



**HANA**

**Microelectronics Public Company Limited**

**บริษัท ฮานา ไมโครอิเล็กทรอนิกส์ จำกัด (มหาชน)**

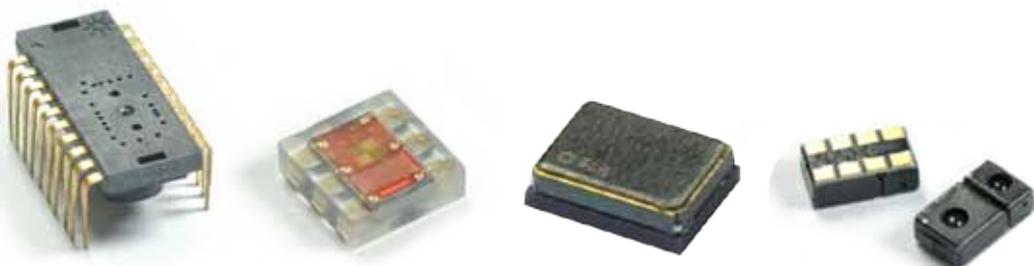


**Annual Report 2012**



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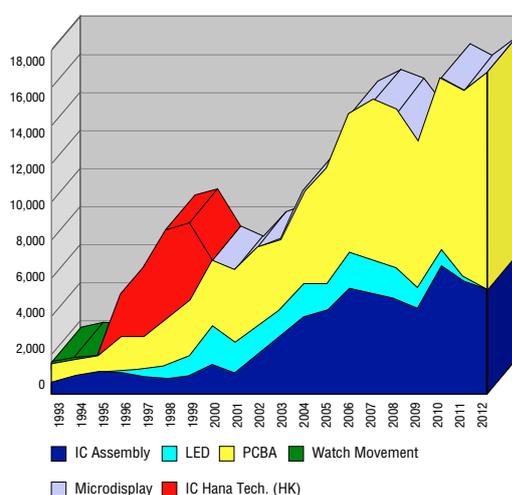


# Group Financial Highlights

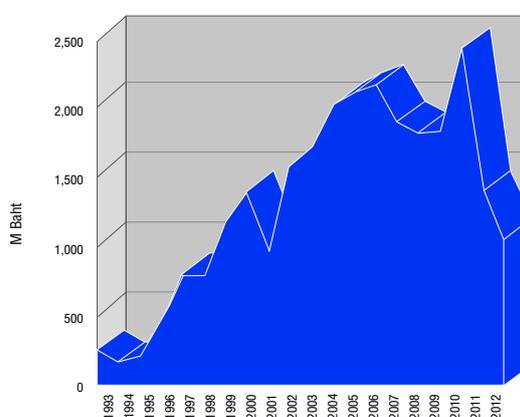
(Baht millions)

	2012	2011	2010	2012/2011 % change
Total Revenue	18,388	16,998	17,645	8%
Sales Revenue	17,233	16,315	16,958	6%
Gross Profit	1,683	2,054	2,870	-18%
Operating Profit	1,076	1,427	2,473	-25%
EBITDA	2,305	2,614	3,612	-12%
Net Profit before Exceptional Items	1,423	1,717	2,749	-17%
Net Profit (Loss) for the year	1,661	1,618	2,749	3%
Total Assets	17,921	17,912	16,804	0%
Net Fixed Assets	6,622	6,373	6,526	4%
Total Liabilities	2,992	3,347	2,725	-11%
Shareholders Equity	14,930	14,565	14,079	3%
Net (Cash) Debt / Equity	(0.17)	(0.17)	(0.20)	
Net Profit (after tax) % Sales	10%	10%	16%	0%
EBITDA Margin	13%	16%	21%	-19%
Return on Equity	11%	11%	20%	0%
Dividend per share (from the profits of)	1.50	1.00	1.55	50%
Payout ratio (excl. exceptional items)	85%	47%	45%	78%
EPS before Exceptional Item	1.77	2.13	3.42	-17%
EPS after Exceptional Item	2.06	2.01	3.42	2%
Book Value per share (net of treasury shares)	18.55	18.10	17.49	2%
Shares balance repurchased (m)		25.60	25.60	
Net Number of shares outstanding (year end)	804.88	804.88	804.88	0%

Sales Revenue



Operating Profit



# Chairman's Statement



## Dear Shareholder,

The year 2012 was dominated by the recovery efforts from the great flood of 2011 for our IC division in Ayutthaya and the overall weakness for the electronics industry in the second half of the year as global economic concerns negatively dominated corporate sentiment.

