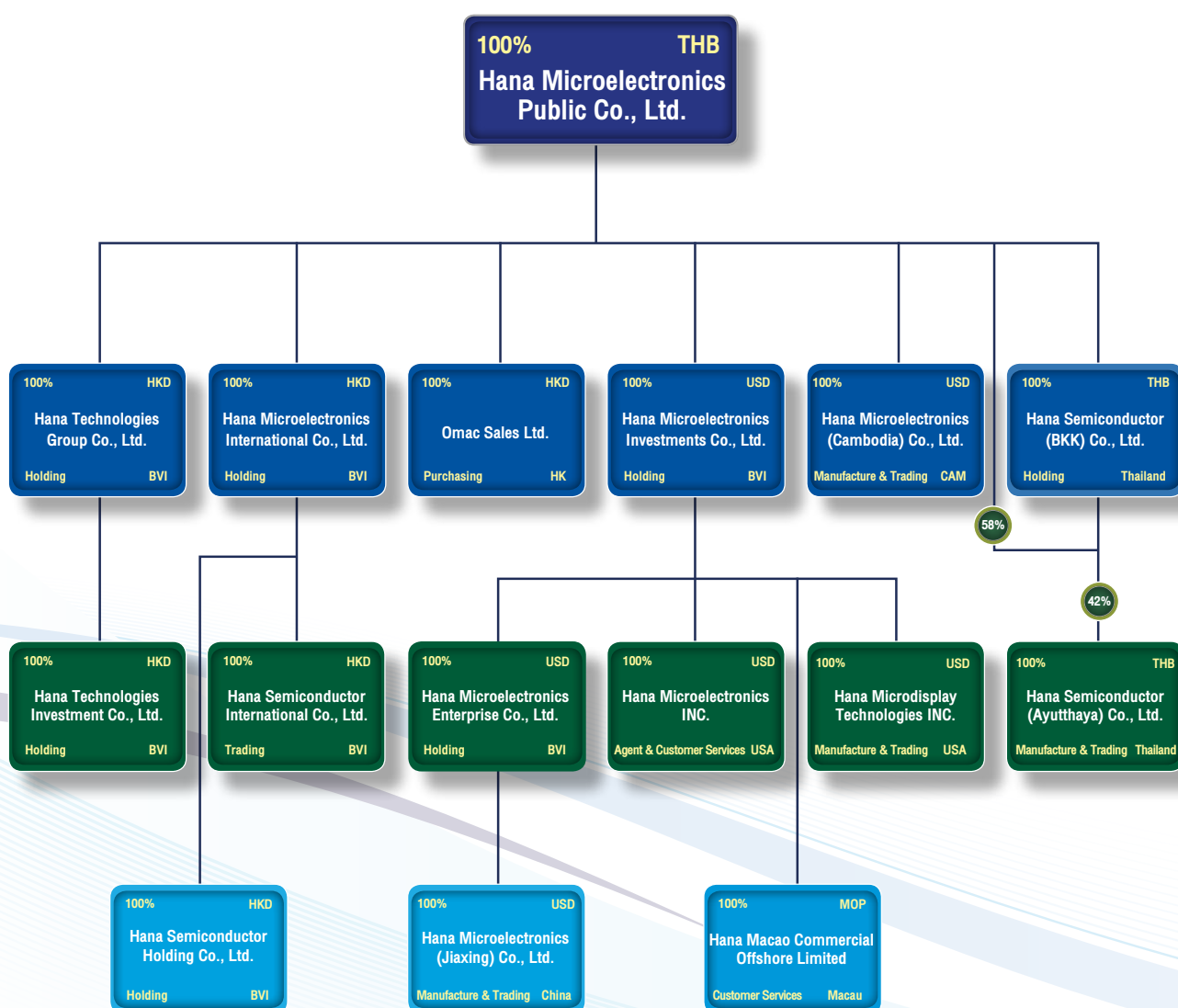
**2013**

The Board Resolution No. 2/2013 approved the incorporation of a new subsidiary company under the laws of the Kingdom of Cambodia with 100% owned by the company and the initial registered capital of USD 5 million. A new subsidiary namely Hana Microelectronics (Cambodia) Co., Ltd. was completely registered on 2 September 2013.

The insurance claims related to the floods of Hana Semiconductor (Ayutthaya) Co., Ltd. had been settled for the property and inventory damage claims totaling Baht 1,242 million. The business interruption claim was still not yet finalized.

Due to the land lease expired in early of 2014, the new building of the headquarter of the company was almost completed the construction on its own land and ready to move-in in early of 2014.

## Hana Group Structure





# Hana Overview and Nature of Business

## Business operating policy

Hana has the policy to diversify its business to multiple manufacturing locations strategically based in low-cost country wherever possible and setting up the necessary companies for customer service, purchasing center, trading and holding companies to serve the group requirement.

### Manufacturing

Hana Microelectronics Public Co., Ltd.  
Hana Semiconductor (Ayutthaya) Co., Ltd.  
Hana Microelectronics (Jiaxing) Co., Ltd.  
Hana Microdisplay Technologies, Inc.  
Hana Microelectronics (Cambodia) Co., Ltd.

### Holding

Hana Semiconductor (BKK) Co., Ltd.  
Hana Microelectronics International Co., Ltd.  
Hana Microelectronics Investment Co., Ltd.  
Hana Technologies Group Ltd.  
Hana Semiconductor Holding Ltd.  
Hana Technologies Investment Ltd.  
Hana Microelectronics Enterprises Co., Ltd.

### Purchasing

Omac Sales Ltd.

### Trading

Hana Semiconductor International Ltd.

### Customer services

Hana Macao Commercial Offshore Ltd.

### Agent and customer services

Hana Microelectronics, Inc.

Shareholding in subsidiaries which the company holds shares of them directly and indirectly from 10% up

Holding shares by the Company directly	Type of business	No. of shares/ Registered of shares (Type of stock - Common stock)
Hana Semiconductor (BKK) Co., Ltd. 65/98 Soi Vibhavadi-Rangsit 64 Junction 2, Kwang Talad Bangkhen, Khet Laksi, Bangkok 10210 Tel.: 02-551-1297-8 Fax: 02-551-1299	Holding	99,999,994/100,000,000 Baht
Omac Sales Ltd. 16 E, On Fook Industrial Building, 41-45 Kwai Fung Crescent, Kwai Chung, N.T., Hong Kong	Purchasing of electronic components and equipment	99,999/100,000 HKD
Hana Microelectronics International Co., Ltd. P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	Holding	2/2 USD
Hana Microelectronics Investment Co., Ltd. P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	Holding	2/2 USD
Hana Technologies Group Ltd. P.O. Box 309, Ugland House, South Church St., George Grand Cayman, Cayman Islands	Holding	2/2 USD
Hana Semiconductor (Ayutthaya) Co., Ltd. 100 Moo 1, T. Baan Lane, A. Bang Pa-in, Ayutthaya Province 13160 Tel.: (035) 350170-7 Fax: (035) 350805-6	Manufacturing and trading of electronic components	69,999,993 / 120,000,000 Baht
Hana Microelectronics (Cambodia) Co., Ltd. Koh Kong Special Economic Zone, Koh Kong, Cambodia	Manufacturing and trading of electronic components	5,000,000/5,000,000 USD

# Hana Overview and Nature of Business

Holding shares by the Company's subsidiaries	Type of business	No. of shares holding by subsidiaries/ Registered of shares (Type of stock - Common stock)
Hana Semiconductor International Ltd. P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands	Trading of electronic components	1,851,283 / 10,000,000 USD Holding shares by Hana Microelectronics International Co., Ltd.
Hana Semiconductor Holding Co., Ltd. P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands	Holding	709,118 / 10,000,000 USD Holding shares by Hana Microelectronics International Co., Ltd.
Hana Technologies Investments Ltd. P.O. Box 309, Ugland House, South Church St., George Grand Cayman, Cayman Islands	Holding	100 / 100 USD Holding shares by Hana Technologies Group Ltd.
Hana Microdisplay Technologies, Inc. 2061 Case Parkway South, Unit # 6, Twinsburg, Cleveland, Ohio 44087, U.S.A.	Manufacturing and trading of electronic components	437,752/ 437,752 USD Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Microelectronics, Inc. 3130 De La Cruz Boulevard Unit # 10, Santa Clara, California 95054 U.S.A.	Agent and customer services	1,000/1,000 USD Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Microelectronics Enterprise Co., Ltd. P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands	Holding	2/2 USD Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Macao Commercial Offshore Ltd. Rua De Pequim No. 126 EDF. Commercial I TAK C18 Macao	Customer services	1/1 MOP (Macao Pataca) Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Microelectronics (Jiaxing) Co., Ltd. No#18, Hengnuo Road, Xingcheng Industries Zone, Ziuzhou district, Jiaxing city, Zhejiang Province, 314000 P.R. China	Manufacturing and trading of electronic components	35,000,000 / 35,000,000 USD Holding shares by Hana Microelectronics Enterprise Co., Ltd.
Hana Semiconductor (Ayutthaya) Co., Ltd. 100 Moo 1, T. Baan Lane, A. Bang Pa-in, Ayutthaya Province 13160 Tel.: (035) 350170-7 Fax: (035) 350805-6	Manufacturing and trading of electronic components	50,000,001/120,000,000 Baht Holding shares by Hana Semiconductor (BKK) Co., Ltd.



# Hana Overview and Nature of Business

## NATURE OF BUSINESS

Hana Group's business operations are primarily the assembly of components, sub-assemblies and small electronic finished products. The major product groups are printed circuit board assembly "PCBA", integrated circuit "IC" assembly and test and Microdisplay assembly with factories currently located in Thailand, China and USA providing a wide scope of assembly processes serving a diverse range of electronic industries which includes:-

Manufacturing Service	Location	Ultimate Holding
Printed Circuit Board assembly, Chip on Board assembly & test, Lamination	Hana Microelectronics Public Co., Ltd. Lamphun, Thailand	100%
Integrated Circuit assembly & Test, MEMS, SENSORS, SIP, LED, OPTOCOUPLERS	Hana Semiconductor (Ayutthaya) Co., Ltd., Ayutthaya, Thailand	100%
SMT, Printed Circuit Board assembly, Chip on Board and Chip on Flex assembly & test, Coil winding, Integrated Circuit assembly & test, LED packaging and test	Hana Microelectronics (Jiaxing) Co., Ltd., Jiaxing, China	100%
Liquid Crystal Microdisplays and Radio Frequency Identification (RFID) Devices	Hana Microdisplay Technologies, Inc., Ohio, U.S.A.	100%

## Revenue structure by product group

(Unit: Million Baht)

Product	Company	% of share holding by the Compan	2011		2012		2013	
			Revenue	%	Revenue	%	Revenue	%
IC ASSEMBLY	HS – AYT & HM – JX	100%	5,963	37	5,537	32	5,921	33
CAPTIVE LINES	HS – BKK	100%	252	1.5	74	0	0	0
PCBA	HM – LPN HM – JX	100%	9,849	60	11,461	67	11,605	66
MICRODISPLAY	HMT	100%	251	1.5	160	1	141	1
	<b>Total</b>		<b>16,315</b>	<b>100</b>	<b>17,232</b>	<b>100</b>	<b>17,667</b>	<b>100</b>

HS-BKK = Hana Semiconductor (BKK) Co., Ltd.  
HM-LPN = Hana Microelectronics Public Co., Ltd. (Lamphun)  
HMT = Hana Microdisplay Technologies Inc.

HS-AYT = Hana Semiconductor (Ayutthaya) Co., Ltd.  
HM-JX = Hana Microelectronics (Jiaxing) Co., Ltd.

## Hana Product Group

### 1. Printed Circuit Board Assembly (PCBA)

Printed Circuit Board Assembly is IC and other electronics part assembling on printed circuit board which holding electronics part on board by SMD (Surface Mount Device) technology. PCBA products are manufacturing in Lamphun and Jiaxing plants. The company also provides manufacturing services for other products such as COB (Chip-on-Board) Assembly, Wireless Radio Frequency Product and other electronics device (Air Pressure and Temperature Control Product, Fiber Optic Device, Wireless Sensor Product, Smart Card Product, etc.)

# Hana Overview and Nature of Business

## 2. IC Assembly and Test

Hana provides IC assembly and test operations with the production bases in Ayutthaya plant in Thailand and Jiaxing plant in China. The company offers variety of IC assembly and test services such as Standard IC products (QFN/DFN package, LGA, MSOP package, SC, SOT, TSOT and TO263T package, etc.), LEDs for Automotive Lighting, Optical Mouse, DC-DC Converter Assembly, Fiber Optic Assembly, Products for High Concentrated Photovoltaic, etc.

## 3. Microdisplay

Hana Microdisplay Technology Inc. produces Liquid Crystal on Silicon "LCOS" devices which are be used for microdisplays and optical telecommunications components. The plant also produces RFID (Radio Frequency Identification (RFID) passive tags. The products are developed and initially manufactured by the plant in Twinsburg, Ohio, USA. Manufacturing of these devices is also performed in Ayutthaya plant, where a duplicate production line was established in 2004.

## Product distribution and raw material

Hana manufactures the products according to the customers' specification and requirement and sells the products directly to the customers. The major raw materials are from direct purchase from suppliers and consignment from customers. The company imports the major raw materials used in production by import directly, through distributors overseas or through their trading company for local purchase. The company has no individual purchased raw materials from one supplier valued at more than 30 percent of the total purchase of raw materials. The company has the planning system to purchase materials in advance of the planned production to match customer orders.

Some materials are based on world prices market such as gold, copper, steel prices which may fluctuate. The company has managed various ways to cope with the price fluctuation such as find the second source of substitute raw material, advanced planning for material ordering or discussing with the suppliers and customers.

## Production capacity

The production capacity in 2013 is as follows.

Operation Plants	2013	
	Production Capacity (Unit: 1,000m pieces/ day)	Actual Production (Unit: 1,000m pieces/day)
(A) IC		
- Ayutthaya plant	9,201	6,476
- Jiaxing plant	1,680	1,427
B) PCBA		
- Lamphun plant	1,093	492
- Jiaxing plant	184	160
C) MICRODISPLAY		
- U.S.A. plant	586	192





# Hana Overview and Nature of Business

## Industry Competitive Condition

In 2013 the markets were weaker in the first half of the year and stronger in second half of the year due to the strengthening phase of the semiconductor cycle, (which was opposite to the trend in 2012). Hana focuses on the manufacturing of microelectronics component and sub-assembly, while most competitors focus on box build assembly. In the contract manufacturing industry, Hana is now classified as one of the top 50 world EMS companies.

### To compete with our competitors:

1. Hana (Thailand) position is towards higher technology and better infrastructure than those in the more labour intensive countries, such as China, India, and Vietnam. Even with the recent wage increase, Thailand still competitive with our neighboring countries for more complex assemblies.
2. Hana (China) also provides a competitive geographic location but also more corporate technical and administrative support to distinguish them from local competitors.
3. Furthermore, Hana is also looking forward to cope with the labor cost increase. We are working intensively to set up manufacturing plant in Cambodia, to take advantage of the lower labor cost there.
4. Hana provides a wide range of products and processes in various locations to distinguish itself from other competitors who also have multiple factory sites but a smaller product range.
5. Even with the recent downtrend of the worldwide economy, Hana has strong cash flow.
6. Hana has multiple sites which provide alternative production facilities in case any one site has difficulty.

## Future Projects in Plan

The company has invested USD 3.5m in a 50 year lease of land in Koh Khong province of Cambodia for future factory expansion. The company plans to construct a 13,000 sq.m facility on the land at a cost of approximately USD 9m to be completed in 2015.

The company is also in the process of constructing a 26,000 sq.m facility on the land purchased in the Saha Pathana Industrial estate in Lamphun province at a cost of approximately THB 710m which will be completed by mid 2014.

# Hana Overview and Nature of Business

## Company General Information

Name:	Hana Microelectronics Public Co., Ltd.
Company registration number:	0107536000773
Contact address:	65/98 Soi Vibhavadi-Rangsit 64 Junction 2, Kwang Talad Bangkhen, Khet Laksi, Bangkok 10210, Thailand Tel. 66 (0) 2-551-1297, 66 (0)2-521-4935-9 Fax: 66 (0) 2-551-1299, 66 (0) 2-552-4906
Website:	<a href="http://www.hanagroup.com">www.hanagroup.com</a>
Nature of business:	Electronics Manufacturing Service “EMS” Producer
Registered share capital:	974,403,900 ordinary share at par value of Baht 1
Paid-up capital:	804,878,860 ordinary share at par value of Baht 1
References:	<b>Auditor:</b> EY Office Limited (formally known as Ernst & Young Office Limited) 33rd Fl., Lake Rajada Office Complex, 193/136-137 New Rajadapisek Road, Bangkok 10110 Thailand Tel.: 66 (0) 2-264-0777 Fax: 66 (0) 2-264-0790  <b>Solicitors:</b> Damrongtham Law Office 63 Soi 8 (Soi Preeda), Sukhumvit Road, Bangkok 10110 Thailand Tel.: 66 (0) 2-255-2550-2, 66 (0) 2-653-1133-4 Fax: 66 (0) 2-653-1135, 66 (0) 2-253-3427  <b>Share Registrar:</b> Thailand Securities Depository 4th, 7th–8th Floor, The Stock Exchange of Thailand Building, 62 Rachadapisek Road, Klongtoey, Bangkok 10110 Thailand Tel.: 66 (0) 2-229-2800 Fax: 66 (0) 2-359-1259

Investors can get more information of the company from 56-1 report that is posted at [www.sec.or.th](http://www.sec.or.th) and [www.hanagroup.com](http://www.hanagroup.com)



# Hana Overview and Nature of Business

## Major shareholders

Major Shareholders as of the latest closing registration book on 14 March 2013

Type of Shares: Ordinary shares

No.	Name	No. of Share	(%)
1.	OMAC (HK) LIMITED, OMAC LIMITED, RAINBOW JOY LIMITED	253,419,360	31.49
2.	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	98,393,900	12.22
3.	THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, SINGAPORE BRANCH	86,102,500	10.7
4.	STATE STREET BANK EUROPE LIMITED	45,698,480	5.68
5.	HSBC (SINGAPORE) NOMINEES PTE LTD	37,667,610	4.68
6.	BNP PARIBAS SECURITIES SERVICES, LONDON BRANCH	22,337,200	2.78
7.	STATE STREET BANK AND TRUST COMPANY	22,207,114	2.76
8.	THAI NVDR COMPANY LIMITED	16,380,427	2.04
9.	NORTRUST NOMINEES LTD.	13,334,300	1.66
10.	RBC INVESTOR SERVICES BANK S.A.	9,287,700	1.15

Remark: No. (1) is the related companies under Section 258 of the Securities and Exchange Act (No. 4) B.E. 2551

## Dividend Policy

The Company's dividend policy to pay shareholders is approximately 30-100% of its consolidated net income after deduction of all specified reserves, subject to the Company and its subsidiaries' cash flow and investment plans, including justifications and other considerations as deemed appropriate. The dividend policy the subsidiaries to pay the Company is 0 – 100% of appropriated earnings.

Dividend payment detail	2011	2012	2013
Interim dividend (Baht/share)	-	0.50	0.50
Annual Dividend (Baht/share)	1.00	1.00	1.00
Total dividend payment (Baht/share)	1.00	1.50	1.50
Total amount paid (Baht)	804,878,860	1,207,318,290	1,207,318,290
Percentage of total dividend payment against the net profit	49.74%	74.98%	51.66%

# Management Structure

## Board of Directors

The Board of Directors consists of six directors of whom three are executive directors and three are independent directors.

The Board of Directors as of 31 December 2013 is as follows.

Name	Position	Appointment Date
1. Mr. Bancha Tamprakorn	Independent Director Chairman of the Board of Directors Chairman of the Audit Committee	7 November 2002
2. Mr. Richard David Han	Executive Director Director to the Nomination Committee	26 July 1993
3. Mr. Winson Moong Chu Hui	Executive Director	26 July 1993
4. Mr. Terrence Philip Weir	Executive Director Chairman of the Corporate Governance Committee Chairman of the Risk Management Committee	26 July 1993
5. Mrs. Salakchitt Preedaporn	Independent Director Director to the Audit Committee Director to the Nomination Committee Director to the Corporate Governance Committee	1 December 2013
6. Mr. Yingsak Jenratha	Independent Director Director to the Audit Committee Chairman of the Nomination Committee Director to the Corporate Governance Committee	1 December 2013

Directors resigned in 2013 are shown below.

Name	Position	Resigned Date
1. Mr. Voraphoj Thepvanaprasiddhi	Independent Director Director to the Audit Committee Chairman of the Nomination Committee	30 November 2013
2. Mr. Martin Enno Horn	Independent Director Director to the Audit Committee Director to the Nomination Committee	30 November 2013

**Term of service of independent directors:** The term of service of independent directors shall be nine years. If it is necessary to re-appoint an independent director who serves more than nine years, the board shall justify and seek shareholders' approval in the event that need to retain that independent director.

## Authorized Directors:

The directors authorized to bind the Company shall be the joint signatures of any two directors and affixed with the company's seal.



# Management Structure

## Board duties and responsibilities:

The board has a fiduciary duty to act in the best interest of the company and its shareholders. The board responsibilities are as follows:

1. Related to the company business - To direct the business in accordance with the relevant laws and objectives enumerated in the company's Memorandum of Association and have the authority to perform duties provided or related thereto under the resolution of the shareholder meetings
2. Related to the company strategy and finance - To approve the company's vision, mission and business objectives/goals which shall be reviewed at least every 5 years, the matters impacted to financial, debt, future business strategic and performance of the company, project with capital investment over than Baht 100,000,000, the change of capital structure and accounting policy
3. Related to shareholders - To approve the dividend payment, financial statement and its notes, the auditor opinion, annual report, calling shareholder meeting, the change of the company's Memorandum of Association, appointment of auditors and their remuneration and the ordinary share issuance and to recommend to the shareholders General Meeting.
4. Related to the board and executive management - To approve the appointment and removal of director and secretary of the company and its subsidiaries, delegation or empower the roles and responsibilities to CEO, sub-committee, the charter of board of directors and sub-committee, the other board seats held by director, CEO and executive management as well as related party transactions and conflict of interest
5. Related to organization principle – To approve the corporate governance policy, the code of conduct, social responsibility, risk management and internal control

In conducting the business of the company, a director and an executive shall perform his duty with responsibility, due care and loyalty, and shall comply with all laws, the objectives, the Articles of Association of the Company, the resolutions of the board of directors and the resolutions of the shareholders' meetings.

## Duties and Responsibilities of the Chairman of the Board of Directors:

The Chairman of the board has additional responsibilities more than other directors as follows.

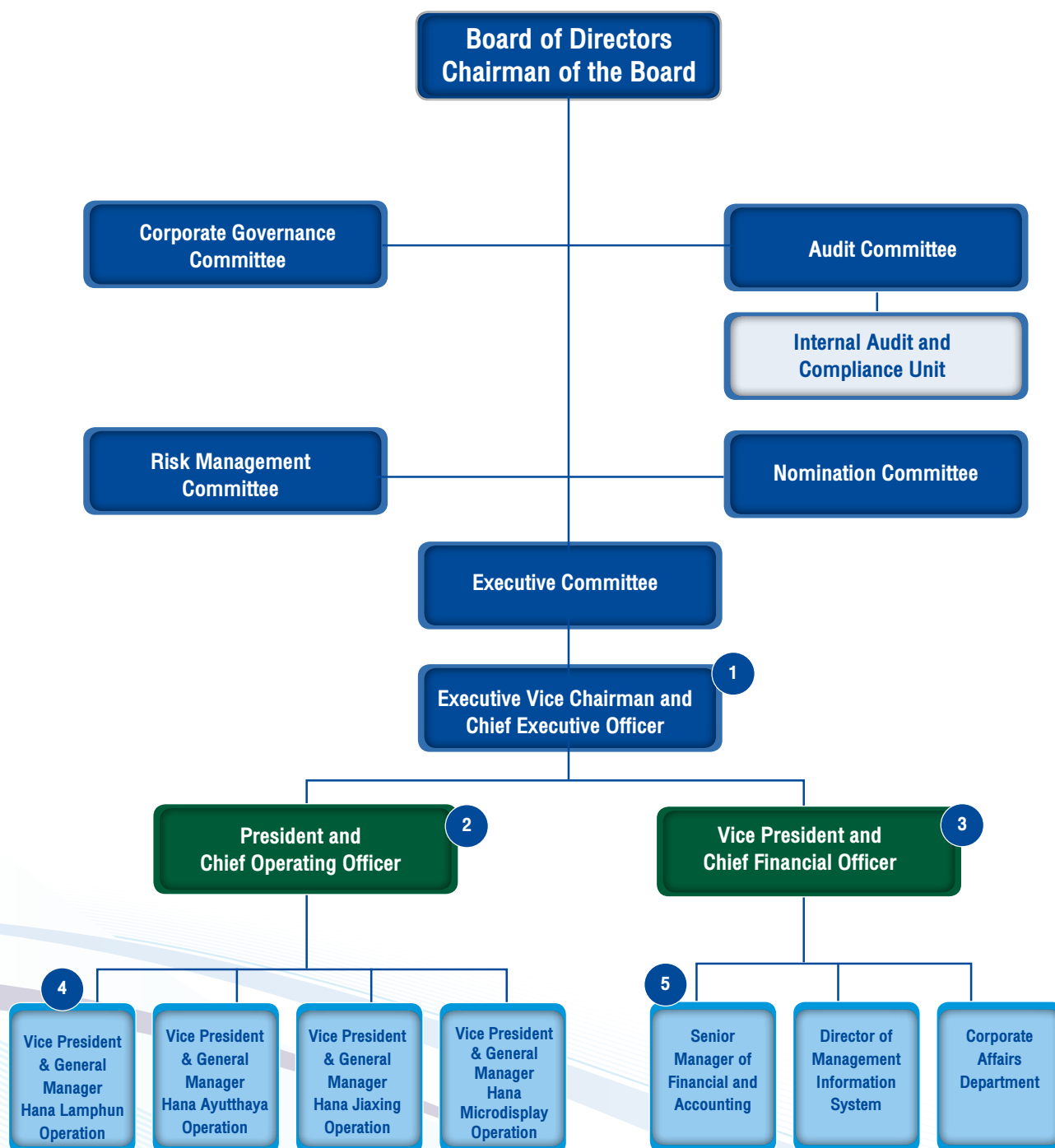
1. Together with CEO, to call the board and shareholder meetings and set the agendas of the meetings
2. To act as Chair at meetings of the board and shareholders including review and sign minutes of meetings
3. To case a vote to break a tie for the board and shareholder meetings

## Management Team

As of 31 December 2013, the executive of the company consists of 5 members as follows.

Name	Position
1. Mr. Richard David Han	Executive Vice Chairman and Chief Executive Officer
2. Mr. Winson Moong Chu Hui	President and Chief Operating Officer
3. Mr. Terrence Philip Weir	Vice President and Chief Financial Officer
4. Mr. Wing Keung Chow	Vice President and General Manager
5. Ms. Achara Chaichanchep (new since 14 October 2013)	Senior Accounting Manager

# Management Structure



1 — 5 is the Company's Executives according to SEC Regulation

# Management Structure

## Management Structure:

### Duties and Responsibilities of Chief Executive Officer:

The board delegate authority and responsibility for the conduct of the company's business to CEO who has following responsibilities:-

1. To manage and monitor the company's daily operations and performance consistent with the company's objectives, strategies and relevant policies
2. To recommend to the board any significant operational changes and major capital expenditures beyond delegated authority
3. To consider the company profit/loss and propose to the board of interim and/or annual dividend payment
4. To assign responsibilities to the senior management and supervising the work of executive directors
5. To empower the engagement and commitment for the company in accordance with all applicable laws and the company's standards and policies
6. To conduct other duties in accordance with the resolutions of the board meetings and/or shareholder meetings

### Sub-Committees of the Board of Directors

The board currently has five committees – Executive Committee, Audit Committee, Nomination Committee, Corporate Governance Committee and Risk Management Committee in fulfilling its responsibilities.

### Executive Committee:

**Structure:** The Committee currently comprises of three members.

**Term:** There is no term limit.

Name	Position
1. Mr. Richard David Han	Executive Vice Chairman and Chief Executive Officer
2. Mr. Winson Moong Chu Hui	President and Chief Operating Officer
3. Mr. Terrence Philip Weir	Vice President and Chief Financial Officer

### Duties and responsibilities of the Executive Committee:

1. To perform and manage the company's business to comply with the policies, mission and business plans as determined by the board of directors
2. To determine budget and the management's authorities of the company
3. To monitor and follow up the operation of the company's policies to ensure its efficiency
4. To monitor and follow up the performance of the company to ensure its compliance with the business plan
5. To have the authorization for approval limits of day-to-day operational expenses in accordance with the approval authorization policy of the company and to consider the large investment projects of the company such as a joint venture, a construction of new plant etc. and any significant transaction over than Baht 100,000,000 shall be proposed to the board for approval
6. To perform other duties as assigned by the board of directors



# Management Structure

The board has approved the separation of duties and authorization of Executive Committee and management such as approval limits of day-to-day operational expenses. However, such authorization shall not include that where the grantee can approve the transaction of which he or she is a person who might have any conflict of interest with the company or its subsidiaries regarding such transaction.

## Audit Committee:

**Structure:** The Audit Committee was formally established since September 10, 1999. The Committee consists entirely of independent directors, who are independent from Hana operations and free from any relationship that might in the opinion of the board of directors to be construed as a conflict of interest.

**Term:** The Chairman and members are appointed for an initial term of three years.

Name	Position
1. Mr. Bancha Tarnprakorn	Chairman
2. Mrs. Salakchitt Preedaporn	Member
3. Mr. Yingsak Jenratha	Member

Mr. Bancha and Mrs. Salakchitt have the expertise and experience to review the financial statements while Mr. Yingsak has the full experience with the electronic company.

## Duties and responsibilities of the Audit Committee:

1. To review the company's financial reporting process to ensure that it is accurate and adequate
2. To review the company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the head of an internal audit department
3. To review the company's compliance with the laws on securities and exchange, the regulations of the SET and other laws relating to the company's business
4. To consider, select and nominate an independent auditor including propose their remuneration, as well as to attend a non-management meeting with auditors at least once a year
5. To review the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the SET regulations and applicable laws, and are reasonable and for the highest benefit of the company
6. To prepare and disclose in the company's annual report, an Audit Committee's report which shall be signed by the Chairman of Audit Committee and consist of at least the following information:
  - 6.1 an opinion on the accuracy, completeness and creditability of the company's financial report,
  - 6.2 an opinion on the adequacy of the company's internal control system,
  - 6.3 an opinion on the compliance with related laws i.e. the Securities and Exchange Act, the SET regulations, or the laws relating to the company's business,
  - 6.4 an opinion on the suitability of an auditor,
  - 6.5 an opinion on the transactions that may lead to conflicts of interests,
  - 6.6 the number of the Audit Committee meetings, and the attendance of such meetings by each committee member,
  - 6.7 an opinion or overview comment received by the Audit Committee from its performance of duties in accordance with the charter, and

# Management Structure

- 6.8 other transactions which, according to the Audit Committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the company's board of directors
7. To perform any other act as assigned by the board of directors
8. In its performance of duties, if it is found or suspected that there is a transaction or any of the following acts which may materially affect the company's financial condition and operating results, the Audit Committee shall report it to the board of directors for rectification within the period of time that the Audit Committee thinks fit:
- 8.1 a transaction which causes a conflict of interest;
- 8.2 any fraud, irregularity, or material defect in an internal control system; or
- 8.3 an infringement of the SET regulations or any law relating to the company's business
- If the company's board of directors or management fails to make a rectification within the period of time under the first paragraph, any Audit Committee may report on the transaction or act under the first paragraph to the SEC and the SET.
9. To support and monitor the risk management systems and ensure the measures of the company are appropriate

## Nomination Committee:

**Structure:** The Nomination Committee was established in November 2004. It consists of two independent directors and one executive director. The Committee will at all time consist of a majority of independent directors.

**Term:** The Chairman and members are appointed for the term of three years.

Name	Position
1. Mr. Yingsak Jenratha	Chairman
2. Mr. Richard David Han	Member
3. Mrs. Salakchitt Preedaporn	Member

## Duties and responsibilities of the Nomination Committee:

1. To ensure a formal and transparent procedure for the appointments of new directors and key executive management to the board
2. To select the potential candidates whose qualifications best meet the criteria and propose to the board
3. To propose and review the executive management succession plan
4. To review annually the size and composition of the board and to recommend any proposed changes to the board

## Corporate Governance Committee:

**Structure:** In 2013, the board established the Corporate Governance Committee that composed of the majority of independent directors.

**Term:** The Chairman and members are appointed for an initial term of three years.

# Management Structure

Name	Position
1. Mr. Terrence Philip Weir	Chairman
2. Mrs. Salakchitt Preedaporn	Member
3. Mr. Yingsak Jenratha	Member

## Duties and responsibilities of the Corporate Governance Committee:

1. To consider, review and revise the corporate governance policy continually at least once a year to keep the company's corporate governance policy update and in line with the international standards, laws, criteria, rules and regulations
2. To monitor and evaluate at the end of each year, the performance of the directors and executives in compliance with best practices as specified in the corporate governance policy
3. To perform any other duties assigned by the board

## Risk Management Committee:

**Structure:** The Risk Management Committee was established in 2008. The Committee can appoint their management team of each Hana location responsible for ensuring an appropriate risk management process is in place.

**Term:** No term limit

Name	Position
1. Mr. Terrence Philip Weir	Chairman
2. Mr. Wing Keung Chow	Member
3. Mr. Sanjay Mitra	Member
4. Mr. Steven Lee	Member

## Duties and responsibilities of Risk Management Committee:

The Risk Management Committee has the duties and responsibility that has been approved by the board in implementing the risk management policy, reviewing the effectiveness of risk management profile, presenting the company's overall risks and solutions to effectively prevent and limit Hana's overall risks at an acceptable level, and reporting the results to the board periodically.



# Management Structure

## Meeting Attendance:

Meetings	Board of Directors	Audit Committee	Nomination Committee	Annual General Meeting	Corporate Governance Meeting	Non-executive meeting
Total number of meetings in 2013	6	4	2	1	1	1
Number of meeting attended/ participated in 2013						
<b>Executive Directors:</b>						
Mr. Richard David Han	6/ 6	4/4	2/2	1/1	N/A	N/A
Mr. Winson Moong Chu Hui	6/6	N/A	N/A	1/1	N/A	N/A
Mr. Terrence Philip Weir	5/6	4/4	N/A	1/1	1/1	N/A
<b>Independent Directors:</b>						
Mr. Bancha Tarnprakorn	6/6	4/4	N/A	1/1	N/A	1/1
<b>New directors joined on 1 Dec. 2013:-</b>						
Mrs. Salakchitt Preedaporn	1/1	N/A	1/1	N/A	1/1	N/A
Mr. Yingsak Jenratha	1/1	N/A	1/1	N/A	1/1	N/A
<b>Directors resigned on 30 Nov. 2013:-</b>						
Mr. Voraphoj Thepvanapasiddhi	5/5	4/4	1/1	1/1	N/A	1/1
Mr. Martin Enno Horn*	5/5	4/4	1/1	1/1	N/A	1/1

\* Mr. Martin Enno Horn held the meeting 1 time through conference call from overseas.

## Corporate Secretary to the Board of the Directors:

The board has formally appointed Ms. Jirapa Kongmanee, who graduated in Accounting Bachelor Degree and Master of Business Administration, to be the corporate secretary since 11 August 2008 to carry out the duties and responsibilities according to Section 89/15 and 89/16 of Securities and Exchange Act No. 4 B.E. 2551 effective from 31 August 2008. The corporate secretary shall perform duties with care and responsibility and in good faith as well as in compliance with all applicable laws, the objectives, the Articles of Association of the company, and the resolutions of the board of directors and the shareholders' meetings.

## Duties and responsibilities of the corporate secretary are as follows.

- To prepare and maintain following documents.
  - Director registration
  - Notification and minutes of the board of directors meetings including annual reports
  - Notification and minutes of shareholder meetings
- To maintain Report on Interest of Directors, Executives and Related Persons and send a copy of the report under Section 89/14 of SEC regulation to the Chairman of the board and Audit Committee within 7 days from the date that the report is received.
- Other duties regulated by the Securities and Exchange Commission
- Other duties assigned by the board of directors such as

# Management Structure

- advise on the laws and regulations involved and oversee the activities of the board to be in accordance with the law
- Conduct the board of directors and shareholders meetings
- Liaise with regulatory agencies such as the SET and ensure disclosure and press release according to the applicable laws

## Remuneration of the Board of Directors and Executives

### Remuneration for Directors:

The company provides the remuneration to the independent directors while the executive directors receive the remuneration as the role of employees of the company. Therefore, the company has not established the Remuneration Committee as the board considers and reviews the remuneration of the independent directors by the whole board. The company provides the remuneration to the independent directors in forms of meeting allowances and bonus of which the rates are up to the responsibilities of the members. The remuneration for directors has been compared with the rate of the same industry and the structure of the remuneration of the company. All types of the remuneration of directors have always been approved by shareholders every year.

Individual disclosure of remuneration for the board of directors in 2013 is as follows.

Name	Position	Meeting Allowance (Baht)	Bonus (Baht)
1. Mr. Bancha Tarnprakorn	Independent Director Chairman of Board of Directors Chairman of the Audit Committee	714,000	89,250
2. Mrs. Salakchitt Preedaporn (newly appointed on 1 December 2013)	Independent Director Director to the Audit Committee Director to the Corporate Governance Committee Director to the Nomination Committee	52,500	-
3. Mr. Yingsak Jenratha (newly appointed on 1 December 2013)	Independent Director Director to the Audit Committee Chairman of the Nomination Committee Director to the Corporate Governance Committee	52,500	-
4. Mr. Voraphoj Thepvanaprasiddhi (resigned on 30 November 2013)	Independent Director Director to the Audit Committee Chairman of Nomination Committee	341,250	52,500
5. Mr. Martin Enno Horn (resigned on 30 November 2013)	Independent Director Director to the Audit Committee Director to the Nomination Committee	341,250	52,500
6. Mr. Richard David Han	Executive Director Director to the Nomination Committee	-	-
7. Mr. Winson Moong Chu Hui	Executive Director	-	-
8. Mr. Terrence Philip Weir	Executive Director Chairman of Corporate Governance Committee Chairman of Risk Management Committee	-	-

# Management Structure

## Remuneration for Executives:

**Basis of key executive remuneration** – The company is to ensure that key executive remuneration enhance its ability to attract, retain and motivate competent and experience staff. Remuneration of executives and CEO comprises of base salary, cash bonuses (Annual and Personal Performance Bonuses) and employees' welfare such as provident funds, medical benefits, life insurance, etc. The provident fund is a part of the incentive programs to offer executives, management and employees a secure income in the case of death, disability, resignation or retirement. The company contributes at the rate of 3 - 7.5 percent of their salaries depending on the length of year service with the company. Other long term incentive program is the retirement benefit which is eligible to receive when retires from the company.

**Measurement criteria** - The performance-based has been recognized for the legitimate difference in roles, individual contribution, complexity and responsibility of the position they hold. The determination of remuneration also takes into account the current market rate and annual salary increase of the staff with consideration of the market survey performed by Human Resources Department. The board delegates the CEO compensation to ECM (Executive Committee Member) to approve the base salary increase and the award of performance-based compensation.

In 2013, the total remuneration of 5 executive managements is as follows.

Type of remuneration	Amount (Baht)
Salary	13,824,989
Bonus	3,644,470
Provident fund	632,025
Board remuneration	-
<b>Total</b>	<b>18,101,484</b>

## Human Resources

As of 31 December 2013, the company and its subsidiaries had a total number of employees of 10,682 headcounts. For 2013, the total remuneration including salary, overtimes, bonus, provident funds, etc. was Baht 3,164 million. In Thailand, there were 8,126 employees with Baht 2,265 million paid for remuneration.

Number of employees and remuneration in Thailand:

Y2013	Hana Microelectronics Public Co., Ltd.	Hana Semiconductor (Ayutthaya) Co., Ltd.
Production	4,236 employees	2,936 employees
Administration and others	532 employees	422 employees
<b>Total employees</b>	<b>4,768 employees</b>	<b>3,358 employees</b>
<b>Total remuneration</b>	<b>Baht 1,173 million</b>	<b>Baht 1,092 million</b>



A close-up, high-angle photograph of a green printed circuit board (PCB) populated with numerous integrated circuits (chips) and surface-mount components. The image is slightly blurred, emphasizing the intricate patterns and components of the microelectronics.

# Management Structure

## Human Resource Development:

Hana believes in the value and potential of all employees. To attract and retain the employees, the company is dedicated to developing employees through continuous training and development programs. The company offers a wide range of training and development programs to enhance the knowledge, skills and career path development for all levels of employees. The programs include Orientation and New Hire Training Program, Operations Training, Technical Training, Management Training, Multi-skills Program, Jobs Rotation Program and Career Path Development Program.

# Corporate Governance

The long-term success of a company is largely determined by the support we earn from our customers, investors, employees, business partners, and local community. To strengthen stakeholders' confidence, Hana is committed to good corporate governance by compliance with the best practices of corporate governance wherever possible and practical for the company. The corporate governance policy, which is published on the company's website, provides the guidelines under which the board of directors operates. We will continue to seek improvements to our solid foundation in good corporate governance.

A compliance program is an important element in the corporate governance. In 2013, Hana complied with good corporate governance principles as follows.

## 1. Rights of Shareholders

Hana recognizes the importance of shareholders' rights and treats all shareholders either individual investors or institutional investors equitably, fairly and in line with relevant laws. All shareholders have the equal rights for each class of shares to receive the dividend payment, to buy, sell and transfer shares including the right to access or obtain the company's information disclosed to shareholders and the public. All shareholders have the right to attend the shareholders' meetings and are eligible to vote in accordance with the voting rights of the respective share class of their share holdings. There are no actions that violate the right of shareholders, such as not changing or adding agenda items without notifying shareholders in advance or which limit the access to the company's information that is released to public. The company also assists shareholders beyond what is required by laws covering their rights, such as arranging company visits so that shareholders or interested persons can have the opportunity to understand more about the company and our operations.

To encourage shareholders to exercise their rights in shareholders' meeting, the company takes actions as follows.

### Before the meeting day:

The company holds the annual general meeting of shareholders within 4 months after financial year ends. In 2013, the company held the Meeting on 30 April 2013 at 14:00 hrs. The company arranged with the Thailand Securities Depository Co., Ltd. or "TSD" which is the company's securities deposit registrar send the notice of shareholders' meeting 21 days prior to the meeting date in order to provide sufficient time for shareholders to review the agenda. The notice of meeting expressly indicated the matters to be tabled at the meeting, whether for acknowledgement, approval or consideration, including the board's opinion on each agenda. Other supporting information and documents were also attached to the notice. In addition to the direct delivery, the notice of meeting was made available to the shareholders through the company's website (<http://www.hanagroup.com>) 30 days in advance and the notice of meeting was published through SET's information system or "ELCID" in both Thai and English versions, which were the same as the original notice mailed to shareholders.

### On the meeting day:

The quorum, voting procedures and voting count method are clearly advised to the meeting prior to the discussion of the agenda items. In regards to the annual general meeting conducted in 2013, 6 out of 6 directors (100%) attended the meeting which include the Chairman of the Board and Audit Committee, Chief Executive Office, Chief Financial Officer and Chairman of Nomination Committee. The external auditor also attended the meeting with the directors so that they could listen to shareholders' opinions or suggestions and also answer any questions.

The board of directors allows shareholders to elect each director eligible for election on individual basis. The ballot is used and kept for evidence and verification. Shareholders are given the opportunity to raise questions, recommendations as well as provide their opinions on the company's performance or other concerns on an equitable basis.

# Corporate Governance

## **After the meeting day:**

The meeting minutes recording the course of the meeting, voting procedures and all issues discussed at the meeting, the results of shareholder voting counts on each agenda and the decisions made by the meeting are made available within the appropriate time to the shareholders. The minutes of the annual general meeting in 2013 were posted to the company's website within the following business day after the meeting and at the same time sent to the Stock Exchange of Thailand. If shareholders have any inquiries or comments on the minutes, they can contact to the corporate secretary. The minutes are maintained at the Company's head office.

## **2. Equitable Treatment of Shareholders**

Hana pays special attention to the interest of the Company's owners - the shareholders. Equitable treatment is given with fairness to all categories of shareholders as follows.

### **Treat all class equally:**

The company ensures fair treatment of shareholders irrespective of the size of each of their share holdings. Foreign shareholders and owners of small stakes (minority shareholders) as well as individual investors or institutional investors are treated equally. All of shareholders, in respect of each class of shares, are entitled to the same dividend payments, and have equal rights in the event of share capital increases. The company's shareholder meetings are open to all shareholders, and all shares of the same class have the same voting rights. Voting at the annual shareholders' meeting is done by the principle of one share, one vote. Shareholders, who cannot attend the shareholders' meeting, can authorize our independent directors on their behalf to attend the meeting and vote by using the proxy forms. Shareholders are allowed to propose candidates for election to the board and propose items for the agenda of annual general meeting in advance. The company's annual general meeting of shareholders conducted in 2013 offered the opportunity for shareholders to add items to the agenda and resolutions for the meeting including to propose candidates to be elected as directors. Shareholders could, (during the period from October – December 2012), submit proposals for agenda items for the annual shareholders meeting to the board of directors. The procedures and criteria to nominate the director to the board and propose items for the agenda for the annual general meeting have been posted to the company's website. However, in 2013 there were no shareholder proposals sent to the board of directors for consideration. The matters discussed in the general meeting of shareholders were in sequence as given in the invitation letter.

### **Prevent insider trading**

The company has the policy to prevent directors and executives from taking advantage of inside information, from dishonest dealing for themselves and their related parties. Insider trading is prohibited. Hana has established a system to prevent the use of inside information for personal benefits as follows.

- Communicate the compliance of the policy of Business Code of Conduct of the board of directors, executives and employees. The directors and executives are required to sign on acknowledgement of the policy on an annual basis.
- Inform the board of directors and executive by a circular letter that those who may gain inside information should avoid trading the Company's securities for the period of one month before the Company announces its financial statements to the public and at least 24 hours after the information is widely spread out to the public.
- Require the directors and executives to notify the board at least one day before they deal in the company shares.





# Corporate Governance

- The shareholding status has been confirmed with individual director and executive and report to the Board on a monthly basis.

The directors and executives of the company have complied with this policy strictly. There was no violation of the trading shares during the prohibited period in 2013.

## 3. Roles of Stakeholders

Hana recognizes the rights of stakeholders as the board believe that the respect of the legitimate expectations of all the stakeholders should benefit all parties in the long run. We have the guidelines to encourage active participation between corporation and stakeholders as follows.