Our IC division resumed limited operations in January and ramped up production over the course of the first six months as new equipment arrived and our customers re-qualified the factory. Whilst the recovery efforts were going well it became clear that some of our smaller customers who had to divert business elsewhere were not going to return and whilst all of our large customers did return they did not bring back the volume loaded before the flood..

Our recovery was gathering pace until the early part of Q3 when the IC industry succumbed to global economic concerns over Europe's sovereign debt crisis, slower Chinese growth and continuing weakness in the US economy. The IC industry book-to-bill ratio fell below 0.75 indicating the depth of the concerns. The resulting drop in demand coupled with the rises in wages imposed by the Thai government had a negative impact on our recovery at Ayutthaya which has persisted until the year end and is expected to persist throughout the first half of 2013.

The industrial estate of Hi-Tech where we are located has done an excellent job in re-enforcing the flood protection barriers and raising the overall wall height and width. Furthermore, the company has undertaken measures to add our own additional flood protection. The Thai government has promised to undertake major infrastructure projects to control and divert any future flood waters should they ever occur again although the scale of such an undertaking will take years to implement.

In contrast our microelectronics business in Lamphun saw strong growth for the first half of the year with sales year-on-year up 32% but this was tempered during the second half which saw sales drop 4% due to the similar weakness to the IC division in the overall electronics demand. The full year registered an overall increase in sales revenue of 14% year-on-year. Demand for touch pad for laptops and other control devices for hand held electronics was strong along with automotive electronics. Whilst the outlook for first half of 2013 remains flat, we see a number of promising opportunities which gives us the confidence to progress with our new plant construction at Lamphun (Sahapat Industrial Estate). We will break ground in Q1/13 with completion within 15 months. This new facility will add (in terms of area) an additional 25,000 sq.m of floor space to our microelectronics capacity in Thailand.

In Jiaxing, China our microelectronics business followed a similar pattern with first half sales growing by 33% and by a more modest rate of 8% in the second half to register an overall year-on-year growth of 17%. Demand for touch pads for lap tops and smart phones was strong along with a range of devices for wireless cash transfers, LAN interface devices, industrial controls and access controls. We added an additional leased building during the middle of the year adding approximately 15% more space which was soon fully occupied.

The IC activity in Jiaxing fared much better than Ayutthaya with sales up 32.8% in the first half and by 22% in the second half to register a strong 27% year-on-year growth despite the weakness in the industry. This was accomplished by the strong demand from some additional customers along with good growth in our LED assembly activity.

# Chairman's Statement



Our key financial performances were as follows:

- Revenues up 6% from THB 16,315 million to THB 17,233 million
- Operating income fell 25% from THB 1,427 million to THB 1,076 million
- EBITDA income fell 12% from THB 2,614 million to THB 2,305 million
- NPAT up 3% from THB 1,618 million to THB 1,661 million
- Cash reserves down 5% from THB 5.8 billion to THB 5.5 billion

With the inexorable rises in wages sweeping all the established Asian countries we have undertaken an in-depth review of what can be termed 'frontier' locations such as Myanmar, Cambodia, Laos and to a certain extent Vietnam with a view of establishing an additional manufacturing location. We are currently under negotiations to establish an operation in Koh Khong, Cambodia near the Thai/Cambodian border along the south coast of the Gulf of Thailand. We aim to conclude the negotiations by the end of Q1/13 and break ground on the factory within Q2/13 with completion by mid 2014. We believe Hana will be the first contract EMS Company to set up in Cambodia and we do not underestimate the challenges ahead in recognition of the limitation of this emerging country. That said wages in Thailand have risen over 43% in the past two years and we expect that by the time we are ready to start operations, Thailand will be in excess of three times the labour cost of Cambodia.

We plan to focus on electronics assemblies that are less complex and more labour intensive in the first few years but believe that over time this new operation can supplement both our factories in China and Thailand. Our pioneering endeavors have been welcomed by our customers for future cost reduction efforts.