### Shareholders

The company attempts to achieve growth in earnings for shareholders over the long term. Board members and executive management shall be qualified for their positions and have a clear understanding of their roles in corporate governance and exercise sound business judgment in the best interest of the company and shareholders including the preparation and disclosure of financial and non-financial information accurately, completely and timely and devote the time and ability to perform their duties. Our treatment toward shareholders shall comply with the good corporate governance principles for the right and equitable treatment of all shareholders. The disclosures shall be made on a consistent basis, completely and truthfully in regards to the status of the company, its operating results, financial standing, accounts and other reports. There shall be no disclosure of inside information to individuals associated with the management or directors, which caused damage to the shareholders as a whole. The company has followed the best practices in conducting the annual ordinary general meeting of shareholders. In 2013, the company was rated “excellent” in the assessment of the annual general meetings of shareholders by the Office of the SEC and the Thai Investors Association.

### Customers

Hana places the highest value on our customers. The company aims to meet or exceed our customers' expectation for product quality, delivery, reliability, and competitive prices. The Company safeguards the tangible and intellectual property of those with whom we do business, which may be used in fulfilling work assignments, and we will comply with all regulations or contractual requirements governing the use of such property. There is a Customer Service Department available for dealing with customers and to monitor progress of our commitments.

### Business Partners

Hana promotes fair and open competition and aims at developing and securing long term relationship with suppliers and contractors. Material, product and service purchases will be considered for the quality of materials, products and services in accordance with the respective product requirements. The board of directors, management and employees are expected to exercise diligence in their duties with all business partners.

Procurement of goods and services shall be conducted in a manner of the highest ethical standards, which assure a quality end product, as well as the continued confidence of customers, suppliers, and the public. The hire of services or the purchase of goods will be based solely upon price, quality, service, and delivery. Procurement actions will be based on the following principles:

# Corporate Governance

- Impartial selection of capable and responsible suppliers and contractors
- Maximum use of competition
- Compliance with laws, relevant regulations and contractual obligations
- Adopting of an effective monitoring system and management controls to detect and prevent bribery, fraud or other mal-practices in the processes of procurement and tendering

All directors and employees will not be influenced by gifts or favors of any kind from our suppliers or other business partners. They shall not accept or give any gratuity or gift offered or rendered to business partners as a kickback for business influence. All employees must conform to existing policy regarding Gift & Gratuity Policies and Procedures.

## Business Competitors

The board focuses on running its business with open and fairness and have a practical guidance for the competitors such as fair competition, not involved in the competition by the dumping, persecution or deprivation influence in order to avoid competition, not take any action that violates the intellectual property or copyright of competitors, not use dishonest methods to discredit a competitor or no trade secret violations.

## Creditors

The company treats creditors responsibly with honesty and fairness to obtain a fair return to both parties and comply with the agreement including the terms of guarantee and managing cash flow to be able to pay to the creditors according to the terms and conditions. The company will notify the creditor status in the event of payment default and to comply with the Consumer Protection Law and other related laws.

## Employees

The company has the policy to not engage with any human rights violation and provide equal of opportunity for all of its employees in relation to all personnel matters including recruitment, training, promotion, transfer, benefits, dismissal, and etc. The company's disciplinary policies and procedures is defined and communicated to employees. There is to be no harsh or inhumane treatment. Compensation paid to employees is complied with all applicable wage laws, including those relating to minimum wages, overtime hours, and legally mandated benefits. The company has provided various welfare programs for employees such as health benefits, children educational assistance for lower-pay employees, meal allowance, group life insurance, employee long service award program, etc. Provident fund is one of the key long term benefit programs to employees that the company provides to help employees to save a portion of their salary in the event of retirement, disability, sickness or unemployment. In addition, the company provides the compensation to employees in line with their performance in both the short term such as bonuses and the long term such as a Career Path Development Program which has been continuously provided to employees in order to define the development of skill sets and identify how individuals move through the organization. The Career Path/Development Process has considerable benefits from both an individual employee and an overall organizational perspective. The company has set the policy and the committees to assess potential candidates, identify the core competencies and perform assessment to verify candidates' abilities and determine strengths and weaknesses to match with currently holding position and the readiness for advancement of each candidate, and plan for training and other development tools.

Training is crucial for organizational development and success. In 2013, the company has an average training per employee at 20 hours per year with the master training plan provided to daily paid and monthly paid employees as follows.

# Corporate Governance

1. Operational level: To ensure employees having a better understanding and enabling enhance producing products with high quality and further compete in world markets.
2. Skilled technician: To increase their knowledge and keep pace with rapidly changing technology as well as develop technical know-how to operational staff for their career path development.
3. Supervisor level: To develop leadership, strategic management skill, excellent quality initiatives and English skills for communication

It is Hana policy to establish and manage a safe and healthy work environment and to manage its business in ways that are sensitive to the environment. The Company provides a workplace that is free from safety or health hazards or controls such hazards to acceptable levels. Various safety management programs were also implemented such as air environment analysis at working area improvement, risk control management program, chemical using area and chemical storage improvement. The company also provides safety at work trainings for new hire and existing employees to ensure full awareness and how to manage and minimize such risks such as chemical spilt, fire fighting, earthquake evacuation, etc.



## Communities, Society and Environment

Hana has the Safety, Occupation Health, Environmental and Social & Labour Accountability Policy to comply with the safety and environmental laws prescribed by the Labour and Social Welfare Ministry, the Industrial Ministry, and the announcement of the Industrial Estate Authority of Thailand and other related laws.

The company encourages the use of resources efficiently by arranging various energy saving projects (refer to Corporate Social Responsibility Section). The board supports the training of employees to achieve a better understanding of the environment. The training department has organized various training courses on the environment such as Occupational Health and Safety by both internal and external instructors. The past training courses are an assessment of environmental issues, energy saving program, waste management and safe chemical usage, radiation safety, etc.



# Corporate Governance



บริษัทเป้าหมายและสถิติการเกิดอุบัติเหตุ											
เป้าหมายการลดอุบัติเหตุจากการทำงาน / AOP ACCIDENT FROM WORK 2013											
OBJECTIVE	Q1		Q2		Q3		Q4				
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET
1. ลดอุบัติเหตุจากการทำงาน	20 HUMAN	16	20 HUMAN	22	20 HUMAN	8	15 HUMAN				
2. ลดอุบัติเหตุจากการทำงาน	3 CASES	2	3 CASES	6	3 CASES	2	3 CASES				
เป้าหมายการลดอุบัติเหตุจากการทำงาน / ACCIDENT FROM WORK BY DEPARTMENT											
DEPT.	Q1		Q2		Q3		Q4				
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET
GP	0	0	0	0	0	0	0	0	0	0	0
GP 2	0	0	0	0	0	0	0	0	0	0	0
GP 3	0	0	0	0	0	0	0	0	0	0	0
GP 4	0	0	0	0	0	0	0	0	0	0	0
GP 5	0	0	0	0	0	0	0	0	0	0	0
GP 6	0	0	0	0	0	0	0	0	0	0	0
GP 7	0	0	0	0	0	0	0	0	0	0	0
GP 8	0	0	0	0	0	0	0	0	0	0	0
GP 9	0	0	0	0	0	0	0	0	0	0	0
GP 10	0	0	0	0	0	0	0	0	0	0	0
GP 11	0	0	0	0	0	0	0	0	0	0	0
GP 12	0	0	0	0	0	0	0	0	0	0	0
GP 13	0	0	0	0	0	0	0	0	0	0	0
GP 14	0	0	0	0	0	0	0	0	0	0	0
GP 15	0	0	0	0	0	0	0	0	0	0	0
GP 16	0	0	0	0	0	0	0	0	0	0	0
GP 17	0	0	0	0	0	0	0	0	0	0	0
GP 18	0	0	0	0	0	0	0	0	0	0	0
GP 19	0	0	0	0	0	0	0	0	0	0	0
GP 20	0	0	0	0	0	0	0	0	0	0	0
GP 21	0	0	0	0	0	0	0	0	0	0	0
GP 22	0	0	0	0	0	0	0	0	0	0	0
GP 23	0	0	0	0	0	0	0	0	0	0	0
GP 24	0	0	0	0	0	0	0	0	0	0	0
GP 25	0	0	0	0	0	0	0	0	0	0	0
GP 26	0	0	0	0	0	0	0	0	0	0	0
GP 27	0	0	0	0	0	0	0	0	0	0	0
GP 28	0	0	0	0	0	0	0	0	0	0	0
GP 29	0	0	0	0	0	0	0	0	0	0	0
GP 30	0	0	0	0	0	0	0	0	0	0	0
GP 31	0	0	0	0	0	0	0	0	0	0	0
GP 32	0	0	0	0	0	0	0	0	0	0	0
GP 33	0	0	0	0	0	0	0	0	0	0	0
GP 34	0	0	0	0	0	0	0	0	0	0	0
GP 35	0	0	0	0	0	0	0	0	0	0	0
GP 36	0	0	0	0	0	0	0	0	0	0	0
GP 37	0	0	0	0	0	0	0	0	0	0	0
GP 38	0	0	0	0	0	0	0	0	0	0	0
GP 39	0	0	0	0	0	0	0	0	0	0	0
GP 40	0	0	0	0	0	0	0	0	0	0	0
GP 41	0	0	0	0	0	0	0	0	0	0	0
GP 42	0	0	0	0	0	0	0	0	0	0	0
GP 43	0	0	0	0	0	0	0	0	0	0	0
GP 44	0	0	0	0	0	0	0	0	0	0	0
GP 45	0	0	0	0	0	0	0	0	0	0	0
GP 46	0	0	0	0	0	0	0	0	0	0	0
GP 47	0	0	0	0	0	0	0	0	0	0	0
GP 48	0	0	0	0	0	0	0	0	0	0	0
GP 49	0	0	0	0	0	0	0	0	0	0	0
GP 50	0	0	0	0	0	0	0	0	0	0	0
GP 51	0	0	0	0	0	0	0	0	0	0	0
GP 52	0	0	0	0	0	0	0	0	0	0	0
GP 53	0	0	0	0	0	0	0	0	0	0	0
GP 54	0	0	0	0	0	0	0	0	0	0	0
GP 55	0	0	0	0	0	0	0	0	0	0	0
GP 56	0	0	0	0	0	0	0	0	0	0	0
GP 57	0	0	0	0	0	0	0	0	0	0	0
GP 58	0	0	0	0	0	0	0	0	0	0	0
GP 59	0	0	0	0	0	0	0	0	0	0	0
GP 60	0	0	0	0	0	0	0	0	0	0	0
GP 61	0	0	0	0	0	0	0	0	0	0	0
GP 62	0	0	0	0	0	0	0	0	0	0	0
GP 63	0	0	0	0	0	0	0	0	0	0	0
GP 64	0	0	0	0	0	0	0	0	0	0	0
GP 65	0	0	0	0	0	0	0	0	0	0	0
GP 66	0	0	0	0	0	0	0	0	0	0	0
GP 67	0	0	0	0	0	0	0	0	0	0	0
GP 68	0	0	0	0	0	0	0	0	0	0	0
GP 69	0	0	0	0	0	0	0	0	0	0	0
GP 70	0	0	0	0	0	0	0	0	0	0	0
GP 71	0	0	0	0	0	0	0	0	0	0	0
GP 72	0	0	0	0	0	0	0	0	0	0	0
GP 73	0	0	0	0	0	0	0	0	0	0	0
GP 74	0	0	0	0	0	0	0	0	0	0	0
GP 75	0	0	0	0	0	0	0	0	0	0	0
GP 76	0	0	0	0	0	0	0	0	0	0	0
GP 77	0	0	0	0	0	0	0	0	0	0	0
GP 78	0	0	0	0	0	0	0	0	0	0	0
GP 79	0	0	0	0	0	0	0	0	0	0	0
GP 80	0	0	0	0	0	0	0	0	0	0	0
GP 81	0	0	0	0	0	0	0	0	0	0	0
GP 82	0	0	0	0	0	0	0	0	0	0	0
GP 83	0	0	0	0	0	0	0	0	0	0	0
GP 84	0	0	0	0	0	0	0	0	0	0	0
GP 85	0	0	0	0	0	0	0	0	0	0	0
GP 86	0	0	0	0	0	0	0	0	0	0	0
GP 87	0	0	0	0	0	0	0	0	0	0	0
GP 88	0	0	0	0	0	0	0	0	0	0	0
GP 89	0	0	0	0	0	0	0	0	0	0	0
GP 90	0	0	0	0	0	0	0	0	0	0	0
GP 91	0	0	0	0	0	0	0	0	0	0	0
GP 92	0	0	0	0	0	0	0	0	0	0	0
GP 93	0	0	0	0	0	0	0	0	0	0	0
GP 94	0	0	0	0	0	0	0	0	0	0	0
GP 95	0	0	0	0	0	0	0	0	0	0	0
GP 96	0	0	0	0	0	0	0	0	0	0	0
GP 97	0	0	0	0	0	0	0	0	0	0	0
GP 98	0	0	0	0	0	0	0	0	0	0	0
GP 99	0	0	0	0	0	0	0	0	0	0	0
GP 100	0	0	0	0	0	0	0	0	0	0	0

For the accident statistic disclosure, the company reports to employees through the bulletin board by detailing the target and accident statistics and being updated every day. The goal is to reduce accidents year by year within the company whereas the accident rate for each department in each quarter and the number of accidents lately happened is also presented.

## Government Authorities and Associated Organizations

Hana requires its executive, directors and employees to understand and abide by those laws, regulations, policies, and procedures that applicable to them in the performance of their job duties including the duties to pay tax to the government properly.

## Channel of Complaints

Hana provides channels for stakeholders to communicate any concerns about illegal or any complaints regarding to activities or conduct of the company or any of its staff or business partners relating to the company. Stakeholders can report such complaint or concern in good faith directly to the Audit Committee of the board of directors. The procedure for handling complaints (Whistleblower Policy) has been established and published in the company's website. In addition, the suggestion/complaint box is available at each Hana location to receive anonymous and confidential complaints from employees to report any suspected fraud, illegal conduct or any suggestion to the independent director. In 2013, there was no complaint reported to the independent director.

## 4. Disclosure and Transparency

The company ensures timely disclosure of all material matters and all relevant information is reported to the Stock Exchange of Thailand in accordance with the disclosure requirements. It is critical to have as much information as can be available so that continuous evaluation of investment performance may be conducted. The company will make the effort to disclose information broadly and proactively through channels of communication that allow equal access to market participants. New information that is likely to materially influence the valuation of the company's shares shall be disclosed to the market immediately through the SET's system and the company's website. In 2013, there was no violation that Hana breached the disclosure rules and regulations. The financial reports have been disclosed in a timely manner during the past years.

# Corporate Governance

The company has not set up the Investor Relations Department, but the company's executive directors are actively involved in the role of investor relations on a continuous basis as the company believes that their ability to deliver confident and clear presentation is as important a skill as technical and managerial capabilities. The Corporate Affairs Department is also available to provide basic information upon request. The company usually arranges an analyst meeting each quarter to inform the investor community of the financial result and also clarify all inquiries from Institutional Investors, Fund Managers and analysts who attend the meeting. In 2013, the company conducted analyst meetings four times to provide information about the past quarters' performance to the interested persons. Additionally, company visits by interested analysts are also welcome and can be arranged by appointment. All investors can access the company's financial information through the SET's Public disclosure system and at company's website: <http://www.hanagroup.com>, or contact to following person.

Name	Department	E-mail address	Phone number	Fax number
Mr. Terrence Philip Weir	Finance	<a href="mailto:terry@hanabk.th.com">terry@hanabk.th.com</a>	02-5511297	02-5511299
Ms. Jirapa Kongmanee	Corporate Affairs	<a href="mailto:jirapak@hanabk.th.com">jirapak@hanabk.th.com</a>	02-5511297 ext. 117	02-5511299
Ms. Penpimol Kotchabhakdi	Corporate Affairs	<a href="mailto:penpimol_k@hanabk.th.com">penpimol_k@hanabk.th.com</a>	02-5511297 ext. 226	02-5511299

## Enforce material interest (Conflict of Interest)

The board of directors has established the policy and procedure for directors and executives to report on conflict of interest to ensure that they are abided by their fiduciary duties in the way that they must not have interest, whether directly or indirectly, in the matter under their decision. Directors and executives are required to disclose any material interest in transactions or matters affecting the corporation through the established form approved by the board of directors, where those directors and executives shall be excluded from decision making involving transactions in which they have interests or are connected. The corporate secretary is responsible for receiving reports from directors and executives who disclose their interests and those of their related parties to the chairman and the chairman of Audit Committee. In 2013, there was no conflict of interest from directors and executives reported to the board.

## 5. Responsibilities of the Board of Directors

The board of directors consists of 6 directors which are 3 executive directors and 3 independent directors whose is accounted for 50% of the board. The board plans to increase the number of the independent director for next year or whenever that will be suitable for the size and structure of the business. The chairman of the board is not the same person who holds the Chief Executive Officer position and the chairman is an independent director. The roles and duties between the board and the executive have been clearly separated.

### Board diversify

The company is open wide to the diversity of the structure of the Board of Directors. The person who will serve as a director should provide complementary qualification to the existing directors such as expertise in specific field, gender, etc. In 2013, the board had nominated a lady to be our independent director as part of our diversity policy.

### Nomination of director and independent director

The board of directors gives emphasis on the transparency of director nomination. The company has the policy to give the right to shareholders to propose appropriate candidates for election to the board. The Nomination Committee is responsible for review of the qualification and performance of the candidates or those directors who retired by rotation. In 2013, there was

# Corporate Governance

no proposal for candidates sent by shareholders to the Nomination Committee to review. Therefore, the board considered those directors who retired by rotation and which the board considers based on their qualification, working experiences, previous year performances, willingness and time devoted to the board are suitable to be considered for re-election.

## Qualification of director

A person who serves as a director of the company shall possess the knowledge, ability, personal contribution and shall have at least the following qualification.

- 1) To have qualification and have no prohibited characteristics as specified by the laws on public company limited including have no manner indicating a lack of trustworthiness to manage the company from the view of shareholders according to the Securities and Exchange Commission regulation.
- 2) To have knowledge, skill or experience in the electronic industry or accounting, finance or business administration or any other field as the board deems appropriate; however, at least 1 executive director shall have working experience related to the company business.
- 3) To devote time especially for making key decision and handle duties for the best interest of the company and able to participate in all the board and shareholder meetings unless necessary or emergency.
- 4) To have a moral, ethical, and any other features that may be required by law or deemed appropriate by the board.

## Qualification of independent director

A person who serves as an independent director of the company shall possess the knowledge, ability and personal contribution. At least one member of the Audit Committee must have financial knowledge and other qualification not contrary to any regulation of the Securities Exchange of Commission (SEC) or the company policy.

To ensure that the board includes such directors who can exercise their best judgment, all independent directors shall be affirmatively determined that such director meets the requirement set by the Securities Exchange of Commission (SEC). In particular, an independent director is a director who:

- 1) Holds shares less than 0.5 % of the total shares eligible to vote of the company, subsidiaries, associates, or controlling parties, including the shares held by the related parties of an independent director
- 2) Who is not an executive director, employee, or consultant who receives remuneration from the company or any of its subsidiaries, who is also neither a controlling person of the company or subsidiaries nor a related person at least for the past two years
- 3) Is not the person who has relationship by means of descent or legal registration as father, mother, spouse, brothers and sisters, and children, nor being spouse of daughters and sons of management, major shareholders, controlling party/person who is in the process of nomination to be the management or controlling person of the company or its subsidiary. This also includes normal business transactions, rent or lease of fixed assets, financial assistance, loan granting or receiving, guarantee, or other related transactions obliged the company or its contractual party for the liability to pay the other party that is accounting from 3% of net tangible assets of the company or twenty million baht whichever is lower.
- 4) Have no or never have business relationship with the company, subsidiaries, associates, or related person that deprives such independence nor being a major shareholder, executive director, management of related person who has business with the company, associate and subsidiary unless the foregoing status ended at least two years
- 5) Is not or has never been the auditor of the company, subsidiaries, associates, major shareholders, or controlling person, nor being a major shareholder, controlling person, or partner of the auditing firm unless the foregoing status ended at least two years





# Corporate Governance

- 6) Is not or has never been the professional service provider, nor legal or financial advisor with receive service fee more than two million baht per year from the company, subsidiaries, associates, major shareholders, or controlling person, and is not a major shareholder, controlling person, or partner of the above mentioned service firms unless the foregoing status ended at least two years
- 7) Is not the director who is nominated to be the representative of directors of the company, major shareholder, or any other shareholder related to the major shareholders
- 8) Does not conduct the same business and compete business with the company or subsidiary, nor being a business partner or executive director, paid employee or hold more than 1% of voting shares from other companies which have the same business and compete with the company
- 9) Has no other conditions that unable to exercise independent opinion regarding the business operation of the company

## Appointment of directors

The appointment of directors shall comply with the company's Article of Association that is from the majority vote of shareholder meeting. Each shareholder shall have one vote on each share. Election of directors may be carried out on either an individual basis or en bloc basis as the meeting deem appropriate. In voting, either on an individual or en bloc basis, a shareholder shall so vote in accordance with the number of votes each shareholder has under and the said shareholder may not allot any number of his votes to any such person. The person obtaining the highest votes and the persons obtaining lesser votes, respectively, (in the case of en bloc election) whose total number does not exceed the positions under the election shall be elected as directors. In the case of tied votes, the last person shall be decided by the casting vote of the chairman of the meeting.

In case a directorship becomes vacant other than on retirement by rotation, the board shall elect a person who has qualifications and who is not disqualified under the Public Companies Limited Act as replacement at subsequent meeting of the board of directors. Unless the remaining duration of the director's term of office is less than two month, the replacing director shall hold office for the remaining term of office of the director whom he replaces. The resolution of the board of directors shall be supported by a vote of not less than three-fourth (3/4) of the number of remaining directors.

## Nomination of top executive

The nomination of a Managing Director or Chief Executive Officer shall be responsible by the Executive Committee (ECM) as a primary consideration to screen candidates with appropriate qualifications. The CEO should have experience or skill that will be beneficial to the company, understand the business of the company, able to manage to achieve the company's objectives and targets set by the board. Then, the Executive Committee shall propose to the Nomination Committee and the Board of Directors for consideration and approval.

## Supervision of subsidiary and associated companies

The board has its mechanisms to manage and oversight the subsidiary and associated companies. The board has delegated to the Executive Committee to oversee and responsible for the operations of its subsidiaries and associates include appointing the representative to be a director or a controlling person and shall report to the board accordingly. The board has resolved that the appointed person must be approved by the board prior to vote on important matters in the same approval levels of the company that has to approve by the board. This includes the connected transaction and the acquisition or disposition of assets by the rules relating to the disclosure of information and the transaction is in line with the rules of the company. In addition, the maintenance of information and accounting records of the subsidiaries can be verified and financial statements can be consolidated within timelines.

# Corporate Governance

## Board of directors' meetings

The total number of directors attending the meeting must be no less than one half of the total number of directors to constitute a quorum. In 2013, the company had 6 meetings. The chairman of the board and CEO set the agenda of meetings of the board. Any director may suggest agenda items and may raise at meetings other matters that they consider importance of discussion. Information and data for the board's understanding of the business to be discussed at meetings are distributed 5 days in advance of meetings, to the extent practicable. To prepare for meetings, directors are responsible for reviewing the materials that are sent to them in advance. If there are additional inquiries, the directors can contact the company secretary. At the board meeting, ample time is scheduled to allow full discussion of important matters. Management presentations are scheduled to permit an appropriate portion of board meeting time to be available for discussion and comments. The board's policy is to vote on the agenda item by having at least 2 out of 3 of total directors present in the meeting for each agenda item. The minutes of board of directors meeting are properly made and contain key facts such as the timing of start and finish, name of directors present and absent, summary of items of major discussion and resolutions, the minute taker and certifier. The minutes are maintained at the company's head office and cannot be edited without prior consent of the board approval.

## The meeting without attendance of management

The board encourages the non-executive directors to have a separate meeting in absence of management to encourage more open discussion without management present. In 2013, the independent directors conducted a meeting without attendance of management 1 time. The meeting was conducted with the participation of internal and external auditors.

## Orientation for new directors

The newly appointed director shall receive an orientation regarding the company's business, duties and responsibilities of directors. The brief review shall be led by the chief executive officer, chief financial officer or his appointee. All other necessary information shall be given by the company's secretary.

## Director development

The board's policy is to encourage the development of directors for continuous trainings organized by various institutions such as SET, SEC, IOD or the audit firm, etc.

In addition, the committee also encourages the company secretary to develop her knowledge for proper execution of duties and responsibilities. Thus, the company secretary, Ms. Jirapa Kongmanee, had attended following training courses.

- 1) Corporate Secretary Program 19/2006 organized by Thai Institute of Directors Association (IOD)
- 2) Effective Minute Taking – EMT 4/2006 organized by Thai Institute of Directors Association (IOD)
- 3) CS Seminar for key documentation keeping 2/2009 organized by SEC

## Service on Other Boards

In order to give proper attention and contribution to the assigned responsibilities, the board believes that directors including the CEO should limit their services to not more than 3 boards of publicly traded companies.

## Performance assessment of the board, sub-committee and CEO

The board has conducted annual performance evaluation as the board group using self-assessment method to assess performance in the current year. The evaluation criteria to determine performance cover the company's policy, the duties of directors, the availability of information to make decisions, etc. The director can provide feedback in the



# Corporate Governance

assessment form and address in the board meeting to improve the board performance. In addition, the board has conducted the performance evaluation of each director individually using the self-assessment method with evaluation criteria in various fields. In 2013, the board was satisfied with its performance both as a group and individual director with specific suggestions to further consideration for improvement.

The board has also conducted the performance evaluation of the sub-committees. The committee evaluates their own assessment and result shall report to the board. In 2013, each sub-committee got the average score of good performance.

On an annual basis, the performance of CEO is evaluated by the independent directors, where the evaluation criteria have been applied from the guidance of the Stock Exchange of Thailand. In 2013, the board has satisfied with the performance of CEO with some recommendations for further improvement.

## Succession Plan

The board shall ensure a systematic nomination for the proper candidate to replace a significant director or executive position suitably in line with the succession planning policy. The Nomination Committee is appointed to propose the appointments of new directors and key executives (Chief Executive Officer, Chief Operating Officer and Chief Financial Officer) to the board by considering the proper candidate both from internal and external candidates. In 2013, the board reviewed the qualifications of those key executives and approved the job descriptions for further recruiting process when having the position vacant.

## Corruption prevention

The company established the anti-corruption policy which approved by the board as follows.

**Anti-corruption policy:** Hana has a zero tolerance of bribery and corruption. The company prohibits bribery and corruption conducted in any form in all business transactions and shall comply with the laws and regulations in all the countries in which we operate through the implementation of a program to counter bribery. This policy shall be reviewed regularly in order to capture the change in law, regulation, standard and changes in the business.

The company established a code of conduct as a guidance for our employees, provides training to new employees and provides channels to report complaints with the assurance of strict confidentiality for the person reporting information. The company has assessed the potential corruption risks by the Risk Management Committee, however, the risk assessment process shall be continuously improved to be more effective in order to meet the objectives of the risk management policy. An independent director attended the training course “Anti-Corruption for Executive Program” organized by the Thailand Institute of Directors (IOD). The company plans to provide the training to employees or initiate the projects to promote ethical/moral of employees in order to prevent any abuse actions.

## Business Ethics

The board of directors attempts to operate its worldwide business in accordance with the highest ethical standards and relevant laws. The company expects and requires that its directors, officers and employees perform their duties with the highest standards of integrity in the conduct of business. Therefore, corporate code of conduct has been written as the company policy and procedure in order to provide the general guidance for those in recognizing and resolving ethical and legal issues while conducting the company’s business. The company’s extract of the written code of conduct is available on the company website. All directors and employees are notified and encouraged to comply with the set codes. The compliance to the code of conduct is regularly monitored by senior management. The company shall not tolerate any illegal or unethical acts. Anyone violating the code of conduct will be disciplined, which may include termination of employment. Channels of complaint are also opened to all employees.



# Corporate Governance

## **Audit fee of external auditors**

### **1. Audit fee**

The company paid the audit fee to the audit firm in 2013 amounting to Baht 2,060,000. In addition, 3 subsidiary companies paid to the same audit firm amounting to Baht 1,640,000.

### **2. Non-audit fee**

The company and its subsidiaries paid the non-audit fee for BOI audit and inventory destruction fees to the same audit firm amounting to Baht 495,000 and will pay in 2014 amounting to Baht 20,000 for a work completed in 2013.



# Internal Control and Risk Management

The board of directors is responsible for establishing and maintaining the internal control system. In 2013, the board has performed self-assessment to evaluate the internal control system by applying the control assessment criteria from the Stock Exchange of Thailand. There is an Internal Audit Department and Compliance Unit to monitor and oversee the overall company activities in line with established system and applicable laws and regulations. The Risk Management Committee has been appointed to ensure implementation of the risk management policy to be monitored and limited overall risks at an acceptable level.

From the Board of Directors' Meeting No. 6 held on 12 December 2013 with the three independent directors attended the meeting, the board has assessed the company's internal control system by asking information from management as to assess the internal control in 5 principles; organizational control, risk management, management control activities, information and communication and monitoring measurement. The board concludes that the existing internal control systems are achieving their objectives and the company provided adequate staff to comply with the established system effectively including the safeguard of assets against loss or unauthorized use by the director and executive, and the assurance of transactions that may have the conflict of interests.

## Internal Audit

The Audit Committee has appointed Ms. Jirapa Kongmanee to the position of head of internal audit unit from 10 September 1999 due to having adequate experiences in internal audit field and have been trained in the training courses related to the scope of internal audit such as Internal Audit Role in Governance, Risk and Control, Business Management Skills, Business Analysis and Information Technology, COSO Internal Control Framework, including training course related to the new laws and new accounting standards, and she understands the activities and operations of the company so she is appropriate to perform such duties properly and adequately.

The internal audit unit has a reporting line to the Audit Committee who considers and approves the appointment, transfer and dismissal of the head of internal audit.

## Compliance Unit

The Board of Directors' Meeting No. 5 held on 13 November 2013 has appointed Ms. Jirapa Kongmanee to the position of the head of Compliance Unit to be responsible for overseeing the business operations of Hana group in accordance with the laws, rules and regulations of the relevant authorities.

# Related Party Transaction

According to the note on Related Party Transactions of the consolidated financial statements for the year ended 31 December 2013 and 2012 disclosed relevant details of related party transactions entered into by the company and its subsidiaries, the majority of the related party transactions were entered into in the normal course of business by the company and will not give rise to a conflict of interest.

In 2013, the company has a related transaction of leasing the property between the company and a company of a major shareholder amounting to Baht 1,574,244.

Related company / person	Type of relationship	Summary of transaction	Size of transaction	Reasonable and necessary conditions
Omac Limited	Omac Limited is a shareholder holding the Company shares amounting to 40,939,360 shares equivalent to 5.09 % of paid-up capital <sup>(1)</sup> and Han Family is the major shareholder of Omac Limited <sup>(2)</sup> and a director of the Company is a director of Omac Limited <sup>(3)</sup>	The Company is the sub-lessee of land 5 Rai, 93 Square Wah located on Vibhavadi-Rangsit Road from Omac Limited which is the lessee this land from Mrs. Aphiradee Habananande, Mrs. Piyada Angsanant and Mr. Prempreet Watcharapai, the land lord. The landlord agreed to lease the land to Omac from 1986 – 2014.	Rental rate is Baht 1,574,244 per year. The land lease will expire in February 2014.	The Company has subleased the land from Omac Limited since 1991 to be the Company's headquarter and the manufacturing of its subsidiary. The rental rate is reasonable because it is the same rate as Omac Limited agreed with the landlord.

(1) The information as of closing registered date on 14 March 2013

(2) The major shareholders of Omac Limited are:

Mr. Richard David Han holds shares equivalent to 15.28%,

Ms. Janine Margaret Han holds shares equivalent to 33.33%, the sister of Mr. Richard David Han

Ms. Alina Sylvie Han holds shares equivalent to 18.05%, the daughter of Mr. Richard David Han

(3) Mr. Richard David Han is the director of Hana Microelectronics Public Co., Ltd. and Omac Limited

## Comment on related party transactions by independent directors:

According to the transaction with related party for the property lease agreement between the company and Omac Limited, the independent directors have the opinion that the transaction is reasonable and necessary for the best interest of the company. The terms of the lease appears to be under the arm length normal commercial terms in view of being the same lease terms that Omac Limited agreed with the Lessor who is a third party that has no connection whatsoever with the company. This is a transaction that neither affects the person who has an interest other than the financial benefit that normally receives nor causes to be damaged or acts in a manner inconsistent with the interests of the company significantly.





# Related Party Transaction

## **Procedures to approve of entering to connected transactions:**

In case of normal business transactions made with related parties under Section 89/12 (1) as required by the Securities and Exchange Commission such as the normal trade transactions or transactions that support the general business, such transactions must be approved by the Board of Directors or the principles must be approved by the Board of Directors prior to execute the transaction.

The company and its subsidiaries have determined the measures and procedures to approve of entering to connected transactions. The Board and Audit Committee shall determine on a case-by-case basis whether a conflict of interest actually exists and takes appropriate steps to identify such potential conflicts. In the case through to the Board of Directors meeting, directors who have interest on a particular issue involving the company will not have voting right in the meeting.

In addition, the company and its subsidiaries shall comply with the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand and the Audit Committee who review of significant related transactions for every quarter to prevent conflict of interest also.

## **Policy of related transactions in future:**

The policies of the company and its subsidiaries regarding related transactions in future shall comply to the Securities and Exchanges Act, the regulations of Stock Exchange of Thailand and compliance to the requirements regarding to disclosure of the connected transactions and acquisition or disposal of the company's assets.

# Corporate Social Responsibility



Hana recognizes that our long-term success depends on our ability to manage our operations soundly, efficiently in an increasingly complex environment, to create value for our stakeholders and to further contribute to society.

## CSR Policy, Vision and Strategy

**Policy:** The board of directors has committed itself to support the corporate social responsibility, for stakeholders by conducting the business in an open, honest, and ethical manner. Hana and its subsidiaries recognize the importance of protecting human rights, consumer rights, environmental management, compliance with applicable laws, regulations and contribution to community development for long term success of the company, society and stakeholders.

**Vision:** To operate our business in harmony with society for the mutual benefit of our stakeholders and community.

**Strategy:** Hana's business environment is highly competitive. The company seeks to expand its sales and product each year and to continually improve the capabilities and productivity of its production processes. Whilst doing so the management and staff are mindful of the CSR policies and review each change to ensure compliance with the CSR Policies. In addition the company and its subsidiaries have established CSR committees at each plant with representatives from different departments which focus on the company's relationship and contribution to the community.

## CSR-In-Process (Connected with the Company's Operations)

In 2013, Hana and its subsidiaries have complied with the CSR principles of the Stock Exchange of Thailand as follows.



# Corporate Social Responsibility

## 1. Fair business conduct

**Fair and open competition:** Hana conduct its business in compliance with competition laws and regulations, advising employees to realize the important of fair competition policy, avoiding and anti-monopoly trading, not asking for and not receiving or paying any benefits that are not honest with trading partners including the government officers.

**Safeguard the property right of others:** Hana respects the rights of tangible and intellectual property of others by not engaging in any activity that violates such rights e.g. using a superior market power to make abuse, making fake products or violating intellectual property right, etc.

**Promote value supply chain:** The company is taking its efforts to build open business relationships and ensure fair and even-handed dealings with its suppliers, cooperative and support CSR activities in aiming at building a sustainable society in full partnership with its suppliers such as ensure to comply with established purchasing procedure.

## 2. Anti-corruption

In compliance with the best practice of good corporate governance and in line with the international standard, the board of directors has established an anti-corruption policy and declared our intent to enter a process of Collective Action by the private sector with the objective to support a Coalition against Corruption, to counter corruption in any form.

## 3. Respect Human Right

Hana respects the basic human rights of individuals. The company has policies to ensure that there shall be no human rights violation, shall treat all employees equally and create a workplace that is free from discrimination. The company has the career path development program for employees to enhance their knowledge and skills and open opportunities for future growth. Employees' remuneration shall be the same standard for employees who are men and women. Employee satisfaction surveys have been regularly conducted to provide management with the knowledge and tools to build positive employee relations and a positive work environment. Channels of complaint are also opened to all employees while protecting employees who report violations or wrongdoing in the company.

## 4. Fair Labor Treatment

**Non-discrimination in employment:** Hana supports the principle of equal opportunities in employment, promotion or termination and is opposed to all forms of discrimination, including those on the grounds of nationality, color, race, religion, gender, age, or disability. All employees will be treated as individuals solely according to their abilities to meet job requirements. The company has implemented the procedure starting with the recruitment process by not having on the employment application form any requirement for candidates to complete the specific information of age, religion, gender, nationality, and disability in order to avoid discrimination in hiring.

In addition, Hana supports projects of the government to protecting the rights of disabled persons to provide them with employment opportunities. The company employs persons who are disabled and arranges the appropriate job to their capability. The company also improved workplace environment to enable employees with disabilities easier access to the company's facilities. Furthermore, Hana also arranges a place for disabled persons to open the shops in the factory at no cost, which gain the good support from employees. In 2013, Hana Semiconductor (Ayutthaya) Co., Ltd., a subsidiary of the company received a prize for the "best corporate sector who supported the disabled persons" by the Office of the National Development and Disabilities, the Ministry of Social Development and Human Security.



# Corporate Social Responsibility



**Not using forced labor or child labor:** The company has no trafficking forced labor and child labor illegal. The company shall comply with applicable laws whether laws prohibiting complaints to support slavery or trafficking, and shall not use or enter into the agreement for forced labor including slavery such as assign employees to work but no willingness to do or as punishment. Employee is free to resign from the employment by giving an advanced notice and the company shall not keep their identification cards, passport or work permit with the company as part of employment obligation.

**Social protection:** Our compensation policy is fair and reasonable according to employees' capability by considering the packages with the same industry and in accordance with the position, experience and the performance of the company as well as the economic and social situation. Moreover, the company provides various employees' welfare for example annual vacation, overtime with the consent of employee, medical treatment, educational fund granted for children of low income employees, employees' cooperatives and other welfares such as annual health check, Fitness Center, library, etc. There is also a long service award to employees who work with the company for a long period.





# Corporate Social Responsibility

The company focuses on the work environment that is safe for both physical and mental health. The company has been certified for OHSAS 18000 and TIS18001 which is an international and Thai's occupational health and safety management system since 2005 to date. The company is committed to developing environmental and safety, health of employees and those involved, as well as uphold social responsibility and labor, along with operating the business and making continuous improvement as follows.

1. Resource conservation and use energy efficiently in order to prevent pollution and control the discharge of waste to minimize environmental impact. In 2013, the company investigated the leak of raw materials and chemical in the high risk areas regularly. Preparation of safety data for chemicals handling and post for awareness on the bulletin board, including training to employees to better understand the principles of safety and environment.
2. Provide the workplace with proper equipment to ensure safety and prevent accidents or incidence according to NFPA standards or international standards. The company also provides a first aid and nursing care in the factory 24 hours a day and ensures emergency planning and fire drills at least once a year. In 2013, the company has recorded accidents 15 times, which were investigated for the cause and made improvement continuously.
3. Compliance with applicable labor-related laws as well as to support the specific requirements of the customers regarding to health, safety, environment and social responsibility and labor (such as EICC Code of Conduct, etc.)

Employees at all levels of the organization have been trained with the policy of safety, health, environment, social responsibility and labor. The policy also has been released to the public through the factory bulletin board and to business partners.

## 5. Customer Responsiveness

The products and services that we make are safe and not harmful to consumers. The company is accredited ISO9001:2008 for a quality management system where the company can demonstrate its ability to consistently provide products that meets customer, applicable statutory and regulatory requirements. Furthermore, the company has been certified to ISO/TS16949:2009 standard which is a quality system for automotive production which focuses on the technical production of high quality automotive parts and ISO13485 quality system that is used in the medical device industry which is a quality system that mostly focuses on the safety of products.

In addition, the company promotes fair trading and has the policy to assess customer satisfaction both before and after sale to improve customer satisfaction and continuous improvement. The performance of the company is determined not only financial KPI but each factory operation has many operational KPI both continuous and weekly and monthly, for customer satisfaction and production quality criteria which are used for continuous improvement and highlighting as early as possible any quality issues that need attention.

It is the policy of Hana to encourage all employees to participate in improving their own work processes through multiple forms such as Quality Control Circles (QCC), improvement project, special projects assigned by the chairman for employees level supervisors or engineers and technicians, Kaizen suggestion, and small group activities for daily paid employees who are accounted for 90% of overall staffs. Over the past 10 years, the company continuously made development and we received good support by both internal and external organizations. From participating in group activity of Thailand Quality Prize organized by Technology Promotion Association (Thailand-Japan), Hana Lamphun received an excellent award of Junior QCC Prize and Manufacturing QCC Prize continuously for 5 years in a row which is another management tool that allows Hana to develop its organization steadily.



# Corporate Social Responsibility



## 6. Environmental care

As Hana has its manufacturing sites located in industrial estates, there are a number of control and management systems and standards to prevent pollution and impact to the environment and community. The company also has been certified for environmental management system ISO14001 continuously since 1999. In 2013, the company implemented the use of resources, reduce and prevent pollution to the environment and the community as follows:

**Electricity:** Hana invested in various projects to reduce energy consumption i.e., replacing 15,500 fluorescent tubes of 36 watt each with LED 20 watt tubes, covering both in Lamphun and Ayutthaya factories. We installed equipment to reduce speed (Variable Speed Drive) and make improvement of motor and air cooling (AHU) according to energy conservation methods. Further, Hana also improved energy efficiency in air conditioning systems and compressed air systems and the control electrical energy during the holidays and at shift change. In total, the company and its subsidiaries have reduced electricity consumption in 2013 by more than 16 million units, representing approximately 10% of electricity consumed, and saving up to 55 million baht per year.

**Water quality:** The company has continued to reduce the use of water. The waste water from the production process shall be treated and filtered to recycle enabling the increase the recycling water by 42%. Hence, Hana made the success in reducing the water supply to 200,000 cubic meters saving water usage by about 5 million baht per year.

**Air quality:** The control of air emissions are in line with the standards and related laws. The company has the plans for monitoring and preventive maintenance of equipment related to various air pollution control and performs measurement of air quality in the workplace. From the implementation, the air quality out of our factory is better than the standard required in all indicators.

**Noise level:** The company maintains machinery and equipment in good condition and provides personal protective equipment (such as ear plugs, ear muffs, etc.) to employees who work in a noisy environment. In working areas where noise levels exceed 85 decibels, the hearing health check-up for those employees have been provided periodically.

**Waste management:** Hana has implemented the separation of waste into three categories: general waste, recycle waste and hazardous waste. The waste disposition is managed according to legal standards of the Department of Industrial Works properly.

**Chemicals and hazardous substances:** In addition to ISO14001 certification, our manufacturing plant in China has been certified for IECQ QC080000:2005 Hazardous Substance Process Management "HSPM" since 2008. IECQ accreditation assures access to global marketplace and creates competitive advantage and compliance with laws and highest industry standards as we have the processes in place to properly manage our products that are free from hazardous substances.



# Corporate Social Responsibility

In addition, our Ayutthaya and China plants have been certified for to the standards of our customers in the project of Green Partner Program regarding environmental management systems by controlling the use of chemicals in the production, prohibiting the use of dangerous substances, discontinuing and reduction in the usage such substances that impact to the environment such as the use of lead solder inside the product. Further, it is not allowed to use material to make the product or packaging that is harmful such as lead, mercury, etc.

**Complaint Procedures:** The company assigned environmental supervisors and operators, who received training and registration as required by law, to communicate information with the community and residents living around. The company also has the procedure for complaints and resolving complaints arising from the operation of the company. In 2013, the company has no major environmental complaints from the employees or the community.

## 7. Social and community development

The company recognizes the participation with the community to support the local economy, to help social stability and to be a good corporate citizen of society such as paying tax according to the law, supporting employment of local staff, purchasing goods and services from local suppliers. In 2013, Hana Lamphun has the business with local suppliers that accounted for 30% of all domestic suppliers. Additionally, on certain days we provide the opportunity for people who live in neighborhoods to sell goods to employees at the company. Moreover, we support the campaign of motorcycle riding safety by selling good quality helmets to employees at discounted prices, of which we sold more than 1,000 pcs.



### CSR-After-Process (Charity and Community Support)

Hana has the corporate social activities that go beyond normal business operations. The company has provided such activities for a long time. In 2013, our CSR-after-process is as follows:

**Activities to raise funds for advanced medical machines:** In 2013, Hana Microelectronics Public Co., Ltd. and Hana Semiconductor (Ayutthaya) Co., Ltd. donated Baht 2 million to the Thai Red Cross Society for fund raising project to purchase Next Generation DNA Sequencing (NGS) analysis machine.

**Activities to help children:** Hana Jiaxing provided scholarships to poor students who live in the communities. We have selected 14 students from poor families since 2007 with 2 students that now have graduated from high school and some students who are studying in the universities have received the education support since eight years ago.

# Corporate Social Responsibility

To help society against threats and promote the good health, Hana joined Lamphun Warrior football clinic to teach children nearby in order to promote their health and prevent drug problems. The children can meet the players and experience a match between the Lamphun Warrior Team and players from Hana.

**Activities to help the poor:** Hana Jiaxing made the donations to local charities in Jiaxing approximately Baht 1 million. CSR team also visited an orphanage in Jiaxing for gift giving whereas CSR team of Hana Lamphun donated clothing, blanket, medicine, learning material and others to poor people in Chiangmai.

**Activities to help victims of natural disaster:** Hana Lamphun made the donations to fellow employees who were the victims of hail and fire. Moreover, Hana Jiaxing made donations to assist families affected by the earthquake in the city of Xianyuan in April 2013.

**Activities for heritage and religious traditions:** Hana continuously supports and participates in local traditions and religious activities such as Yi Peng Wrist tied in the Mother's Day, offering robes to Buddhist priests at monastery, etc.



## Social activities by employees

**Blood donation:** Hana joined with the Red Cross and Lamphun hospital for blood donation. In 2013, employees donated blood several times giving 360,000 milliliters of blood.

**Helping underprivileged children:** Hana management and staff jointly donated to Sister Joan Evans to help underprivileged children in Slum Klongtoey, Bangkok.

**Activities fund raising for colleagues:** Employee made donations to colleagues for continuous treatment of cancer patients.



# Audit Committee Report

The Audit Committee of Hana Microelectronics Public Company Limited is composed of three independent directors. Members of the Committee meet the qualification and the scope of work is in accordance with the rules and regulations of the Stock Exchange of Thailand. In performing its oversight responsibilities, the Committee held 4 meetings during 2013. The meeting attendance of each committee is as follows.