Construction on our new Head Office stated in August and completion is expecting within 14 months giving us sufficient time to re-locate prior to the current least expiry in February 2014.

As we move into 2013, the key challenge remains how to recover from the after affects the flood has had on our Ayutthaya operations. Those difficulties have been exacerbated by an overall weak economic environment. Whilst economic cycles are not within our control, a lot can be done with a strong focus on automation, other productivity activities and re-positioning our product offering profile all of which are being undertaken.

Our expansion in Lamphun and the new operation in Cambodia signal our confidence that the economic cycle will not remain weak forever and we believe it is important to position our company for growth with timing and good execution being the key to success.

May I finally end by thanking all our staff and management for their magnificent response shown in rebuilding the Ayutthaya plant under extremely difficult conditions? To all our customers and suppliers who have supported us through these exceptional times, may we express our gratitude?

On behalf of the board of directors we remains committed to achieving growth for all our stake holders and we appreciate your confidence in our ability to do so.

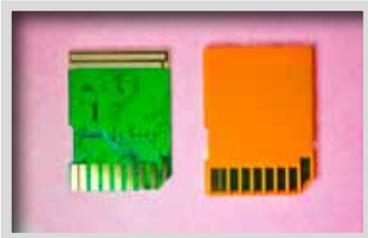
Mr. Bancha Tamprakorn

Chairman of the Board of Directors

# Operation Review



**Hana Microelectronics Public Co., Ltd.  
(Lamphun)**



In 2012 Hana Microelectronics PCL, Lamphun operations "Hana LPN" achieved 12% sales revenue growth and made a new sales record. As a result of the 2011 flood crisis in central Thailand, we continued to support some production of our Ayutthaya sister plant's products and this is expected to be continue in 2013.

Despite the 40% basic wage increase in 2012, we were able to increase our productivity and control overhead costs to significantly reduce the impact on our profitability. For 2013, we are investing further in automation and technology upgrades to cope with another 29% wage hike mandated by the government for January 2013.

Hana LPN continues to focus on the high technology microelectronic module business, which would support the fast-growing smart phone and ultra book business segments. We also have started new projects for products with high technical requirements and expected high demand.

The year 2013 is expected to be a challenging year in preparation for further expansion of a 270,000 sq ft facility which will be built in the nearby industrial zone 10km from the existing plant. The new plant is being designed for highly automated semiconductor module production and will meet world class standards. Business outlook is healthy and we aim to achieve double digit growth in 2013.

I would like to thank all Hana LPN staff for their dedication to enable us to achieve the record historical sales performance in 2012 and prepare for the new plant expansion.

**Mr. Wing Keung Chow**  
Vice President and General Manager

# Operation Review



**Hana Semiconductor (Ayutthaya) Co., Ltd.**

2012 was a year that challenged the resilience, character and determination of the Hana Ayutthaya “Hana AYT” team. It was a year of recovery and rebuilding after the great flood of Thailand in Q4-2011. The Hana AYT factory was very heavily impacted by the flood which resulted in our IC manufacturing facility being flooded for five weeks with up to half a meter of water.

With the support from our customers and a huge effort from our staff, the Hana AYT team was able to restart limited production by the end of December 2011 with the factory resuming full scale production by end of March 2012. Production capacity was reinstated to the pre-flood numbers and the factory and office premises that were impacted by the flood were also rebuilt to match and actually exceed standards at other comparable factories.

The Hana AYT factory passed Quality (TS16949) and Environmental (ISO14001) certifications and also numerous audits from both our direct customers and also their end customers. In all cases Hana-AYT passed with flying colors. We were also awarded the “Supplier of the Year” award from one of our Tier-1 customers. All of these achievements once again indicated to the robustness of our systems and processes.

During 2012, Hana AYT continued to invest in new equipment to provide our customer state of the art options technology and capability and we will continue to do this in 2013 also. Looking forward to 2013, the 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. Attention and focus on 5S and Quality Awareness programs will also be enhanced. Focus on MEMS, SENSORS, SIP, CLEAR PACKAGES, CUSTOM PACKAGES will supplement our standard leaded and leadless packages portfolio. We will also continue to invest in technology which will improve the value added proposition for both Hana and our customers.

We once again extend our sincere thank you to our customers for believing in the Hana AYT team during the crisis from the flood and we continue to look to them for support as we continue with the business recovery process in 2013.