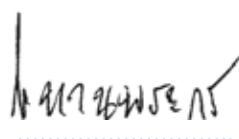
Committee	Meeting Attendance
1. Mr. Bancha Tarnprakorn, Chairman	4 of 4
2. Mr. Voraphoj Thepvanapasiddhi, Committee	4 of 4
3. Mr. Martin Enno Horn, Committee*	4 of 4

\* Mr. Martin held the meeting 1 time through conference call from overseas.

The Committee reviewed and discussed with the independent and internal auditors of the scope and results of their examinations including internal control, audit and financial reporting matters. The Audit Committee also held regular discussions with the Board of Directors regarding the preparation of interim and annual financial statements and the review of management and operational systems for internal control, the risk management and compliance with applicable rules and regulations. The related party transaction has been reviewed in addition to the requirement that the directors and management of the Company disclosed on an annual basis for any related party transactions that may lead to potential conflict of interest situations.

The external and internal auditors have full and free access to the Audit Committee. The Committee has recommended to the Board of Directors the suitable re-appointment of the independent auditors of Ernst and Young Office Limited (lately change the name to EY Office Limited) for the financial year ending 31 December 2013.

The Audit Committee concludes its satisfaction with the accuracy, completeness and creditability of 2013 financial statements' preparation and reporting, the adequacy of internal control systems and risk management, the compliance with applicable laws and regulations, and other duties as stated in the Charter. As a result, the Audit Committee has no particular matter to draw to the attention of shareholders.



Mr. Bancha Tarnprakorn  
Chairman of Audit Committee



# Nomination Committee Report

The Nomination Committee consists of three directors, of which two are the independent directors. The Committee is responsible for selection and screening of candidate's qualifications and proposing the suitable candidates to the board. The board subsequently proposes to the shareholders' meeting for approval according to the nomination processes.

In 2013, the company had 2 meetings and all Committee members attended the meeting. The Committee reviewed the candidates who have the qualifications to match with the company's requirement. In respect of the candidate nominations for new director appointments in 2013, the company invited to the shareholders to propose candidates for election to the board. The policies and procedures to allow shareholders to propose candidates for the election of the board are posted on the company's website. However, there were no proposed candidates to the Committee from the shareholders in previous year. Therefore, the Nomination Committee reviewed those directors whose term expired by rotation in accordance with the company's Articles of Association. The Committee has considered that those directors can continue to make further contribution to the board and the company.

The Nomination Committee believes the candidate nomination for director appointment process is proper and transparent and in compliance of its charter.



.....

**Mr. Yingsak Jenratha**

Chairman of Nomination Committee

# Management's Discussion and Analysis

## Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 3% year on year, to THB 17.7 billion in year 2013 from THB 17.2 billion in year 2012. Sales Revenue in USD terms increased by 3% to USD 574m in 2013 from USD 555m in 2012. Operating profits increased 28% to THB 1,377m Baht in 2013 from THB 1,076m Baht in 2012. Operating profits increased 29% in USD terms to USD 45m in 2013 from USD 35m in 2012.

Net Profit increased by 45% to THB 2,337m in 2013 from THB 1,610m in 2012. The subsidiary Hana Semiconductor (Ayutthaya), continued to recover from the impact of the flood in 2011 and has been operationally profitable from mid 2013. Exceptional items were THB 594m higher in 2013 than 2012. The increase was primarily due to higher insurance claim proceeds received in 2013 related to property damaged from the flood.

## Past Performance Analysis

### Revenue Analysis

Group Sales were higher by 3% in 2013 at THB 17,667m from THB 17,233m in 2012 with markets being weaker in the first half of 2013 and stronger in the second half of the year which was the opposite to the electronics demand cycle in 2012. USD sales were 3% higher in 2013 at USD 574m from USD 555m in 2012 as the average THB/USD exchange rate in 2013 strengthened 1% to THB/USD 30.80 in 2013 from THB/USD 31.03 in 2012.

The Microelectronics divisions' sales revenue increased 2% [+1% THB] in 2013 over 2012. The microelectronics operation in Lamphun sales increased 10% [9% in THB terms] and JXG decreased by 10% [-11% in THB terms] in 2013. In 2013 IC assembly sales increased by 8% in USD terms [+7% in THB terms]. For 2013, the IC division in AYT sales increased 11% [+10% in THB terms], but decreased 4% [-5% in THB terms] for the IC division in JXG.

Hana Microdisplay Technologies "HMT", sales decreased 11% [-12% THB] for the year.

The annual sales split was:

	2013	2012	2011
PCBA (Thailand)	44%	42%	38%
PCBA (China)	22%	25%	22%
CPG - (Bangkok)	0%	0%	1.5%
IC (AYT)	27%	25%	31%
IC (China)	6%	7%	6%
HMT (USA)	1%	1%	1.5%
	100%	100%	100%

### Gross Profit / Cost of Sales Analysis and Sales and Administration Analysis

The Gross Profit was up THB 319m with the gross margin being 11% in 2013 up 1% from 10% in 2012. This was due to the increase in sales in the Thai operations offsetting lower sales in the China operations, higher operating leverage enabled the Ayutthaya to be profitable from June 2013 and a more favourable product mix in Lamphun also contributed to higher margins.

### Operating Profit Analysis

The Operating profit margin increased 2% in 2013 to 8% from 6% in 2012 due to the higher Gross Profit margin and lower SG&A expenses. SG&A expenses (excluding non recurring items.) decreased by 3% [THB 30m] due to retirement provision revaluation and were 5% of sales revenue in 2013, and in 2012.

# Management's Discussion and Analysis

## Payout Analysis

THB 402m dividend of THB 0.50 per share was paid during the quarter as an interim dividend from the profits of 2013. In Q213 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2012. In Q412, THB 402m dividend of THB 0.50 per share was paid during the quarter as an interim dividend from the profits of 2012. In Q212 THB 805m dividend of THB 1.00 per share was paid during the quarter as final dividend from the profits of 2011. In Q211 THB 1,248m dividend of THB 1.55 per share was paid during the quarter as the first and final dividend from the profits of 2010.

The final dividend is normally announced in the board meeting in February of the following year for approval in the annual general meeting in April paid out in May.

## Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st December, 2013 were THB 6.7 billion up from 31st December, 2012 of THB 5.5 billion.

## Asset Quality

### Accounts Receivable

Most of customers are well known and have good reputation in the IC, and electronics industry. Provision is made of amounts outstanding over 90 days and amounts which the management believe may be doubtful.

Accounts receivable	2013	2012	2011
Less than 3 months	3,132,604	2,653,880	2,445,169
3 - 6 months	13,813	23,758	20,670
6 - 12 months	1,222	16,349	7,236
More than 12 months	3,150	3,173	5,380
Total accounts receivable - other companies	3,150,789	2,697,160	2,478,455
Less : Allowance for doubtful accounts	(4,269)	(6,904)	(11,189)
	3,146,520	2,690,256	2,467,266

## Inventory

In general, Hana's production is based on clients' order, consequently, the majority of inventory are raw materials, expendable tools and work in process with little finished goods pending for customer delivery. The group companies normally write-off out-of-date inventory, and make provision for aged inventory and depletion in the value of fixed assets, if material, each quarter. Inventory days were 69 days in 2013, 64 days in 2012 and 66 days in 2011.

## Liquidity

The group has THB 6.7 billion in cash and short term investments with no interest bearing debt. Liquidity ratios are high at approximately 3 times current liabilities. Operating Cashflow (EBITDA) was 11% higher in 2013 due to the higher sales at the Thai operations and operating profit at Ayutthaya plant in 2013 as opposed to its operating loss in 2012. EBITDA at THB 2.6 billion in 2013 and THB 2.3 billion in 2012 and THB 2.6 billion in 2011. Cash and short term investments in 2013 increased by THB 1.2 billion to THB 6.7 billion, due to EBITDA 2.6 billion less final dividend THB 0.8b, interim dividend Q412 THB 0.4b, capital expenditure THB 1.0b, increase in working capital of THB 0.2b and insurance proceeds of THB 1.2b.

Cash and short term investments in 2012 decreased by THB 0.3 billion to THB 5.5 billion, due to EBITDA 2.3 billion less final dividend THB 0.8b, interim dividend Q412 THB 0.4b, capital expenditure THB 1.4 billion. The cash in 2011 increased from 2010 by THB 0.8 billion to THB 5.8 billion, due to EBITDA 2.6 billion less dividend THB 1.2 billion, capital expenditure THB 1.4 billion and a THB 0.8 billion decrease in working capital.



# Management's Discussion and Analysis

## Capital Expenditure

Net Capital Expenditure was THB 1,221m in 2013, THB 1,372m in 2012 and THB 1,360m in 2011. Capital Expenditure was lower in 2013 due to the lower sales from Ayutthaya plant compared to before the flood in 2011. Generally, capital expenditure for production equipment will follow the increase in sales, particularly in the IC division. However, there is a 3 to 6 month time lag due to the ordering lead time. Plant expansion will depend on the current building utilisation and lead time to construct new plant or expand in an existing plant. Source of Financial Capital As the group has no interest bearing debt and operating working capital is positive the group's funding is from the shareholders equity. Major Factors which could have an Impact on the Company's Performance The company business is that of an electronics manufacturing service company. The company manufactures products on behalf of its customers for shipment to them or their customers. Therefore, the company's performance is mostly affected by its ability to win and retain business from the existing and new customers. In turn, customer demand is affected by world economic growth and the customer's sales growth. The group's sales revenue are in foreign currency (primarily USD) and USD currency costs are approximately 60% percent of sales revenues. The Group operating profit sensitivity to change in the Thai Baht/USD and Chinese CNY/USD exchange rates is currently about Baht 170m per quarter for every 10% change in the average Baht/USD and CNY/USD rates (i.e.  $(1 - 0.60) \times \text{Sales Revenue} \times 10\%$ ). Out of the group's foreign exchange exposure, USD 110m is hedged, Foreign exchange contracts are used to buy THB and Sell USD on a rolling 3 or 6 months basis. Whilst the book value of the offshore companies are represented in foreign currency, the effect of the change in the exchange rate is shown by the movement of the foreign currency 'Translation Adjustment' in the shareholders funds section of the balance sheet. There is no cash affect concerning its movement. For Hana being an export group of companies the currency movements cause volatility in earnings due to effects on the operating margins and also inventory valuations (which the management report each quarter when there is a material effect on the profits) and margins.

## Foreign Exchange Rates

The THB/USD currency movements reflected the economic trends in emerging markets and commodities during period. The average rate for 2013 of THB/USD 30.80 was 1% stronger than the THB/USD 31.03 in 2012 which was 2% weaker than the THB/USD 30.53 in 2011.

## Exceptional Items

The plant of Hana Semiconductor (Ayutthaya) Co., LTD, a 100% owned subsidiary of the company, which is located in Hitech Industrial Estate in Ayutthaya province, was inundated in early October 2011 as a result of the extensive flooding in Thailand during the fourth quarter of 2011. The plant, equipment and business of the subsidiary suffered major damage with approximately USD 40m of property damage and significant business interruption losses. In the 2011 Financial Statements the subsidiary made full provision for the book value of the damaged property which is to be replaced. The subsidiary has also expensed repairs incurred during the fourth quarter in the 2011 accounts with further repairs of THB 84m accounted for in Q1 2012 and THB 72m in Q2 2012 for repairs and materials damage. The subsidiary is in the process of making claims on its property and business interruption insurance policies for the damage resulting from the flood at its Ayutthaya facility. In Q2 2012 THB 204m was received as the part payment for the first interim payment for the business interruption insurance claim. In Q3 2012 THB 196m was received as the remaining payment for the first interim payment for the business interruption insurance claim. THB 30m was received as a further part payment for the property claim settlement in Q113. THB 712m recorded in Q213 as exceptional income to complete the THB 1,042m settlement of the building and machinery property insurance claim in regards to the 2011 flood. THB 110m for income tax and fine related to the 1997 income tax case as detailed in Note 18.5 of the financial statements for Q313. In Q413 THB 199m was received as first and final payment for stock damage property claim settlement. Insurance claim for business interruption is still in progress.

## Subsequent Event

None

# Risk Factors

The company management has identified the major risks associated with the business and the risk management activities to control those risks.

## a) Business Risk

The largest risk management perceive are significant changes within our major client base which may be brought about due to any number of external factors such as a change in their ownership, or a change in their product program. Significant changes from any one of our major clients can effect the group's performance. Market conditions resulting from changes in economic growth rates of economies will also affect prices and demand for the company's services.

Hana's key strategy to minimize business risk is to maintain a diverse base of customers with different industry exposures, end products and geographical location of the end customers.

## b) Production Risk

The production risks are -

- Changes in manufacturing technology making existing equipment obsolete.

The company is continually investing in new equipment to increase each operations capabilities and productivity.

- A factory partial or whole destruction by fire, flood or earthquake.

The company has multiple factories to minimize the risk to the group. Nonetheless there could be a loss of customers and a period of months to years to install new equipment and recover customer orders.

- The company's ability to source suitably skilled staff sufficient direct labour.

The company has HR department which continually reviews the staff and labour resource requirements. The company also has inhouse training and career development programs.

- Material Supply Chain risks due to inability of our suppliers to deliver materials on time and in accordance with specification.

The company sources from multiple suppliers where possible and uses qualified and reliable suppliers.

## c) Management Risk

The company employs a number of expatriate management in key positions. The company does not have any individual staff or management who are key to the survival of the business.

The company could replace either internally or externally and individual manager.

## d) Financial Risk

Other risk factors which may affect the company are exchange rates movements of the Thai Baht, political risk and changes in interest rates and collection of receivables

The company's sales revenues and material costs are almost wholly in USD which provides a natural hedge. Capital expenditure is also in USD as the machines are mostly imported from the region.



# Risk Factors

As all the groups sales revenue are in foreign currency (primarily USD) and USD currency costs are 60% percent of sales revenues, the Group operating profit sensitivity to change in the Thai Baht/USD and Chinese CNY/USD exchange rates is currently about Baht 170m per quarter for every 10% change in the average Baht/USD and CNY/USD rates (i.e.  $(1 - 0.60) \times \text{Sales Revenue} \times 10\%$ ).

Out of the groups foreign exchange exposure, USD 110m is hedged, Foreign exchange contracts are used to buy THB and Sell USD on a rolling 3 or 6 months basis.

The company currently has no net interest bearing borrowings and therefore is not negatively affected by potential interest rate increases.



# Report of the Board of Directors' Responsibilities for Financial Statements

The Board of Directors is responsible for the preparation and integrity of financial statements and to make the timely disclosure to investors. The financial statements have been prepared in accordance with generally accepted accounting principles. Such important information is adequately disclosed in the notes to financial statement.

The maintenance of the internal control system is the responsibility of the Board to reasonably assure that assets are safeguarded from unauthorized use or disposition and that the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

The Board of Directors has appointed an Audit Committee. The Committee meets during the year to review with management and the auditors any significant accounting, internal control, and auditing matters.

The Board is of the opinion that the financial statements of Hana Microelectronics Public Company Limited and its subsidiaries for the year ended December 2013 are materially accurate, complete, and reliable.



Mr. Richard David Han  
Executive Vice Chairman and Chief Executive Officer



Mr. Bancha Tarnprakorn  
Chairman of the Board of Directors

# Independent Auditor's Report

## To the Shareholders of Hana Microelectronics Public Company Limited

I have audited the accompanying consolidated financial statements of Hana Microelectronics Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Hana Microelectronics Public Company Limited for the same period.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

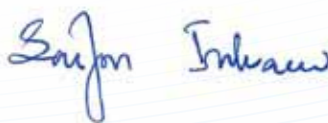
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hana Microelectronics Public Company Limited and its subsidiaries and of Hana Microelectronics Public Company Limited as at 31 December 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

## Emphasis of matter

I draw attention to Note 4 to the financial statements regarding the change in accounting policy due to the adoption of Thai Accounting Standard 12 Income Taxes. The Company has restated the consolidated and separate financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustments resulting from such change. The Company has also presented the consolidated and separate statements of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes. My opinion is not qualified in respect of this matter.



Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

Ernst & Young Office Limited

Bangkok: 20 February 2014

# Statements of Financial Position

Hana Microelectronics Public Company Limited and its subsidiaries

As at 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at 31 December 2013	As at 31 December 2012	As at 1 January 2012	As at 31 December 2013	As at 31 December 2012	As at 1 January 2012
			(Restated)			(Restated)	
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	7	4,185,699,240	3,111,180,904	3,824,147,266	320,031,555	94,145,566	520,425,225
Short-term investments	9	2,524,310,445	2,370,090,185	2,014,320,054	-	-	-
Trade and other receivables	8, 10	3,241,169,331	2,764,216,396	2,568,516,148	1,447,222,745	1,261,696,621	1,275,014,508
Insurance claim receivable	24	11,963,350	-	300,000,000	-	-	-
Inventories	11	3,171,981,346	2,847,768,315	2,646,579,217	1,268,860,532	915,061,716	993,410,322
Other current assets		142,622,842	162,930,372	154,070,581	53,082,799	49,327,491	58,845,676
<b>Total current assets</b>		<b>13,277,746,554</b>	<b>11,256,186,172</b>	<b>11,507,633,266</b>	<b>3,089,197,631</b>	<b>2,320,231,394</b>	<b>2,847,695,731</b>
<b>Non-current assets</b>							
Investments in subsidiary companies	12	-	-	-	3,583,449,338	3,427,501,838	3,427,501,838
Property, plant and equipment	13	6,691,459,482	6,621,700,623	6,372,590,324	2,363,294,921	1,701,265,171	1,630,983,810
Land leasehold rights	14	153,418,018	-	-	-	-	-
Other intangible assets	15	12,162,954	15,957,384	14,541,422	4,583,679	4,088,220	4,756,328
Deferred tax assets	4	18,923,900	14,966,683	15,800,957	8,070,241	4,681,697	3,762,494
Other non-current assets		3,426,330	20,820,857	16,947,458	2,456,678	1,425,750	1,425,750
<b>Total non-current assets</b>		<b>6,879,390,684</b>	<b>6,673,445,547</b>	<b>6,419,880,161</b>	<b>5,961,854,857</b>	<b>5,138,962,676</b>	<b>5,068,430,220</b>
<b>Total assets</b>		<b>20,157,137,238</b>	<b>17,929,631,719</b>	<b>17,927,513,427</b>	<b>9,051,052,488</b>	<b>7,459,194,070</b>	<b>7,916,125,951</b>

The accompanying notes are an integral part of the financial statements.



# Statements of Financial Position (continued)

Hana Microelectronics Public Company Limited and its subsidiaries

As at 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at 31 December 2013	As at 31 December 2012	As at 1 January 2012	As at 31 December 2013	As at 31 December 2012	As at 1 January 2012
			(Restated)			(Restated)	
<b>Liabilities and shareholders' equity</b>							
<b>Current liabilities</b>							
Short-term loans from financial institution	16	15,946,294	24,435,471	38,820,547	-	-	-
Trade and other payables	8, 17	2,484,859,386	2,087,839,938	2,506,443,445	1,439,190,834	775,389,590	1,004,751,416
Short-term provisions	18	419,335,350	448,350,166	368,474,353	147,521,727	214,575,498	150,465,664
Income tax payable	23	17,606,250	60,052,122	15,154,576	11,488,200	7,870,413	5,449,676
Other current liabilities		239,513,726	38,071,477	65,340,606	92,291,075	23,147,956	23,277,607
<b>Total current liabilities</b>		<b>3,177,261,006</b>	<b>2,658,749,174</b>	<b>2,994,233,527</b>	<b>1,690,491,836</b>	<b>1,020,983,457</b>	<b>1,183,944,363</b>
<b>Non-current liabilities</b>							
Provision for long-term employee benefits	19	385,798,676	376,360,511	352,899,533	190,303,427	167,074,141	154,850,654
<b>Total non-current liabilities</b>		<b>385,798,676</b>	<b>376,360,511</b>	<b>352,899,533</b>	<b>190,303,427</b>	<b>167,074,141</b>	<b>154,850,654</b>
<b>Total liabilities</b>		<b>3,563,059,682</b>	<b>3,035,109,685</b>	<b>3,347,133,060</b>	<b>1,880,795,263</b>	<b>1,188,057,598</b>	<b>1,338,795,017</b>
<b>Shareholders' equity</b>							
Share capital							
Registered							
974,403,900 ordinary shares of Baht 1 each (31 December 2012: 974,403,900 ordinary shares of Baht 1 each)							
(1 January 2012: 1,000,000,000 ordinary shares of Baht 1 each)	21	974,403,900	974,403,900	1,000,000,000	974,403,900	974,403,900	1,000,000,000
Issued and fully paid-up							
804,878,860 ordinary shares of Baht 1 each (31 December 2012: 804,878,860 ordinary shares of Baht 1 each)							
(1 January 2012: 830,474,960 ordinary shares of Baht 1 each)	21	804,878,860	804,878,860	830,474,960	804,878,860	804,878,860	830,474,960
Share premium		1,723,218,982	1,723,218,982	1,723,218,982	1,723,218,982	1,723,218,982	1,723,218,982
Retained earnings							
Appropriated - statutory reserve	20	375,919,402	352,497,188	320,218,399	100,000,000	100,000,000	100,000,000
Appropriated - reserve for treasury shares	21	-	-	262,987,260	-	-	262,987,260
Unappropriated		13,301,101,567	12,194,643,511	11,798,451,824	4,542,159,383	3,643,038,630	3,923,636,992
Other components of shareholders' equity		388,958,745	(180,716,507)	(91,983,798)	-	-	-
<b>Equity attributable to owner of the Company</b>		<b>16,594,077,556</b>	<b>14,894,522,034</b>	<b>14,843,367,627</b>	<b>7,170,257,225</b>	<b>6,271,136,472</b>	<b>6,840,318,194</b>
Treasury shares	21	-	-	(262,987,260)	-	-	(262,987,260)
<b>Total shareholders' equity</b>		<b>16,594,077,556</b>	<b>14,894,522,034</b>	<b>14,580,380,367</b>	<b>7,170,257,225</b>	<b>6,271,136,472</b>	<b>6,577,330,934</b>
<b>Total liabilities and shareholders' equity</b>		<b>20,157,137,238</b>	<b>17,929,631,719</b>	<b>17,927,513,427</b>	<b>9,051,052,488</b>	<b>7,459,194,070</b>	<b>7,916,125,951</b>

The accompanying notes are an integral part of the financial statements.

# Income Statements

Hana Microelectronics Public Company Limited and its subsidiaries  
For the year ended 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
			(Restated)		(Restated)
<b>Revenues</b>					
Sales		17,667,000,224	17,232,768,681	7,820,471,366	7,192,856,771
Interest income		165,169,401	170,695,739	4,985,319	7,595,981
Dividend income	12, 29	42,750	28,125	1,190,042,750	126,028,125
Gain on exchange		-	168,399,691	70,263,313	24,892,845
Insurance compensation income	24	941,604,182	400,000,000	-	-
Other income	30.5	377,836,118	415,999,559	87,440,852	78,276,093
<b>Total revenues</b>		<b>19,151,652,675</b>	<b>18,387,891,795</b>	<b>9,173,203,600</b>	<b>7,429,649,815</b>
<b>Expenses</b>	22				
Cost of sales		15,665,334,545	15,550,124,185	6,695,423,229	6,236,613,230
Selling expenses		126,550,120	133,162,104	27,794,315	26,207,931
Administrative expenses		759,596,443	879,433,405	205,066,350	180,790,462
Loss on exchange		60,328,888	-	-	-
Other expenses	30.5	132,002,485	88,285,560	110,401,571	65,595,050
<b>Total expenses</b>		<b>16,743,812,481</b>	<b>16,651,005,254</b>	<b>7,038,685,465</b>	<b>6,509,206,673</b>
<b>Profit before finance cost and income tax expenses</b>		<b>2,407,840,194</b>	<b>1,736,886,541</b>	<b>2,134,518,135</b>	<b>920,443,142</b>
Finance cost		(8,642,769)	(7,478,309)	(3,251,308)	(2,408,463)
<b>Profit before income tax expenses</b>		<b>2,399,197,425</b>	<b>1,729,408,232</b>	<b>2,131,266,827</b>	<b>918,034,679</b>
Income tax expenses	23	(61,998,865)	(119,215,566)	(24,827,784)	(16,910,851)
<b>Profit for the year</b>		<b>2,337,198,560</b>	<b>1,610,192,666</b>	<b>2,106,439,043</b>	<b>901,123,828</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		2,337,198,560	1,610,192,666	2,106,439,043	901,123,828
<b>Earnings per share</b>	25				
Basic earnings per share					
Profit attributable to equity holders of the Company		2.90	2.00	2.62	1.12
Number of weighted average ordinary shares (shares)		804,878,860	804,878,860	804,878,860	804,878,860

The accompanying notes are an integral part of the financial statements.