Finally, we owe great thanks to all of those employees and their families for trusting in Hana and giving their all when Hana AYT needed it the most. The employees of Hana AYT have indeed set exemplary standards of loyalty, dedication and determination and it is this quality which will once again enable Hana AYT to get bounce back strongly in 2013.

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

# Operation Review



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



Business continued to grow in 2012 and hit a record USD 180m, another 20% growth year on year. The business of the laptop touch pad, the high power LED and the networking devices continued to be the major contributor to the growth. Besides that, we also successfully developed a few new customers in 2012. Some of them can be the key drivers of the business growth in 2013 and beyond.

As a major project for 2012, we started to renovate a rented building in the same industrial zone after the Chinese New Year holidays and completed the renovation in May. It took us another 3 months to install the SMT and PCBA lines and do the line qualification. The new manufacturing site has been in full production since September. This 4,200 square meter of additional manufacturing space made the growth in 2012 possible.

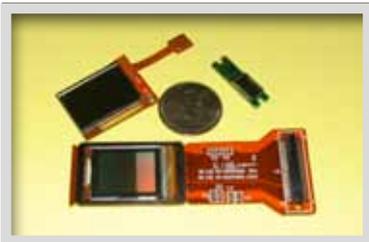
The overall business environment in China for the EMS companies like Hana continued to push us to think differently and make continuous improvements in many areas to cope with the changes and overcome all kinds of challenges. We had to develop more channels for recruitment of the operators to support the expansion. We had to brainstorm among different functions in order to find effective ways to manage the high turnover of the direct labor. We had to make every effort in improving the productivity through Value Analysis/Value Engineering "VA/VE" initiatives, tooling and fixture improvements and process automation as the labor cost continued to increase in China. We had to focus a lot of resources in building a more robust quality system to ensure the product quality while we were quickly expanding and the customer expectation on quality was getting higher and higher.

We foresee that the business will continue to grow in 2013 for Jiaxing Operations. The rate of the growth may slow down a little bit. It would, however, allow us a little more time to focus on the operational excellence which will be the foundation for a sustainable growth in the future.

As usual, I would like to thank all our employees for their contributions to the growth of Jiaxing Operations in 2012.

Mr. Steven Lee  
Vice President and General Manager

# Operation Review



Year 2012 was a difficult year for Hana Microdisplay Technologies “HMT”. There was a significant reduction of activities during the year, as compared to previous years, and an overall drop in revenue of nearly 35%. HMT reduced its operations to match the contracted business activities. The reduction came early in the year, and the business remained relatively flat throughout the majority of the year. Both microdisplay (MD) and radio-frequency identification (RFID) related business areas experienced similar levels of reduction on a percentage basis.

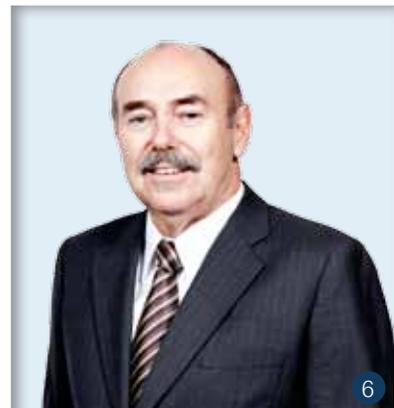
The microdisplay-related business finished strong in 2012 after a lull in the third quarter. There was 25% growth from the third to the fourth quarter. Unfortunately, the majority of the growth occurred with projects primarily produced in our Ohio facility. HMT expects that growth to continue into 2013, and are working to find more projects that will utilize the Ayutthaya Microdisplay operation. Markets for adaptive optics, telecom devices, and mini-projection systems are all forecasting growth in 2013, and HMT continues to support customers in all of these areas.

There was a reduction in the utilization of the RFID manufacturing capacity during 2012. Also contributing to the reduction in revenue during 2012 was a migration of product mix back to lower-priced units, using more consigned materials from its customers. HMT's RFID customers are forecasting significant growth in 2013, and manufacturing activity to grow beyond 2011 levels.