# Statements of Comprehensive Income

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
			(Restated)		(Restated)
Profit for the year		2,337,198,560	1,610,192,666	2,106,439,043	901,123,828
Other comprehensive income:					
Gain (loss) on change in value of available-for-sale investments	9.2	(91,864,993)	142,342,193	-	-
Exchange differences on translation of financial statements in foreign currency, net of income tax	23	661,540,245	(231,074,902)	-	-
Other comprehensive income for the year		569,675,252	(88,732,709)	-	-
Total comprehensive income for the year		2,906,873,812	1,521,459,957	2,106,439,043	901,123,828
Total comprehensive income attributable to:					
Equity holders of the Company		2,906,873,812	1,521,459,957	2,106,439,043	901,123,828

The accompanying notes are an integral part of the financial statements.



# Statements of changes in shareholders' equity

Hana Microelectronics Public Company Limited and its subsidiaries  
For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements										
	Issued and paid up share capital	Share premium	Retained earnings		Other components of shareholders' equity			Total equity attributable to owners of the Company	Treasury shares	Total shareholders' equity	
			Appropriated		Unappropriated	Other comprehensive income					
			Statutory reserve	Reserve for treasury shares		Surplus (deficit) on changes in value of available-for-sale investments	Exchange differences on translation of financial statements in foreign currency				Total other components of shareholders' equity
Balance as at 1 January 2012	830,474,960	1,723,218,982	320,218,399	262,987,260	11,783,074,320	67,740,225	(160,147,476)	(92,407,251)	14,827,566,670	(262,987,260)	14,564,579,410
- as previously reported	-	-	-	-	15,377,504	-	423,453	423,453	15,800,957	-	15,800,957
Cumulative effect of change in accounting policy for deferred tax	4										
Balance as at 1 January 2012 - as restated	830,474,960	1,723,218,982	320,218,399	262,987,260	11,798,451,824	67,740,225	(159,724,023)	(91,983,798)	14,843,367,627	(262,987,260)	14,580,380,367
Total comprehensive income for the year (restated)	-	-	-	-	1,610,192,666	142,342,193	(231,074,902)	(88,732,709)	1,521,459,957	-	1,521,459,957
Dividend paid	-	-	-	-	(1,207,318,290)	-	-	-	(1,207,318,290)	-	(1,207,318,290)
Unappropriated retained earnings transferred to statutory reserve	-	-	32,278,789	-	(32,278,789)	-	-	-	-	-	-
Write-off treasury shares	(25,596,100)	-	-	(262,987,260)	25,596,100	-	-	-	(262,987,260)	262,987,260	-
Balance as at 31 December 2012 - as restated	804,878,860	1,723,218,982	352,497,188	-	12,194,643,511	210,082,418	(390,798,925)	(180,716,507)	14,894,522,034	-	14,894,522,034
Balance as at 31 December 2012											
- as previously reported	804,878,860	1,723,218,982	352,497,188	-	12,229,598,986	210,082,418	(390,523,796)	(180,441,378)	14,929,752,638	-	14,929,752,638
Cumulative effect of change in accounting policy for deferred tax	4										
Cumulative effect from prior year's adjustment	33				15,241,812	-	(275,129)	(275,129)	14,966,683	-	14,966,683
Balance as at 31 December 2012 - as restated	804,878,860	1,723,218,982	352,497,188	-	12,194,643,511	210,082,418	(390,798,925)	(180,716,507)	14,894,522,034	-	14,894,522,034
Total comprehensive income for the year	-	-	-	-	2,337,198,560	(91,864,993)	661,540,245	569,675,252	2,906,873,812	-	2,906,873,812
Dividend paid	29				(1,207,318,290)	-	-	-	(1,207,318,290)	-	(1,207,318,290)
Unappropriated retained earnings transferred to statutory reserve			23,422,214	-	(23,422,214)	-	-	-	-	-	-
Balance as at 31 December 2013	804,878,860	1,723,218,982	375,919,402	-	13,301,101,567	118,217,425	270,741,320	388,958,745	16,594,077,556	-	16,594,077,556

The accompanying notes are an integral part of the financial statements.

# Statements of changes in shareholders' equity (continue)

Hana Microelectronics Public Company Limited and its subsidiaries  
For the year ended 31 December 2013

		Separate financial statements							(Unit: Baht)	
		Issued and paid up share capital	Share premium	Retained earnings			Total equity attributable to owners of the Company	Treasury shares		Total
				Appropriated		Unappropriated				
				Statutory reserve	Reserve for treasury shares					
Note	Balance as at 1 January 2012	830,474,960	1,723,218,982	100,000,000	262,987,260	3,919,874,498	6,836,555,700	(262,987,260)	6,573,568,440	
	- as previously reported	-	-	-	-	3,762,494	3,762,494	-	3,762,494	
	Cumulative effect of change in accounting policy for deferred tax									
	Balance as at 1 January 2012 - as restated	830,474,960	1,723,218,982	100,000,000	262,987,260	3,923,636,992	6,840,318,194	(262,987,260)	6,577,330,934	
	Total comprehensive income for the year (restated)	-	-	-	-	901,123,828	901,123,828	-	901,123,828	
	Dividend paid	-	-	-	-	(1,207,318,290)	(1,207,318,290)	-	(1,207,318,290)	
	Write-off treasury shares	(25,596,100)	-	-	(262,987,260)	25,596,100	(262,987,260)	262,987,260	-	
	Balance as at 31 December 2012	804,878,860	1,723,218,982	100,000,000	-	3,643,038,630	6,271,136,472	-	6,271,136,472	
	Balance as at 31 December 2012									
	- as previously reported	804,878,860	1,723,218,982	100,000,000	-	3,638,356,933	6,266,454,775	-	6,266,454,775	
Cumulative effect of change in accounting policy for deferred tax	-	-	-	-	4,681,697	4,681,697	-	4,681,697		
Balance as at 31 December 2012 - as restated	804,878,860	1,723,218,982	100,000,000	-	3,643,038,630	6,271,136,472	-	6,271,136,472		
Total comprehensive income for the year	-	-	-	-	2,106,439,043	2,106,439,043	-	2,106,439,043		
Dividend paid	-	-	-	-	(1,207,318,290)	(1,207,318,290)	-	(1,207,318,290)		
Balance as at 31 December 2013	804,878,860	1,723,218,982	100,000,000	-	4,542,159,383	7,170,257,225	-	7,170,257,225		

The accompanying notes are an integral part of the financial statements.

# Statements of Cash Flows

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(Unit: Baht)

Note	Consolidated financial statements		Separate financial statements	
	2013	2012 (Restated)	2013	2012 (Restated)
Cash flows from operating activities				
Profit before tax	2,399,197,425	1,729,408,232	2,131,266,827	918,034,679
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation	1,184,471,801	1,225,593,097	280,818,892	291,415,476
Amortisation expenses	3,918,024	3,392,862	706,542	668,107
Reversal of allowance for doubtful accounts	(2,634,228)	(4,285,162)	-	-
Reduction of inventories to net realisable value (reversal)	(97,411,894)	49,888,174	(17,089,759)	108,128,525
Dividend income from subsidiary companies	-	-	(1,190,000,000)	(126,000,000)
Dividend income from other company	(42,750)	(28,125)	(42,750)	(28,125)
Loss (gain) on disposals/write-off equipment	(3,487,767)	97,343,834	1,175,963	(1,434,312)
Allowance for impairment loss on assets (reversal)	6,919,622	(182,627,681)	-	-
Provision for product warranty	17,926,398	22,690,510	-	-
Provision for vacation	571,140	4,351,813	465,083	1,999,076
Provision for long-term employee benefits	17,275,016	32,092,630	25,101,694	14,645,446
Provision for loss on tax assessments	85,323,961	64,109,834	85,323,961	64,109,834
Wrote-off withholding tax deducted at source	-	1,485,216	-	1,485,216
Gain on sales/redemption of short-term investments	(33,802,404)	(9,455,551)	-	-
Revaluation gain on investments in securities held for trading	(4,557,544)	(9,506,897)	-	-
Unrealised loss (gain) on exchange	(3,030,141)	1,509,829	(4,252,457)	12,038,531
Unrealised loss (gain) on forward contracts	117,452,036	(30,874,662)	-	-
Unrealised loss (gain) on swap contract	-	752,397	-	-
Interest income from short-term investments	(111,925,264)	(114,664,461)	-	-
Interest expenses	1,420,630	87,293	755,890	-
Profit from operating activities before changes in operating assets and liabilities	3,577,584,061	2,881,263,182	1,314,229,886	1,285,062,453

The accompanying notes are an integral part of the financial statements.



# Statements of cash flows (continued)

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(Unit: Baht)

Note	Consolidated financial statements		Separate financial statements	
	2013	2012 (Restated)	2013	2012 (Restated)
Operating assets (increase) decrease				
Trade and other receivables	(369,691,411)	(205,039,266)	(115,539,100)	(14,822,098)
Insurance claim receivable	(11,963,350)	300,000,000	-	-
Inventories	(226,801,137)	(251,077,272)	(336,709,057)	(29,779,919)
Other current assets	20,898,043	20,188,068	(3,716,563)	7,792,478
Other non-current assets	(53,679)	26,067	-	-
Operating liabilities increase (decrease)				
Trade and other payables	431,383,386	(429,800,169)	588,557,085	(197,448,253)
Other current liabilities	83,614,150	(31,620,942)	68,678,035	(2,128,727)
Cash from operating activities	3,504,970,063	2,283,939,668	1,515,500,286	1,048,675,934
Cash paid for long-term employee benefits	(7,836,852)	(8,631,652)	(1,872,408)	(2,421,959)
Cash paid for redemption of swap contract	(195,077)	-	-	-
Cash paid for tax assessments	(152,377,732)	-	(152,377,732)	-
Cash paid for corporate income tax	(107,566,688)	(74,304,605)	(24,598,541)	(15,409,317)
Interest paid	(756,266)	-	(755,890)	-
<b>Net cash from operating activities</b>	<b>3,236,237,448</b>	<b>2,201,003,411</b>	<b>1,335,895,715</b>	<b>1,030,844,658</b>
<b>Cash flows from investing activities</b>				
Increase in short-term investments	(607,875,913)	(531,399,770)	-	-
Interest income from short-term investments	104,919,131	113,532,434	-	-
Proceeds from sales/redemption of short-term investments	400,150,608	336,934,280	-	-
Increase in investment in subsidiary company	-	-	(155,947,500)	-
Dividend income from subsidiary companies	-	-	1,190,000,000	126,000,000
Dividend income from other company	42,750	28,125	42,750	28,125
Acquisitions of property, plant and equipment	(1,427,139,019)	(1,480,504,872)	(934,852,164)	(378,629,104)
Proceeds from disposals of equipment	60,086,649	108,315,299	298,407	2,794,952
Cash paid for land leasehold rights	(153,418,018)	-	-	-
Increase in intangible assets	(123,594)	(4,808,824)	(1,202,001)	-
Decrease (increase) in other non-current assets	17,448,206	(3,899,466)	(1,030,928)	-
<b>Net cash from (used in) investing activities</b>	<b>(1,605,909,200)</b>	<b>(1,461,802,794)</b>	<b>97,308,564</b>	<b>(249,806,027)</b>
<b>Cash flows from financing activities</b>				
Decrease in short-term loans from financial institution	(8,489,177)	(14,385,076)	-	-
Cash paid for interest expenses	(664,364)	(87,293)	-	-
Dividend paid	(1,207,318,290)	(1,207,318,290)	(1,207,318,290)	(1,207,318,290)
<b>Net cash used in financing activities</b>	<b>(1,216,471,831)</b>	<b>(1,221,790,659)</b>	<b>(1,207,318,290)</b>	<b>(1,207,318,290)</b>
Increase (decrease) in cash and cash equivalents	413,856,417	(482,590,042)	225,885,989	(426,279,659)
Translation adjustment	660,661,919	(230,376,320)	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,074,518,336</b>	<b>(712,966,362)</b>	<b>225,885,989</b>	<b>(426,279,659)</b>
Cash and cash equivalents at beginning of year	3,111,180,904	3,824,147,266	94,145,566	520,425,225
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>4,185,699,240</b>	<b>3,111,180,904</b>	<b>320,031,555</b>	<b>94,145,566</b>
<b>Supplemental cash flow information</b>				
Non-cash related transactions from investing activities				
Net increase (decrease) in accounts payable for purchase of plant and equipment	(109,389,855)	17,229,977	9,470,848	(15,571,628)
Revaluation gain from changes in fair value of investments in available-for-sale securities	(91,864,993)	(142,342,193)	-	-
Translation adjustment for deferred tax assets	(878,326)	698,582	-	-

The accompanying notes are an integral part of the financial statements.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 1. General information

Hana Microelectronics Public Company Limited (“the Company”) was incorporated as a limited company under Thai law and transformed to be a public limited company under the Public Limited Companies Act on 27 January 1993. The Company operates its business in Thailand and is principally engaged in the manufacture and trading of electronic components. The registered office of the Company is at 10/4 Moo 3, Vibhavadi - Rangsit Road, Kwang Talad Bangkheng, Khet Laksi, Bangkok.

## 2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### 2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Hana Microelectronics Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2013	2012
			Percent	Percent
Held by the Company				
Hana Semiconductor (BKK) Company Limited	Holding company	Thailand	100	100
Omac Sales Limited	Purchasing of electronic components and equipment	Hong Kong	100	100
Hana Microelectronics International Company Limited	Holding company	British Virgin Islands	100	100
Hana Microelectronics Investments Company Limited	Holding company	British Virgin Islands	100	100
Hana Technologies Group Limited	Holding company	Cayman Islands	100	100
Hana Microelectronics (Cambodia) Company Limited	Manufacture and trading of electronic components	Cambodia	100	-
Hana Semiconductor (Ayutthaya) Company Limited	Manufacture and trading of electronic components	Thailand	58	58
Held through the subsidiary companies				
Hana Semiconductor International Limited	Trading of electronic components	British Virgin Islands	100	100
Hana Semiconductor Holdings Limited	Holding company	British Virgin Islands	100	100
Hana Technologies Investments Limited	Holding company	Cayman Islands	100	100
Hana Microdisplay Technologies, Inc.	Manufacture and trading of electronic components	USA	100	100
Hana Microelectronics, Inc.	Agent and customer services	USA	100	100
Hana Microelectronics Enterprises Company Limited	Holding company	British Virgin Islands	100	100
Hana Macao Commercial Offshore Limited	Customer services	Macao	100	100
Hana Microelectronics (Jiaxing) Company Limited	Manufacture and trading of electronic components	China	100	100
Hana Semiconductor (Ayutthaya) Company Limited	Manufacture and trading of electronic components	Thailand	42	42

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated into Thai Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

### 3. New accounting standards

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

#### (a) Accounting standards that became effective in the current accounting year

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

#### TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy in this current period and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 4 to the financial statements.



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(b) Accounting standards that will become effective in the future

		Effective date
<b>Accounting Standards:</b>		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
<b>Financial Reporting Standards:</b>		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
<b>Accounting Standard Interpretations:</b>		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets – Web Site Costs	1 January 2014
<b>Financial Reporting Standard Interpretations:</b>		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

The Company and its subsidiaries' management believes that these accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standards interpretations will not have any significant impact on the financial statements for the year when they are initially applied.

## 4. Cumulative effect of changes in accounting policies due to the adoption of new accounting standard

During the current year, the Company and its subsidiaries made the changes described in Note 3 to the financial statements to its significant accounting policies, as a result of the adoption of Thai Accounting Standard 12 Income Taxes. The cumulative effect of the changes in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

(Unit: Thousand Baht)

	As at 31 December 2013		As at 31 December 2012		As at 1 January 2012	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
<b>Statements of financial position</b>						
Increase in deferred tax assets	18,924	8,070	14,967	4,682	15,801	3,762
Increase in unappropriated retained earnings	18,321	8,070	15,242	4,682	15,378	3,762
Increase (decrease) in other components of shareholders' equity	603	-	(275)	-	423	-

(Unit: Thousand Baht)

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
<b>Income statements</b>				
Increase (decrease) in income tax expenses	(3,079)	(3,389)	136	(919)
Increase (decrease) in profit attributable to equity holders of the Company	3,079	3,389	(136)	919
Increase (decrease) in basic earnings per share (Baht)	0.0038	0.0042	(0.0002)	0.0011
<b>Other comprehensive income:</b>				
Increase (decrease) in exchange differences on translation of financial statements in foreign currency	878	-	(698)	-

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 5. Significant accounting policies

### 5.1 Revenue recognition

#### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

#### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

#### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

#### *Rental income*

Rental income is recognised on an accrual basis.

### 5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### 5.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

### 5.4 Inventories

Raw materials, work in process and finished goods are valued at the lower of standard cost (which approximates actual cost by weighted average method) and net realisable value. Cost of work in process and finished goods includes direct materials, direct labour and factory overheads.

Allowance for diminution in inventory value is set up for obsolete, slow-moving or deteriorated inventories.

### 5.5 Investments

- a) Investments in securities held for trading of a subsidiary are stated at fair value. Changes in fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities of a subsidiary are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when securities are sold.
- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchanges in which the securities are issued. The fair value of debt instruments is determined based on yield rate quoted by the overseas banks.

The weighted average method is used for computation of the cost of investments.



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

In the event the Company and its subsidiary reclassify investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment which is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in profit or loss.

## 5.6 Property, plant and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Leasehold improvements	-	period of lease
Buildings	-	20 years
Installation	-	10 years
Other assets	-	3 - 15 years

Depreciation is included in determining income.

No depreciation is provided on land, construction in progress and machinery under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

## 5.7 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

The useful lives of the intangible assets is 5 - 10 years.

## 5.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

## 5.9 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

## 5.10 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

## 5.11 Employee benefits

### *Short-term employee benefits*

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

### *Post-employment benefits*

#### *Defined contribution plans*

The Company, the subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed to by the employees, the Company and the subsidiaries. The fund's assets are held in a separate trust fund and the Company and the subsidiaries' contributions are recognised as expenses when incurred.

#### *Defined benefit plans*

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## *Provision for vacation*

The Company and its subsidiaries have set up provision for vacation which is calculated in accordance with the Company's policy and formula, taking into consideration the employee's salary, the number of service years and the unused vacation days.

## **5.12 Treasury share**

Treasury share is stated at cost and is presented as a reduction from shareholders' equity. Gains on disposal of treasury share is determined by reference to its carrying amount and are taken to premium on treasury share, losses on disposal of treasury share are determined by reference to its carrying amount and are taken to premium on treasury share and retained earnings, consecutively.

## **5.13 Provisions**

Provisions are recognised when the Company and the subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

In addition, its subsidiaries also record provision for product warranty, which is estimated by reference to obligation for product warranty under manufacturing contract.

## **5.14 Income tax**

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

### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

## **5.15 Derivatives**

The Company and its subsidiaries have no policy to speculate in or engage in the trading of any financial derivative instruments, other than for managing the foreign currency risk. The subsidiaries have entered into forward exchange contracts to mitigate such exposure.



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value, which is determined by reliable financial institutions. Gains on losses arising from changes in the fair value of the contracts are recognised in profit or loss.

## 6. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

### 6.1 Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### 6.2 Allowance for diminution in inventory value

In determining an allowance for diminution in inventory value, the management needs to make judgment in estimating loss from obsolescence and slow moving, and the reduction of net realisable value of inventories.

### 6.3 Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

### 6.4 Impairment of equity investments

The Company and its subsidiaries treat available-for-sale equity investments and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment of the management.

### 6.5 Property plant and equipment and depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying cost. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

### 6.6 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 6.7 Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

## 6.8 Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and recorded such contingent liabilities as at the end of reporting period.

## 7. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2013 and 2012 as reflected in the statements of financial position and cash flows consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash	697	926	160	141
Bank deposits	2,820,647	1,841,953	319,872	94,005
Bills of exchange	-	180,000	-	-
Fixed deposits with maturity not over 3 months	1,364,355	1,088,302	-	-
Cash and cash equivalents	4,185,699	3,111,181	320,032	94,146

As at 31 December 2013, bank deposits in savings accounts and fixed deposits carried interests between 0.001 and 2.860 percent per annum (2012: 0.001 and 2.850 percent per annum).

## 8. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Separate financial statements		Transfer pricing policy
	2013	2012	
Transactions with subsidiary companies (eliminated from the consolidated financial statements)			
Sales of goods	7	12	Prices agreed between the parties due to the uniqueness of products sold to each customer
Dividend income	1,190	126	Declared rate
Rental income	3	10	Contract price
Purchase of materials	209	259	Cost plus mark up
Purchase of fixed assets	24	66	Cost plus mark up
Service fee expenses	3	2	Rates stipulated in the agreement

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

As at 31 December 2013 and 2012, the balances of the accounts between the Company and those related parties are as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Trade and other receivables (Note 10)				
Trade receivables - related parties				
Subsidiary companies	-	-	5,695	26,824
Total trade receivables - related parties	-	-	5,695	26,824
Other receivables - related parties				
Subsidiary companies	-	-	91	3,780
Related company (by way of common directors)	32	32	-	-
Total other receivables - related parties	32	32	91	3,780
Total trade and other receivables	32	32	5,786	30,604
Trade and other payables (Note 17)				
Trade payables - related parties				
Subsidiary companies	-	-	387,092	224,226
Total trade payables - related parties	-	-	387,092	224,226
Other payables - related party				
Subsidiary company	-	-	601	-
Total other payables - related party	-	-	601	-
Total trade and other payables	-	-	387,693	224,226

## Directors and management's benefits

During the years ended 31 December 2013 and 2012, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Short-term employee benefits	75	69	14	11
Post-employment benefits	2	10	1	10
Total	77	79	15	21



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 9. Short-term Investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2013		31 December 2012	
	Cost/ Carrying value	Fair value	Cost/ Carrying value	Fair value
<b>Securities held for trading</b>				
Overseas marketable equity securities	98,441	110,899	91,896	100,091
Unsecured subordinated notes	27,710	29,317	30,154	31,465
<b>Total</b>	<b>126,151</b>	<b>140,216</b>	<b>122,050</b>	<b>131,556</b>
Add: Gain on changes in fair value of investments	14,065	-	9,506	-
Investments in securities held for trading	140,216	140,216	131,556	131,556
<b>Available-for-sale securities</b>				
Overseas marketable corporate bonds	1,452,805	1,527,480	1,080,730	1,213,375
Local quoted bonds	32,817	30,833	30,634	31,661
Overseas quoted bonds	780,256	825,782	910,962	987,372
<b>Total</b>	<b>2,265,878</b>	<b>2,384,095</b>	<b>2,022,326</b>	<b>2,232,408</b>
Add: Revaluation surplus on changes in fair value of investments	118,217	-	210,082	-
Investments in available-for-sale securities	2,384,095	2,384,095	2,232,408	2,232,408
<b>Fixed deposit with financial institution</b>				
Fixed deposit within 1 year	-	-	6,126	6,126
Investment in fixed deposit with financial institution	-	-	6,126	6,126
<b>Total short-term investments</b>	<b>2,524,311</b>	<b>2,524,311</b>	<b>2,370,090</b>	<b>2,370,090</b>

### 9.1 Securities held for trading

Since the third quarter of 2008, Hana Microelectronics International Company Limited, an overseas subsidiary company, has invested in mutual fund of a company listed on the Stock Exchange of Cayman Island, bond investment trust of an overseas bank, and during 2012 additionally invested in interest bearing unsecured subordinated notes of a company listed on the Stock Exchange of Australia. The subsidiary classified these investments as held for trading purpose.