HMT's financial performance was not as strong in 2012 as compared to previous years. HMT will be working aggressively to increase the usage of its sister factory in Ayutthaya during 2013. This was underutilized in 2012, and is key to the success of HMT in the future. HMT looks forward to working closely with its customers and new business prospects in 2013, with the goal of mutual growth throughout the year.

Mr. John Erdmann  
President and Chief Executive Officer

# Board of Directors



- 1. Mr. Bancha Tarnprakorn**  
Chairman of the Board  
and Independent Director
- 2. Mr. Richard David Han**  
Executive Vice Chairman  
and Chief Executive Officer
- 3. Mr. Winson Moong Chu Hui**  
President & Chief Operating Officer

- 4. Mr. Terrence Philip Weir**  
Executive Director &  
Chief Financial Officer
- 5. Mr. Voraphoj Thepvanaprasiddhi**  
Independent Director
- 6. Mr. Martin Enno Horn**  
Independent Director

# Management Team



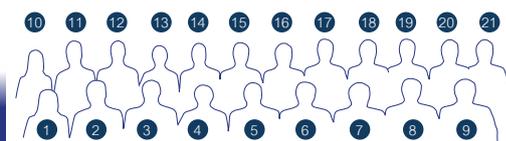
**Lamphun Management**



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



**Ayutthaya Management**

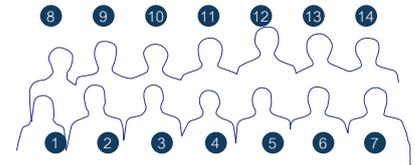


1. **Ms. Areenee Kittisupornpong**  
Senior Manager of Management Information System (MIS)
2. **Mrs. Tappawong Na Tarang**  
Senior Manager of Marketing and Account Management
3. **Ms. Suparin Kengradomkij**  
Senior Manager of Logistics and Inventory Control
4. **Mrs. Saowanee Rachatakarn**  
Senior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

# Management Team



**Jiaxing Management**



1. **Ms. Lucy Guo**  
Senior Manager of Human Resources
2. **Mr. Andy Shen**  
Director of Micro Manufacturing
3. **Mr. Dirrick Ong**  
Director of Business Development and Technology
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**  
Manager of Finance, Inventory Control and Logistics
8. **Mr. Gordon Gu**  
Senior Manager of Facility
9. **Mr. Peter Xu**  
Senior Manager of Production and Material Control, Management Information System (MIS) and Industrial Engineer
10. **Mr. Steven Chua**  
Director of Micro Engineering
11. **Mr. TC Cheah**  
Senior Manager of IC Engineering, Test and Technical Support
12. **Mr. Steven Quah**  
Quality and Reliability Assurance (QRA) Manager
13. **Mr. SW Lum**  
Senior Manager of Purchasing
14. **Mr. York Li**  
Senior Manager of Manufacturing Support



**Hana Microdisplay Management**



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

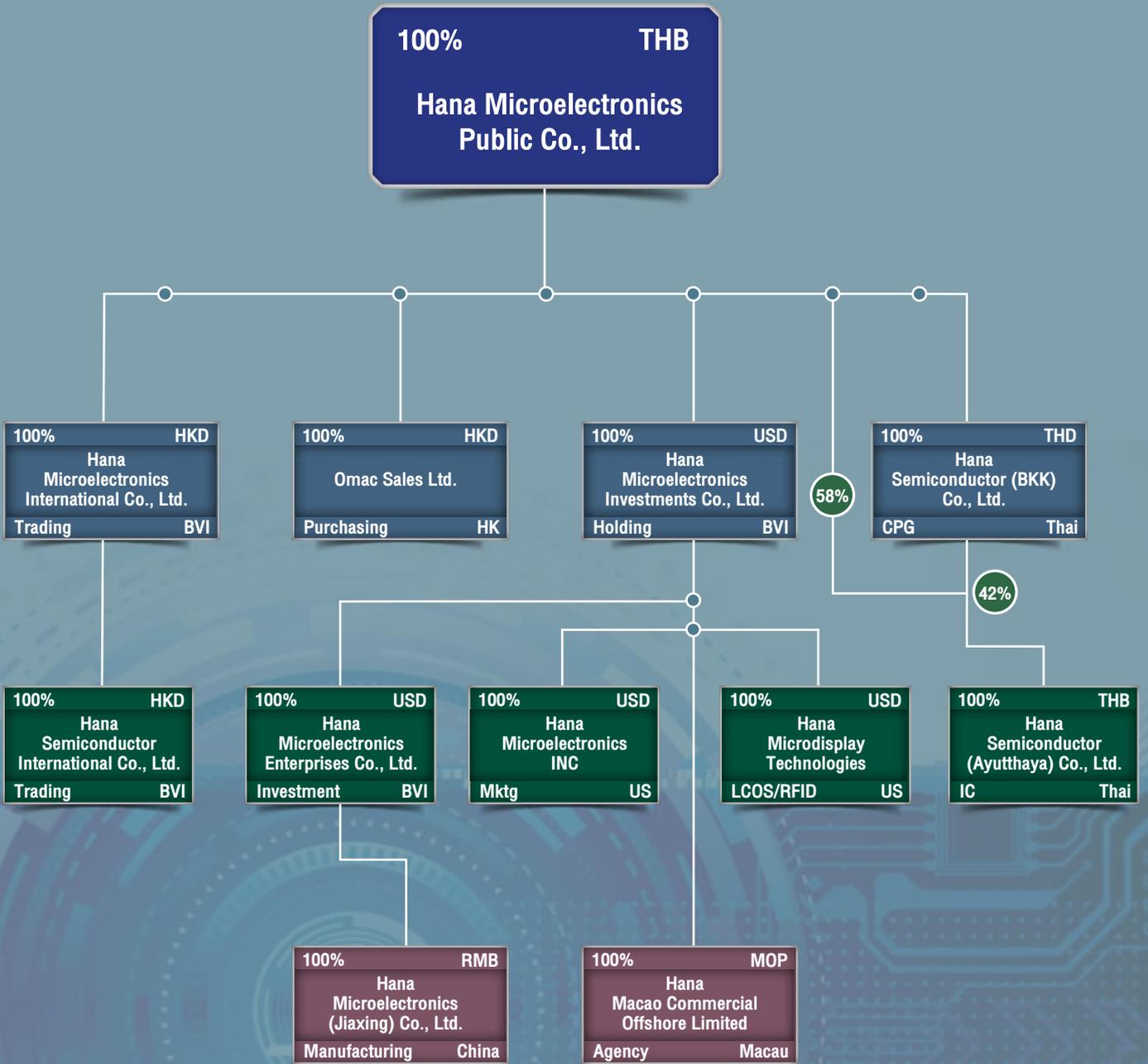


**Hana Microelectronics Inc. Management**



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

# Group Structure



# Profile of Directors & Management

## Mr. Bancha Tarnprakorn

Position:	Chairman of the Board and Independent Director
Age:	78 years old
Date of appointment:	7 November 2002
Working Experience:	<ul style="list-style-type: none"> <li>- November 2002 - present, Independent Director</li> <li>- February 2007 - present, Chairman of the Board of Directors</li> </ul>
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 2012	Trading during the year	Number of shares as of 31 December 2012	Number of shares
45,000 shares	0 share	45,000 shares (0.005%)	None

## Mr. Richard David Han

Position:	Executive Vice Chairman and Chief Executive Officer
Age:	56 years old
Date of appointment:	26 July 1993
Working Experience:	1989 - present, Executive Director and Chief Executive Officer
Educational Background:	<ul style="list-style-type: none"> <li>- B.A. Business Studies, Westminster, London, UK</li> <li>- M.B.A. (Marketing), City University, London, UK</li> </ul>
IOD Training Background:	<ul style="list-style-type: none"> <li>- Directors Accreditation Program (DAP) 57/2006</li> <li>- Understanding the Fundamental of Financial Statements (UFS) 4/2006</li> </ul>

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

### Subsidiaries of Hana:

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

Non-listed Company: Omac (HK) Limited and 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 2012	Trading during the year	Number of shares as of 31 December 2012	Number of shares
1,040,000 shares	0 share	1,040,000 shares (0.125%)	None

# Profile of Directors & Management

## Mr. Winson Moong Chu Hui

**Position:** President & Chief Operating Officer  
**Age:** 67 years old  
**Date of appointment:** 26 July 1993  
**Working Experience:** 1993 - present, Executive Director  
**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.       | 5. Hana Microelectronics (Jiaxing) Co., Ltd. |
| 2. Hana Semiconductor (Ayutthaya) Co., Ltd. | 6. Hana Technologies Group Ltd.              |
| 3. Hana Microdisplay Technologies, Inc.     | 7. Hana Technologies Investment Ltd.         |
| 4. Hana Microelectronics, Inc.              | 8. Hana Macau Commercial Offshore Ltd.       |