As at 31 December 2013, the subsidiary had assessed the fair value of the equity securities for mutual fund, the bond investment trust from an overseas bank and the interest bearing unsecured subordinated notes by referring to the latest bid price as quoted on the Stock Exchanges, in which the fair value had increased by USD 0.1 million or equivalent to approximately Baht 5 million (2012: increased by USD 0.3 million or equivalent to approximately Baht 9 million). The changes in the fair value of these investments were recognised in the income statement.

### 9.2 Available-for-sale securities

In addition, this subsidiary has invested in private corporate bonds issued by various companies listed on the overseas Stock Exchanges and quoted bonds through the three overseas banks. These investments are classified as available-for-sale investments. During the current year, the subsidiary additionally invested in an overseas listed corporate bonds and both of local and overseas quoted bonds and disposed some of the corporate bonds and

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

overseas quoted bonds, resulting in net gain of USD 1.1 million or equivalent to approximately Baht 33.8 million (2012: net gain of USD 0.3 million or equivalent to approximately Baht 9.4 million).

As at 31 December 2013, the subsidiary had assessed the fair value of the bonds by referring to the value quoted by the banks in which there was a revaluation surplus on the fair value of USD 3.6 million or equivalent to approximately Baht 118.2 million (2012: USD 5.9 million or equivalent to approximately Baht 210.1 million). The subsidiary recognised loss on change in fair value of such bonds approximately Baht 91.9 million as shown as a separate item in the statement of comprehensive income (2012: recognised gain on change in fair value of such bonds Baht 142.3 million).

As at 31 December 2013, part of short-term investments were used as security for short-term loans from financial institution as discussed in Note 16.

## 10. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Age of receivable				
Trade receivables - subsidiary companies				
Not yet due	-	-	-	997
Past due				
Up to 3 months	-	-	1,029	3,114
3 - 6 months	-	-	1,934	12,916
6 - 12 months	-	-	29	8,175
Over 12 months	-	-	2,703	1,622
<b>Total trade receivables - subsidiary companies (Note 8)</b>	<b>-</b>	<b>-</b>	<b>5,695</b>	<b>26,824</b>
Trade receivables - unrelated parties				
Not yet due	2,410,361	2,057,526	1,140,571	1,003,769
Past due				
Up to 3 months	722,243	596,354	296,123	217,752
3 - 6 months	13,813	23,758	247	3,418
6 - 12 months	1,222	16,349	-	286
Over 12 months	3,150	3,173	4	3
<b>Total trade receivables - unrelated parties</b>	<b>3,150,789</b>	<b>2,697,160</b>	<b>1,436,945</b>	<b>1,225,228</b>
Less: Allowance for doubtful accounts	(4,269)	(6,904)	-	-
<b>Total trade receivables - unrelated parties - net</b>	<b>3,146,520</b>	<b>2,690,256</b>	<b>1,436,945</b>	<b>1,225,228</b>
<b>Total trade receivables - net</b>	<b>3,146,520</b>	<b>2,690,256</b>	<b>1,442,640</b>	<b>1,252,052</b>
Other receivables - related parties (Note 8)	32	32	91	3,780
Other receivables - unrelated parties	94,617	73,928	4,492	5,865
<b>Total other receivables</b>	<b>94,649</b>	<b>73,960</b>	<b>4,583</b>	<b>9,645</b>
<b>Trade and other receivables - net</b>	<b>3,241,169</b>	<b>2,764,216</b>	<b>1,447,223</b>	<b>1,261,697</b>

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2013	2012	2013	2012	2013	2012
Finished goods	1,068,092	939,399	(185,006)	(186,597)	883,086	752,802
Work in process	248,267	221,428	-	-	248,267	221,428
Raw materials	2,115,495	2,024,119	(116,867)	(212,688)	1,998,628	1,811,431
Goods in transit	42,000	62,107	-	-	42,000	62,107
<b>Total</b>	<b>3,473,854</b>	<b>3,247,053</b>	<b>(301,873)</b>	<b>(399,285)</b>	<b>3,171,981</b>	<b>2,847,768</b>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2013	2012	2013	2012	2013	2012
Finished goods	551,050	368,658	(184,995)	(186,585)	366,055	182,073
Work in process	123,399	107,070	-	-	123,399	107,070
Raw materials	847,654	697,982	(82,065)	(97,564)	765,589	600,418
Goods in transit	13,817	25,501	-	-	13,817	25,501
<b>Total</b>	<b>1,535,920</b>	<b>1,199,211</b>	<b>(267,060)</b>	<b>(284,149)</b>	<b>1,268,860</b>	<b>915,062</b>

## 12. Investments in subsidiary companies

(Unit: Thousand Baht)

Company's name	Separate financial statements							
	Paid up capital		Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	2013	2012	2013	2012	2013	2012	2013	2012
			Percent	Percent				
Hana Semiconductor (Ayutthaya) Company Limited	1,200,000	1,200,000	58	58	2,142,910	2,142,910	665,000	126,000
Hana Semiconductor (BKK) Company Limited	1,000,000	1,000,000	100	100	1,011,100	1,011,100	525,000	-
Omac Sales Limited	325	325	100	100	273,492	273,492	-	-
Hana Microelectronics (Cambodia) Company Limited	155,947	-	100	-	155,947	-	-	-
Hana Microelectronics International Company Limited	-	-	100	100	-	-	-	-
Hana Microelectronics Investment Company Limited	-	-	100	100	-	-	-	-
Hana Technologies Group Limited	-	-	100	100	-	-	-	-
<b>Total investments in subsidiary companies</b>					<b>3,583,449</b>	<b>3,427,502</b>	<b>1,190,000</b>	<b>126,000</b>

On 14 May 2013, the Board of Directors of the Company No. 2/2013 passed a resolution approving the incorporation of a subsidiary company under the laws of the Kingdom of Cambodia, Hana Microelectronics (Cambodia) Company Limited with registered capital of USD 5 million. Hana Microelectronics (Cambodia) Company Limited was registered as a company on 2 September 2013.

During the current year, the Company paid in 100 percent of Hana Microelectronics (Cambodia) Company Limited's registered share capital, amounting to USD 5 million or equivalent to approximately Baht 156 million.



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 13. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements								Total
	Land	Buildings	Leasehold improvement	Installation	Machinery and equipment	Office furniture and equipment	Vehicles	Construction in progress and machinery under installation	
Cost									
As at 1 January 2012	279,008	2,209,663	137,417	657,855	10,949,804	503,759	47,179	295,031	15,079,716
Additions	75,226	3,171	33,416	24,752	271,292	35,366	3,587	1,096,519	1,543,329
Disposals	-	(587)	-	(626)	(978,486)	(15,029)	(9,279)	(82)	(1,004,089)
Transfer in (out)	-	26,808	-	65,183	1,033,613	48,343	2,645	(1,176,592)	-
Translation adjustment	-	(14,374)	(1,047)	-	(58,642)	(1,564)	(418)	(912)	(76,957)
As at 31 December 2012	354,234	2,224,681	169,786	747,164	11,217,581	570,875	43,714	213,964	15,541,999
Additions	-	132	-	13,066	177,675	12,236	6,233	923,803	1,133,145
Disposals	-	(22)	-	(1,519)	(296,646)	(19,553)	(2,519)	-	(320,259)
Transfer in (out)	-	100	-	12,194	226,892	6,321	3,600	(249,107)	-
Translation adjustment	-	61,108	7,179	-	253,334	5,965	1,830	2,690	332,106
As at 31 December 2013	354,234	2,285,999	176,965	770,905	11,578,836	575,844	52,858	891,350	16,686,991
Accumulated depreciation									
As at 1 January 2012	-	719,032	118,895	440,622	6,726,318	395,440	30,827	-	8,431,134
Depreciation for the year	-	110,569	5,362	51,101	1,005,363	48,018	5,180	-	1,225,593
Accumulated depreciation for disposed assets	-	(587)	-	(417)	(777,722)	(12,527)	(7,177)	-	(798,430)
Translation adjustment	-	(4,005)	(947)	-	(23,501)	(1,132)	(275)	-	(29,860)
As at 31 December 2012	-	825,009	123,310	491,306	6,930,458	429,799	28,555	-	8,828,437
Depreciation for the year	-	112,249	11,973	51,221	954,729	48,631	5,669	-	1,184,472
Accumulated depreciation for disposed assets	-	-	-	(1,519)	(242,384)	(18,074)	(1,664)	-	(263,641)
Translation adjustment	-	21,359	3,463	-	116,974	4,418	1,270	-	147,484
As at 31 December 2013	-	958,617	138,746	541,008	7,759,777	464,774	33,830	-	9,896,752
Allowance for impairment loss									
As at 1 January 2012	-	-	-	613	275,379	-	-	-	275,992
Increase during the year	-	-	-	3,397	2,187	2,763	-	-	8,347
Decrease during the year	-	-	-	-	(190,974)	-	-	-	(190,974)
Translation adjustment	-	-	-	-	(1,504)	-	-	-	(1,504)
As at 31 December 2012	-	-	-	4,010	85,088	2,763	-	-	91,861
Increase during the year	-	-	125	4,977	-	582	-	-	5,684
Decrease during the year	-	-	-	-	(1,862)	-	-	-	(1,862)
Translation adjustment	-	-	-	-	3,097	-	-	-	3,097
As at 31 December 2013	-	-	125	8,987	86,323	3,345	-	-	98,780
Net book value									
As at 31 December 2012	354,234	1,399,672	46,476	251,848	4,202,035	138,313	15,159	213,964	6,621,701
As at 31 December 2013	354,234	1,327,382	38,094	220,910	3,732,736	107,725	19,028	891,350	6,691,459
Depreciation for the year									
2012 (Baht 984 million included in manufacturing cost, and the balance in administrative expenses)									1,225,593
2013 (Baht 1,091 million included in manufacturing cost, and the balance in administrative expenses)									1,184,472

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(Unit: Thousand Baht)

	Separate financial statements								
	Land	Buildings	Leasehold improvement	Installation	Machinery and equipment	Office furniture and equipment	Vehicles	Construction in progress and machinery under installation	Total
Cost									
As at 1 January 2012	172,625	895,568	85,641	197,846	2,161,951	122,026	14,677	43,404	3,693,738
Additions	75,226	3,171	-	9,084	59,304	7,902	466	207,903	363,056
Disposals	-	-	-	-	(54,370)	(897)	(1,368)	-	(56,635)
Transfer in (out)	-	10,775	-	12,883	144,976	5,147	-	(173,781)	-
As at 31 December 2012	247,851	909,514	85,641	219,813	2,311,861	134,178	13,775	77,526	4,000,159
Additions	-	132	-	8,484	30,791	7,149	-	897,610	944,166
Disposals	-	-	-	-	(14,335)	(1,013)	(1,093)	-	(16,441)
Transfer in (out)	-	100	-	8,873	138,931	953	3,600	(152,457)	-
As at 31 December 2013	247,851	909,746	85,641	237,170	2,467,248	141,267	16,282	822,679	4,927,884
Accumulated depreciation									
As at 1 January 2012	-	314,389	85,641	88,296	1,459,130	96,145	11,305	-	2,054,906
Depreciation for the year	-	44,840	-	17,872	216,858	10,331	1,514	-	291,415
Accumulated depreciation for disposed assets	-	-	-	-	(53,431)	(678)	(1,166)	-	(55,275)
As at 31 December 2012	-	359,229	85,641	106,168	1,622,557	105,798	11,653	-	2,291,046
Depreciation for the year	-	45,486	-	18,789	204,985	10,164	1,395	-	280,819
Accumulated depreciation for disposed assets	-	-	-	-	(13,548)	(483)	(1,093)	-	(15,124)
As at 31 December 2013	-	404,715	85,641	124,957	1,813,994	115,479	11,955	-	2,556,741
Allowance for impairment loss									
As at 1 January 2012	-	-	-	613	7,235	-	-	-	7,848
As at 31 December 2012	-	-	-	613	7,235	-	-	-	7,848
As at 31 December 2013	-	-	-	613	7,235	-	-	-	7,848
Net book value									
As at 31 December 2012	247,851	550,285	-	113,032	682,069	28,380	2,122	77,526	1,701,265
As at 31 December 2013	247,851	505,031	-	111,600	646,019	25,788	4,327	822,679	2,363,295
Depreciation for the year									
2012 (Baht 217 million included in manufacturing cost, and the balance in administrative expenses)									291,415
2013 (Baht 205 million included in manufacturing cost, and the balance in administrative expenses)									280,819

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

As at 31 December 2013, certain property and equipment items have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation and allowance for impairment loss, of those assets amounted to approximately Baht 5,625 million (2012: Baht 4,619 million) and for the Company amounted to approximately Baht 1,391 million (2012: Baht 1,052 million).

## 14. Land leasehold rights

During the year 2013, an overseas subsidiary entered into land leasehold agreements for building of factory and dormitory for its employees for the period of 50 years. As at 31 December 2013, the land leasehold rights are amounted to USD 4.7 million or equivalent approximately to Baht 153.4 million.

## 15. Intangible assets

Details of intangible assets which are computer software are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
As at 1 January 2012	43,762	7,418
Additions	2,592	-
Translation adjustment	1,970	-
<b>As at 31 December 2012</b>	<b>48,324</b>	<b>7,418</b>
Additions	3,948	1,202
Translation adjustment	1,351	-
<b>As at 31 December 2013</b>	<b>53,623</b>	<b>8,620</b>
<b>Accumulated amortisation</b>		
As at 1 January 2012	29,221	2,662
Amortisation for the year	3,393	668
Translation adjustment	(247)	-
<b>As at 31 December 2012</b>	<b>32,367</b>	<b>3,330</b>
Amortisation for the year	3,918	706
Translation adjustment	1,109	-
<b>As at 31 December 2013</b>	<b>37,394</b>	<b>4,036</b>
<b>Allowance for impairment</b>		
As at 1 January 2012	-	-
As at 31 December 2012	-	-
Increase during the year	4,066	-
<b>As at 31 December 2013</b>	<b>4,066</b>	<b>-</b>
<b>Net book value</b>		
As at 31 December 2012	15,957	4,088
<b>As at 31 December 2013</b>	<b>12,163</b>	<b>4,584</b>
<b>Amortisation for the year</b>		
2012	3,393	668
2013	3,918	706



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 16. Short-term loans from financial institution

The balances of short-term loans from financial institution of an overseas subsidiary as at 31 December 2013 and 2012 are summarised below.

	2013	2012
	Million AUD	Million USD
Principal loan balance	0.55	0.80
Interest rate (percent per annum)	3.03 - 3.64	1.00 - 1.35

These loans are secured by the pledge of the short-term investments held under the accounts of the lender by the subsidiary company.

## 17. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Trade payables - subsidiary companies (Note 8)	-	-	387,092	224,226
Trade payables - unrelated parties	2,015,112	1,552,396	958,523	475,785
Advance received from customers	154,542	120,315	24,654	26,524
Other payables for purchase of machineries	82,312	191,702	32,294	22,823
Other payable - related party (Note 8)	-	-	601	-
Accrued expenses	232,893	223,427	36,027	26,032
<b>Total trade and other payables</b>	<b>2,484,859</b>	<b>2,087,840</b>	<b>1,439,191</b>	<b>775,390</b>

## 18. Short-term provisions

(Unit: Thousand Baht)

	Consolidated financial statements		
	Loss on tax assessments	Product warranty	Total
As at 1 January 2012	150,466	218,008	368,474
Increase during the year	64,110	15,766	79,876
<b>As at 31 December 2012</b>	<b>214,576</b>	<b>233,774</b>	<b>448,350</b>
Increase during the year	83,412	38,039	121,451
Decrease from actual paid	(125,388)	-	(125,388)
Reversal of provision	(25,078)	-	(25,078)
<b>As at 31 December 2013</b>	<b>147,522</b>	<b>271,813</b>	<b>419,335</b>

(Unit: Thousand Baht)

	Separate financial statements	
	Loss on tax assessments	Total
As at 1 January 2012	150,466	150,466
Increase during the year	64,110	64,110
<b>As at 31 December 2012</b>	<b>214,576</b>	<b>214,576</b>
Increase during the year	83,412	83,412
Decrease from actual paid	(125,388)	(125,388)
Reversal of provision	(25,078)	(25,078)
<b>As at 31 December 2013</b>	<b>147,522</b>	<b>147,522</b>

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## Provision for loss on tax assessment

The Company has recorded provision for loss on tax assessment, as described in Note 30.5.

## Provision for product warranty

The subsidiaries record provision for product warranty, which is estimated by reference to obligation for product warranty under manufacturing contract.

## 19. Provision for long-term employee benefits

Provision for long-term employee benefits, which are compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Defined benefit obligation at beginning of year	376,361	352,900	167,074	154,851
Current service cost	40,049	41,162	21,215	19,911
Interest cost	13,549	10,960	6,489	5,168
Benefits paid during the year	(7,837)	(8,632)	(1,872)	(2,422)
Actuarial gain	(36,323)	(20,029)	(2,603)	(10,434)
Defined benefit obligation at end of year	385,799	376,361	190,303	167,074

Long-term employee benefit expenses included in the profit or loss was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Current service cost	40,049	41,162	21,215	19,911
Interest cost	13,549	10,960	6,489	5,168
Actuarial gain recognised during the year	(36,323)	(20,029)	(2,603)	(10,434)
<b>Total expense recognised in profit or loss</b>	<b>17,275</b>	<b>32,093</b>	<b>25,101</b>	<b>14,645</b>
Line items under which such expenses are included in profit or loss				
Cost of sales	(309)	24,575	3,314	8,690
Selling and administrative expenses	17,584	7,518	21,787	5,955

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.3%	4.2%	4.3%	4.2%
Future salary increase rate (depending on age)	4.0% - 5.3%	4.0% - 5.3%	4.0% - 5.3%	4.0% - 5.3%
Staff turnover rate	4.9% - 26.3%	4.9% - 26.3%	4.9% - 26.3%	4.9% - 26.3%

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

Amounts of defined benefit obligation for the current and previous three periods are as follows:

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2013	385,799	190,303	(51,992)	(11,731)
Year 2012	376,361	167,074	(32,439)	(14,656)
Year 2011	352,900	154,851	(41,632)	(8,498)
Year 2010	271,128	109,944	-	-

## 20. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

## 21. Treasury shares

A resolution of a meeting of the Company's Board of Directors No. 4/2551 held on 7 October 2008 approved the repurchase of shares of the Company in order to manage its excess cash, increase earnings per share and to maximise shareholder benefits, with a budget of not more than Baht 1,600 million. The repurchase shall not more than 83 million shares, equivalent to 9.99% of total issued and paid-up shares of the Company. The period of repurchase of shares is from 22 October 2008 to 22 April 2009 and these shares are to be sold after 6 months from the date of completing the repurchase of shares, but not more than 3 years.

Under the Notification of the Office of the Securities and Exchange Commission No. Gor Lor Tor. Chor. Sor. (Wor) 2/2548 and the Notification of the Federation of Accounting Professions No. Sor. Sor Wor Bor Chor. 016/2548, public limited company is required to set aside retained earnings in an amount equal to the amount paid for treasury shares until either the shares are sold or paid-up capital is reduced by cancellation of any remaining unsold shares. As at 31 December 2011, the Company set aside approximately Baht 262.99 million as reserve for treasury shares.

A resolution of the meeting of the Company's Board of Directors No. 3/2554 held on 10 August 2011 approved the resale of 25,596,100 treasury shares, or equivalent to 3.08 percent of total issued and paid-up shares of the Company. The treasury shares will be sold through the Stock Exchange of Thailand. The period of the resale of these shares is from 25 August 2011 to 2 September 2011, and the resale price shall not less than 85 percent of the average closing price of the last 5 trading days. However, no treasury shares were sold until the ending resale period on 2 September 2011.

On 28 February 2012, the meeting of the Board of Directors of the Company No. 1/2555 passed resolutions approving to write off all 25,596,100 treasury shares with a par value of Baht 1 each which remain unsold, and approving to decrease the Company's registered, issued and paid-up share capital, resulting from treasury shares written off. As a result, the Company's registered share capital was reduced from Baht 1,000,000,000 (1,000,000,000 ordinary shares of Baht 1 each) to Baht 974,403,900 (974,403,900 million ordinary shares of Baht 1 each), and its issued and paid-up share capital was reduced from Baht 830,474,960 (830,474,960 ordinary shares of Baht 1 each) to Baht 804,878,860 (804,878,860 ordinary shares of Baht 1 each). The Company registered the share capital decrease with the Ministry of Commerce on 5 March 2012.



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 22. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Raw materials and consumables used	11,077,074	10,926,437	5,274,999	4,764,964
Changes in inventories of finished goods and work in process	(157,123)	(249,396)	(200,311)	(91,119)
Salary and wages and other employee benefits	2,998,548	2,756,767	1,172,970	992,252
Management benefit expenses	76,834	79,594	14,544	20,814
Depreciation and amortisation expenses	1,188,390	1,228,986	281,526	292,083
Loss from tax assessments	110,402	64,110	110,402	64,110
Loss on exchange	60,329	-	-	-
Product warranty expenses	21,601	22,691	-	-

## 23. Income tax

Income tax expenses for the years ended 31 December 2013 and 2012 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Current income tax:				
Current income tax charge	64,728	117,430	27,867	16,418
Adjustment in respect of current income tax of previous year	350	1,650	350	1,412
Deferred tax:				
Relating to origination and reversal of temporary differences	(3,079)	136	(3,389)	(919)
Income tax expense reported in the statement of income	61,999	119,216	24,828	16,911

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Deferred tax relating to exchange differences on translation of financial statements in foreign currency	878	(698)	-	-
	878	(698)	-	-

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012 are as follows.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Accounting profit before tax	2,399,197	1,729,408	2,131,267	918,035
Applicable tax rate	0 - 25%	0 - 23%	20%	23%
Accounting profit before tax multiplied by applicable tax rate	785,109	294,522	426,253	211,148
Adjustment in respect of current income tax of previous year	350	2,081	350	1,412
Effects of:				
Promotional privileges (Note 26)	(218,360)	(191,353)	(187,170)	(187,263)
Dividend income not subject to tax	(333,009)	(49,686)	(238,008)	(28,986)
Income not subject to tax	(190,114)	(11,366)	-	-
Non-deductible expenses	19,869	78,231	17,083	15,237
Additional expense deductions allowed	(7,708)	(6,433)	-	-
Others	5,862	3,220	6,320	5,363
<b>Total</b>	<b>(723,460)</b>	<b>(177,387)</b>	<b>(401,775)</b>	<b>(195,649)</b>
<b>Income tax expenses reported in the statement of income</b>	<b>61,999</b>	<b>119,216</b>	<b>24,828</b>	<b>16,911</b>

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position					
	Consolidated financial statements			Separate financial statements		
	As at 31 December 2013	As at 31 December 2012	As at 1 January 2012	As at 31 December 2013	As at 31 December 2012	As at 1 January 2012
		(Restated)			(Restated)	
<b>Deferred tax assets</b>						
Allowance for diminution in value of inventories	4,359	2,830	2,022	4,359	2,830	2,022
Allowance for asset impairment	128	78	90	128	78	90
Provision for long-term employee benefits	3,292	1,774	1,650	3,292	1,774	1,650
Accrued expenses	10,854	10,285	12,039	-	-	-
Consignment inventory	291	-	-	291	-	-
<b>Total</b>	<b>18,924</b>	<b>14,967</b>	<b>15,801</b>	<b>8,070</b>	<b>4,682</b>	<b>3,762</b>

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Company has reflected the changes in the income tax rates in its deferred tax calculation, as presented above.