**Non-listed Company:** 1. Jowin Co., Ltd.

Shareholding of Mr. Winson Moong Chu Hui			Spouse
Number of shares as of 1 January 2012	Trading during the year	Number of shares as of 31 December 2012	Number of shares
8,320,000 shares	0 share	8,320,000 shares (1.002%)	None

## Mr. Terrence Philip Weir

**Position:** Executive Director & Chief Financial Officer  
**Age:** 54 years old  
**Date of appointment:** 26 July 1993  
**Working Experience:** 1993 - present, Executive Director  
**Educational Background:** Bachelor of Economics, Macquarie University, CPA, Australia  
**IOD Training Background:** Director Certification Program (DCP) 6/2001, Diploma  
**Take the position as the director or management in other companies:** Yes  
**Subsidiaries of Hana:**

- |  |  |
|--|--|
| 1. Hana Semiconductor (BKK) Co., Ltd.            | 8. Hana Microelectronics Enterprise Co., Ltd.  |
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| 6. Hana Microelectronics Investment Co., Ltd.    | 13. Hana Macau Commercial Offshore Ltd.        |
| 7. Hana Microelectronics International Co., Ltd. | 14. Omac Sales Ltd.                            |

Shareholding of Mr. Terrence Philip Weir			Spouse
Number of shares as of 1 January 2012	Trading during the year	Number of shares as of 31 December 2012	Number of shares
175,000 shares	0 share	175,000 shares (0.021%)	None

# Profile of Directors & Management

## Mr. Voraphoj Thepvanaprasiddhi

Position :	Independent Director
Age:	74 years old
Date of appointment:	1 June 1999
Working Experience:	June 1999 - present, Independent Director
Educational Background:	<ul style="list-style-type: none"> <li>- Graduate Diploma, International Business Administration, WLU, Ontario, Canada</li> <li>- Bachelor Degree of Engineer, Chulalongkorn University</li> </ul>
IOD Training Background:	<ul style="list-style-type: none"> <li>- Monitoring the Internal Audit Function (MIA) 1/2007</li> <li>- Monitoring the System of Internal Control and Risk Management (MIR) 1/2007</li> <li>- Director Certification Program (DCP) 53/2005</li> <li>- Finance for Non-Finance Director (FND) 15/2005</li> <li>- Audit Committee Program (ACP) 5/2005</li> <li>- Directors Accreditation Program (DAP) 30/2004</li> </ul>

Take the position as the director or management in other companies: Omac Limited

Shareholding of Mr. Voraphoj Thepvanaprasiddhi			Spouse
Number of shares as of 1 January 2012	Trading during the year	Number of shares as of 31 December 2012	Number of shares
899,999 shares	0 share	899,999 shares (0.108%)	None

## Mr. Martin Enno Horn

Position:	Independent Director
Age:	69 years old
Date of appointment:	3 May 2001
Working Experience:	May 2001 - present, Independent Director
Educational Background:	<ul style="list-style-type: none"> <li>- Electronic Engineering, California Polytechnic, U.S.A.</li> <li>- AEA Executive Business Institute, Stanford University, California, U.S.A.</li> </ul>
IOD Training Background:	Directors Accreditation Program (DAP) 57/2006

Take the position as the director or management in other companies: Southeast Sun Development Co., Ltd.

Shareholding of Mr. Martin Enno Horn			Spouse
Number of shares as of 1 January 2012	Trading during the year	Number of shares as of 31 December 2012	Number of shares
0 shares	0 share	0 shares	None

# Profile of Directors & Management

## Mr. Wing Keung Chow

Position :	Vice President & General Manager Hana-Lamphun
Age:	54 years old
Date of appointment:	1 January 2008
Working Experience:	2001 - 2007, Vice President Marketing & Customer Services Hana-Lamphun
Educational Background:	Master Degree of Management, SASIN, Chulalongkorn University
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 2012	Trading during the year	Number of shares as of 31 December 2012	Number of shares
999,500 shares	0 share	999,500 shares (0.120%)	None

# Board Structure

The board of directors consists of six directors of whom three are independent directors. The board may review and determine the size of the board that is most effective in relation to future operations. It is board policy to have at least three independent directors to be accountable to two-thirds of the board.