## 24. Insurance claim from flood event

The plant of Hana Semiconductor (Ayutthaya) Co., Ltd., a subsidiary of the Company, which is located in Hi-tech Industrial Estate in Ayutthaya province, was inundated in early October 2011 as a result of the extensive flooding in Thailand during the fourth quarter of 2011. The subsidiary suffered major damages to its property and business interruption losses. The subsidiary investigated the damages and recorded losses from flood event of Baht 399 million in profit or loss for the year 2011 which consisted of the damages to fixed assets of Baht 191 million, damages to inventories of Baht 153 million and other damages of Baht 55 million, including full provision for net book value of the damaged property which is to be replaced.

The subsidiary claimed insurance compensation for its property damages losses and its business interruption losses resulting from the flood. The subsidiary received an initial compensation payment on its property damages of Baht 300 million in February 2012, and as at 31 December 2011, it had therefore recognised this insurance claim receivable as current asset in the statement of financial position, and net such amount against loss from flood event in profit or loss in the income statement. The recognised compensation did not exceed the above loss from the damages to fixed assets and inventories.

During the second quarter and third quarter of 2012, the subsidiary received the compensation payments on its business interruption losses of Baht 204 million and Baht 196 million, respectively, and recognised these compensations as other income in the income statements for the year ended 31 December 2012.

Subsequently, during the first quarter, second quarter and fourth quarter of 2013, the subsidiary received the remaining compensation payments on its property damages amounting to Baht 30 million, Baht 712 million and Baht 188 million, respectively, and recorded a reimbursement from insurance claim receivable of Baht 12 million as a current asset in the statement of financial position as at 31 December 2013. The subsidiary recognised the insurance compensation income totaling Baht 942 million in the income statement for the year ended 31 December 2013.

The subsidiary is in the process of claiming insurance compensation for its business interruption losses resulting from the flood.

## 25. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 26. Promotional privileges

The Company and its subsidiaries have received promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment. Subject to certain imposed conditions, significant privileges are as follows:

Particulars		The Company								
1.	Certificate No.	1842/2539	1341/Or/2544	1455 (1)/2544	1597(1)/2544	1642(2)/2546	1977(2)/2547	1328(2)/2548	2138(2)/2550	1887(1)/2552
2.	Promotional privileges for	Production of PCBA	Production of Fiber Optic Device, Air Pressure and Temperature Control and Wireless Radio Frequency	Production of Wireless Sensor	Production of smart card and module for smart card	Production of Wireless Sensor	Production of Flexible Circuit Board Assembly and electronic components for Interface Device	Production of PCBA, RFID, TAG reader	Production of PCBA	Production of Semi-Conductor i.e. Wireless Sensor
3.	The significant privilege are									
3.1	Exemption from corporate income tax on net income derived from the promoted operation and exemption from income tax on dividends paid from the promoted operations which are tax exempted throughout the period in which the corporate income tax is exempted.	8 years (expired)	8 years (expired)	8 years (expired)	8 years (expired)	8 years (expired) (tax exempted according with investment)	8 years (tax exempted according with investment)	8 years (tax exempted according with investment)	8 years (tax exempted according with investment)	8 years
3.2	5% allowance of the increment in export income over the preceding years.	10 years (expired)	10 years (expired)	-	-	-	-	-	-	-
3.3	50 % reduction of the normal corporate income tax rate for net income derived after the expiry date in 3.1	5 years (expired)	5 years	5 years	5 years	5 years (expired) (tax exempted according with investment)	5 years (tax exempted according with investment)	5 years (tax exempted according with investment)	5 years (tax exempted according with investment)	5 years
3.4	Exemption from import duty on machinery as approved by the Board.	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted
3.5	2 times deduction of transportation,, electricity and water expenses from the first earning operating income	10 years (expired)	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
4.	Date of first earning operating income	10 January 1997	17 January 2002 (Transferred from Hana Microelectronics (NRIE) Co., Ltd. in 2002)	27 March 2002	17 November 2001	30 June 2004	2 December 2004	24 March 2006	3 December 2007	2 December 2009

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

Particulars	Subsidiary Hana Semiconductor (Ayutthaya) Company Limited				
	1133(4)/2548	2176(4)/2548	1458(1)/2553	1817(2)/2550	1034(2)/2550
1. Certificate No.					
2. Promotional privileges for	Production of Integrated Circuit (IC) and Integrated Module	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)	Production of Integrated Circuit (IC)	Production of Integrated Circuit (IC)	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)
3. The significant privilege are					
3.1 Exemption from corporate income tax on net income derived from the promoted operation and exemption from income tax on dividends paid from the promoted operations which are tax exempted throughout the period in which the corporate income tax is exempted.	8 years	8 years	8 years	7 years	8 years
3.2 Exemption from import duty on machinery as approved by the Board.	Granted	Granted	Granted	Granted	Granted
4. Date of first earning operating income	3 January 2005	10 January 2006	10 May 2010	1 September 2010	Has not yet started utilising the privileges.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

During the year 2012, the subsidiaries were approved by the Board of investment to terminate the promotional certificates no.112/2541, 1594(2)/2545, and 2093(6)/2548.

The Company's operating revenues for the years 2013 and 2012 could be divided according to promoted and non-promoted operations as follows:

(Unit: Thousand Baht)

	Promoted operations		Non-promoted operations		Total	
	2013	2012	2013	2012	2013	2012
Sales						
Domestic sales	-	2,307	11,771	9,461	11,771	11,768
Export sales	7,807,506	7,172,670	1,194	8,419	7,808,700	7,181,089
<b>Total sales</b>	<b>7,807,506</b>	<b>7,174,977</b>	<b>12,965</b>	<b>17,880</b>	<b>7,820,471</b>	<b>7,192,857</b>

## 27. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organised into business units based on their products and services and have two reportable segments as follows:

1. The Printed Circuit Board Assembly (PCBA) Segment, which produces and sells Printed Circuit Board Assembly (PCBA).
2. The Integrated Circuit (IC) Segment, which produces and sells Integrated Circuit (IC).

No operating segments have been aggregated to from the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit and total assets information regarding the Company and its subsidiaries' operating segments for the year ended 31 December 2013 and 2012, respectively.



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

(Unit: Million Baht)

Year ended 31 December 2013	Printed Circuit Board Assembly (PCBA)	Integrated Circuit (IC)	Other	Total reportable segments	Eliminations	Total
Revenue from external customers	11,604	5,922	141	17,667	-	17,667
Inter-segment revenue	3,701	1,056	1,268	6,025	(6,025)	-
Total revenue	15,305	6,978	1,409	23,692	(6,025)	17,667
Segment profit	1,587	382	33	2,002	-	2,002
Interest revenue						165
Insurance compensation income						942
Other income						378
Selling expenses						(126)
Administrative expenses						(760)
Loss on exchange						(60)
Loss on tax assessments						(110)
Other expenses						(31)
Interest expenses						(1)
Income tax expenses						(62)
Profit for the year						2,337
Segment total assets						
Additions to property, plant and equipment, and land leasehold rights	1,148	135	4	1,287	-	1,287

(Unit: Million Baht)

Year ended 31 December 2012	Printed Circuit Board Assembly (PCBA)	Integrated Circuit (IC)	Other	Total reportable segments	Eliminations	Total
Revenue from external customers	11,456	5,543	234	17,233	-	17,233
Inter-segment revenue	4,150	1,071	1,858	7,079	(7,079)	-
Total revenue	15,606	6,614	2,092	24,312	(7,079)	17,233
Segment profit	800	846	37	1,683	-	1,683
Interest revenue						171
Insurance compensation income						400
Gain on exchange						168
Other income						416
Selling expenses						(133)
Administrative expenses						(880)
Loss on tax assessments						(64)
Other expenses						(32)
Income tax expenses						(119)
Profit for the year						1,610
Segment total assets						
Additions to property, plant and equipment	534	1,008	1	1,543	-	1,543

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## Geographic information

Revenue from external customers is based on locations of the customers.

(Unit: Thousand Baht)

	2013	2012
<b>Revenue from external customers</b>		
Malaysia	5,336,104	5,300,848
Hong Kong	2,732,427	3,615,907
United States of America	2,180,201	3,065,203
China	1,704,177	1,301,534
Singapore	1,705,270	931,186
Others	4,008,821	3,018,091
<b>Total</b>	<b>17,667,000</b>	<b>17,232,769</b>
<b>Non-current assets (other than deferred tax assets)</b>		
Thailand	4,761,491	4,638,306
China	1,901,950	1,972,769
Cambodia	153,418	-
United States of America	32,336	36,152
Others	11,272	11,252
<b>Total</b>	<b>6,860,467</b>	<b>6,658,479</b>

## Major customers

For the year 2013, the Company and its subsidiaries have revenue from 5 major customers in amount of Baht 8,800 million, arising from sales by the Printed Circuit Board Assembly (PCBA) segment and the Integrated Circuit (IC) segment, (2012: Baht 9,762 million derived from 5 major customers, arising from sales by the Printed Circuit Board Assembly (PCBA) segment and the Integrated Circuit (IC) segment).

## 28. Provident fund

The Company, the subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company or the subsidiaries contribute to the fund monthly at the rates of 3.0 - 7.5 percent of basic salary. The fund, which is managed by SCB Asset Management Company Limited, will be paid to employees upon terminating in accordance with the fund rules. During the year 2013, total amount of approximately of Baht 61 million (2012: Baht 53 million) had been contributed to the fund by the Company and its subsidiaries, and Baht 31 million had been contributed by the Company (2012: Baht 24 million).

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 29. Dividend paid

During the years 2013 and 2012, the Company and its subsidiaries had dividend payments as follows:

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
<b>The Company</b>			
Final dividends for 2011	Annual General Meeting of the shareholders on 30 April 2012	805	1.00
Interim dividends for 2012	Board of Directors' Meeting on 8 November 2012	402	0.50
<b>Total for the year 2012</b>		<b>1,207</b>	<b>1.50</b>
Final dividends for 2012	Annual General Meeting of the shareholders on 30 April 2013	805	1.00
Interim dividends for 2013	Board of Directors' Meeting on 13 November 2013	402	0.50
<b>Total for the year 2013</b>		<b>1,207</b>	<b>1.50</b>
<b>Subsidiary companies</b>			
<b>Hana Semiconductor (Ayutthaya) Company Limited</b>			
Final dividends for 2011	Annual General Meeting of the shareholders on 17 April 2012	216	1.80
<b>Total for the year 2012</b>		<b>216</b>	<b>1.80</b>
Final dividends for 2012	Annual General Meeting of the shareholders on 29 April 2013	720	6.00
Interim dividend in respect of the income for the period from 1 January 2013 to 30 June 2013	Board of Directors' meeting on 16 August 2013	420	3.50
<b>Total for the year 2013</b>		<b>1,140</b>	<b>9.50</b>
<b>Hana Semiconductor (BKK) Company Limited</b>			
Final dividends for 2012	Annual General Meeting of the shareholders on 30 April 2013	50	0.5
Interim dividend in respect of the income for the period from 1 January 2013 to 30 April 2013	Board of Directors' meeting on 3 May 2013	300	3.00
Interim dividend in respect of the income for the period from 1 January 2013 to 31 August 2013	Board of Directors' meeting on 26 August 2013	175	1.75
<b>Total for the year 2013</b>		<b>525</b>	<b>5.25</b>



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## 30. Commitments and contingent liabilities

### 30.1 Capital commitments

As at 31 December 2013, the Company and its subsidiaries had capital commitments relating to acquisitions of machinery of approximately USD 2.0 million or equivalent to a total of Baht 66.2 million. (2012: USD 3.1 million or equivalent to Baht 96.4 million) and the Company only of approximately Baht 62.6 million (2012: Baht 19.8 million). In addition, the Company had capital commitments relating to building of office building of approximately Baht 5 million.

In addition, the Company entered into a construction agreement with an unrelated company to build a new manufacturing plant located in Saha Pathana Industrial Estate in Lumphun Province during the period. The agreement is for the period from 2 January 2013 to 31 March 2014 which the Company is to make payments of approximately Baht 47 million each month. As at 31 December 2013, the Company had commitments of Baht 170 million.

### 30.2 Operating lease commitments

The Company operates its business in Bangkok on a leased premise, the lease agreement of which is made between the landlord and a related company. The lease is for a period from the year 1986 up to the year 2014 with the annual lease payment of approximately Baht 0.2 million in the year 1992 and subject to an increase at the rate of 10% per annum. The lease payment rate has been changed to Baht 0.1 million per month since March 2011.

In addition, an overseas subsidiary entered into the factory lease agreement with an unrelated company. The lease is for a period from the year 2013 up to the year 2015 with the annual lease payment of approximately RMB 0.8 million.

### 30.3 Marketing supportive service agreement

Since the year 2001, the Company and three subsidiary companies entered into marketing supportive service agreement with an overseas subsidiary company. Under that agreement, the Company and the three subsidiary companies have to pay service fees to that subsidiary company at the rates stipulated in the agreement.

### 30.4 Guarantees

As at 31 December 2013, there were outstanding bank guarantees of approximately Baht 132 million (2012: Baht 256 million) and the Company only: Baht 92 million (2012: Baht 223 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business of the Company and the subsidiaries. These included letters of guarantee amounting to Baht 77 million (2012: Baht 208 million) to be security for the tax assessments of the Company made by the Revenue Department (as discussed in Note 29.5) and Baht 55 million to guarantee electricity uses, among others (2012: Baht 48 million).

### 30.5 Tax assessments

During the year 2003, the Company received a notification of a corporate income tax assessment for the year 1997 from the Revenue Department for not allocating interest expenses and loss on exchange rate of loans to the promoted operations, causing the under recording of corporate income tax for the year 1997, which together with related penalty and surcharge amounted to Baht 150 million. The Company did not agree with the assessment and appealed it to the Tax Tribunal. In November 2007, the Tax Tribunal rejected the appeal. The Company did not agree with the Tax Tribunal and therefore appealed to the Supreme Court. In September 2013, the Supreme Court

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

ordered the Company to pay the tax assessment for the year 1997 in accordance with the ruling of the Central Tax Court, except to deduct 50 percent of the penalty. Thus, the tax liabilities together with related penalty and surcharge are approximately Baht 125 million. The Company has previously recorded full provision for loss on tax assessment of Baht 150 million and therefore recorded the reversal of penalty of Baht 25 million as other income in the income statement for the year ended 31 December 2013. The Company paid the tax assessment to the Revenue Department in October 2013.

During the second quarter and the third quarter of 2012, the Company received notifications of corporate income tax assessments for the years 2001 and 2002 from the Revenue Department for over allocation of administrative expenses, interest expenses and loss on exchange rate to the promoted operations, and over utilisation of losses carried forward, causing the under recording of corporate income tax for the years 2001 and 2002, which together with related penalty and surcharge amounted to approximately Baht 20 million and Baht 44 million, respectively. The Company recorded the loss on tax assessments totaling Baht 64 million in the income statement for the year ended 31 December 2012. The Company did not agree with the assessments and appealed them to the Board of Appeals on 28 June 2012 and 28 September 2012. Currently, the Company is in the process of appealing to the Board of Appeals. The Company expects the Board of Appeals to reverse the assessments made by the Revenue Department, with the result that the Company will not need to make any tax payment.

In addition, during the third quarter of 2013, the Company received a notification of corporate income tax assessment for the year 2003 from the Revenue Department for over allocation of administrative expenses, interest expenses and loss on exchange rate to the promoted operations, and over utilisation of losses carried forward, causing the under recording of corporate income tax for the year 2003, which together with related penalty and surcharge amounted to approximately Baht 40 million. The Company recorded such loss on tax assessment in the income statement for the year ended 31 December 2013. The Company paid the assessed tax and related surcharge totaling Baht 27 million on 24 September 2013, and appealed the remaining penalty of Baht 13 million to the Board of Appeals, in order to reduce the penalty.

As a result of the Supreme Court's decision regarding the above tax assessment for the year 1997, for prudent reason the Company assessed its tax liabilities as a result of over utilisation of losses carried forward in its tax computation for the year 2004, and recorded provisions for tax assessment for the year 2004 amounting to Baht 70 million included in other expenses in the income statement for the year ended 31 December 2013.

As at 31 December 2013, the Company has recorded provision for loss on tax assessments totaling approximately Baht 148 million (31 December 2012: Baht 215 million) and has place bank guarantees as security against the assessments.

## 31. Financial instruments

### 31.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, investments, trade and other payables and short-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

## Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statement of financial position.

## Interest rate risk

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash at financial institutions, short-term investments and short-term borrowings. Most of their financial assets and liabilities bear floating interest rates, or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity dates, or the re-pricing date if this occurs before the maturity date.

	Consolidated financial statements as at 31 December 2013				
	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
	(Million Baht)				(% p.a.)
<b>Financial assets</b>					
Cash and cash equivalents	1,371	2,464	351	4,186	0.001 - 2.86
Short-term investments	2,366	47	111	2,524	2.95 - 9.75
Trade and other receivables	-	-	3,241	3,241	-
Insurance claim receivable	-	-	12	12	-
	<b>3,737</b>	<b>2,511</b>	<b>3,715</b>	<b>9,963</b>	
<b>Financial liabilities</b>					
Short-term loans from financial institution	-	16	-	16	3.03 - 3.64
Trade and other payables	-	-	2,485	2,485	-
	<b>-</b>	<b>16</b>	<b>2,485</b>	<b>2,501</b>	

	Consolidated financial statements as at 31 December 2012				
	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
	(Million Baht)				(% p.a.)
<b>Financial assets</b>					
Cash and cash equivalents	1,268	1,503	341	3,112	0.001 - 2.85
Short-term investments	2,219	19	132	2,370	0.15 - 9.38
Trade and other receivables	-	-	2,764	2,764	-
	<b>3,487</b>	<b>1,522</b>	<b>3,237</b>	<b>8,246</b>	
<b>Financial liabilities</b>					
Short-term loans from financial institution	-	24	-	24	1 - 1.35
Trade and other payables	-	-	2,088	2,088	-
	<b>-</b>	<b>24</b>	<b>2,088</b>	<b>2,112</b>	



# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

	Separate financial statements as at 31 December 2013				
	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
	(Million Baht)				(% p.a.)
Financial assets					
Cash and cash equivalents	-	316	4	320	0.1 - 0.875
Trade and other receivables	-	-	1,447	1,447	-
	-	316	1,451	1,767	
Financial liabilities					
Trade and other payables	-	-	1,439	1,439	-
	-	-	1,439	1,439	

	Separate financial statements as at 31 December 2012				
	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
	(Million Baht)				(% p.a.)
Financial assets					
Cash and cash equivalents	-	92	2	94	0.1 - 0.875
Trade and other receivables	-	-	1,262	1,262	-
	-	92	1,264	1,356	
Financial liabilities					
Trade and other payables	-	-	775	775	-
	-	-	775	775	

## Foreign currency risk

The Company's and its subsidiaries' exposure to foreign currency risk arise mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts will mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2013 and 2012 are summarised below.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2013	2012	2013	2012	2013	2012
	(Million)	(Million)	(Million)	(Million)	(Baht per foreign currency unit)	
China Yuan	288	318	85	102	5.4087	4.9164
US Dollar	201	165	12	59	32.8136	30.6316
Japan Yen	90	64	5	5	0.3130	0.3545
Indian Rupee	43	45	-	-	0.5289	0.5597
Euro	7	9	-	-	45.0217	40.5563
Hong Kong dollar	4	3	-	1	4.2316	3.9510
Pound Sterling	3	3	-	-	53.9162	49.3458
Australia dollar	2	2	1	1	29.1776	31.7757
Singapore Dollar	2	2	-	-	25.8826	25.0340
Brazilian real	2	2	-	-	13.7700	15.1800

As at 31 December 2013 and 2012, the two overseas subsidiary companies had outstanding forward exchange contracts, of which details are presented below.

As at 31 December 2013		
Sold amount	Contractual maturity date	Contractual exchange rate for amount sold
(Million USD)		(Baht per USD)
10	27 January 2014	32.85
10	4 February 2014	31.22
10	28 February 2014	31.85
10	28 February 2014	32.05
10	3 March 2014	32.49
20	15 January 2014	31.45
20	15 January 2014	31.44
20	31 January 2014	32.23
(Million Euro)		(USD per Euro)
3	12 May 2014	1.35

As at 31 December 2012		
Sold amount	Contractual maturity date	Contractual exchange rate for amount sold
(Million USD)		(Baht per USD)
10	4 March 2013	31.57
10	26 March 2013	31.17
20	13 March 2013	30.80
20	13 March 2013	30.80
20	28 March 2013	31.22
(Million Euro)		(USD per Euro)
5	20 May 2013	1.28

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2013

In addition, the subsidiary company entered into a linked asset swap agreement with an overseas bank. The details of the swap agreement outstanding as at 31 December 2012 as follows:

As at 31 December 2012				
Swap agreement	Notional amount	Contractual maturity date	Yield to maturity	Fair value gain (loss)
	(Million USD)		(Percent)	(Million Baht)
Credit default swap - quoted bonds	2	20 June 2013	1.43	(0.75)

## 31.2 Fair value of financial instruments

Since the majority of the Company's and its subsidiaries' financial instruments are short-term in nature and carry floating interest rate or the interest rate close to market rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## 32. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2013, the Group's debt-to-equity ratio was 0.21:1 (2012: 0.20:1) and the Company's was 0.26:1 (2012: 0.19:1).

## 33. Prior year's adjustment

In April 2013, the subsidiary received information for the claims on its property damage from the insurance company, causing it to reconsider and recompute the corporate income tax for the year 2012. In this regard, the subsidiary recorded additional income tax expenses of Baht 50.2 million. The Company therefore restated the consolidated financial statements as at 31 December 2012 to reflect the adjustment of income tax of the subsidiary. The adjustment resulted in a Baht 6.7 million decrease in other current assets, a Baht 43.5 million increase in corporate income tax payable, a Baht 50.2 million decrease in unappropriated retained earnings and a Baht 50.2 million increase in income tax expenses. The cumulative effect of the prior year's adjustment has been presented under the heading of "Cumulative effect of the prior year's adjustment" in the statement of changes in shareholders' equity.

## 34. Event after the reporting period

On 20 February 2014, the meeting of the Board of Directors of the Company No. 1/2014 passed the resolution approving the final dividend payment for the year 2013 to the Company's shareholders at Baht 1 per share. The dividend will be paid to the shareholders on 16 May 2014.

The dividend payment will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

## 35. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2014.