In addition to the Company's Articles of Association, the board of directors shall have the following responsibilities and duties in line with the best practices of corporate governance.

1. Approve the Company's vision, mission and business plan
2. Review the performance of the CEO and ensure that Executive Committee carries out the policy and day-to-day operation of the Company properly
3. Ensure that the internal control system and risk management are sufficiently maintained and monitored
4. Oversee the conflict of interest that might be taking place to be in line with the present regulations
5. Review and approve audited financial statement
6. Oversee the accurate and timely disclosure of information to the public
7. Ensure that members of the board shall not use inside information for personal benefits

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' meeting.

## Board Committees:

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

## The Executive Committee:

Structure: The Committee currently comprises of three members.

Term: There is no term limit.

Name	Position
Mr. Richard David Han	Chief Executive Officer
Mr. Winson Moong Chu Hui	Chief Operating Officer
Mr. Terrence Philip Wei	Chief Financial Office

## Authorities and responsibilities of the Executive Committee Members:

1. Perform and manage the company's business to comply with the policies, mission and business plans as determined by the board of directors
2. Determine budget and the management's authorities of the company
3. Monitor and follow up the operation of the company's policies to ensure its efficiency
4. Monitor and follow up the performance of the company to ensure its compliance with the business plan
5. Consider the large investment projects of the company such as a joint venture, a construction of new plant etc. and any significant transaction shall be proposed to the board for approval
6. Perform other duties as assigned by the Board of Directors

# Board Structure

## Audit Committee:

**Structure:** The Audit Committee was formally established since September 10, 1999. The Committee consists entirely of non-executive 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
Mr. Bancha Tarnprakorn	Chairman
Mr. Voraphoj Thepvanapasiddhi	Member
Mr. Martin Enno Horn	Member

## Authorities and responsibilities of the Audit Committee:

1. Oversee financial reporting process and the disclosure of financial information to ensure accuracy, sufficiency and credibility, by coordinating with the external auditors and the management responsible for preparing the quarterly and yearly financial reports
2. 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 chief of an internal audit unit
3. Review the Company's compliance with the Law on Securities and Exchange, The Stock Exchange of Thailand's regulations, and the laws relating to the Company's business
4. Consider, select and nominate an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year
5. Review the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Exchange's regulations, and are reasonable and for the highest benefit of the Company
6. Prepare, and to disclose in the Company's annual report, an audit committee's report which must be signed by the audit committee's chairman
7. Consider other duties as defined 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. 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 Member may report on the transaction or act under the first paragraph to the Office of the Securities and Exchange Commission (SEC) or the Stock Exchange of Thailand (SET).

## 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 non-executive directors.

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

# Board Structure

Name	Position
Mr. Voraphoj Thepvanaprasiddhi	Chairman
Mr. Martin Enno Horn	Member
Mr. Richard David Han	Member

## Authorities and responsibilities of the Nomination Committee:

1. To ensure a formal and transparent procedure for the appointments of new directors and key executives to the board
2. To make recommendations to the board on the independence of any existing or proposed non-executive director
3. To review annually the size and composition of the board and to recommend any proposed changes to the board

## Risk Management Committee:

The board of directors has appointed the Risk Management Committee and review the adequacy of the risk management system at least annually, or when necessary. The board also pays attention to early warning signs and unusual transactions reported by the Risk Management Committee.

## Meetings of the Board, Board Committees and Shareholders:

Meetings	Board of Directors	Audit Committee	Nomination Committee	Annual General Meeting
Total number of meetings in 2012	4	4	1	1
Number of meeting attended/participated in 2012				
<b>Executive Directors:</b>				
Mr. Richard David Han	4	4	1	1
Mr. Winson Moong Chu Hui	4	N/A	N/A	1
Mr. Terrence Philip Weir	4	4	N/A	1
<b>Independent Directors:</b>				
Mr. Bancha Tamprakorn	4	4	N/A	1
Mr. Voraphoj Thepvanaprasiddhi	4	4	1	1
Mr. Martin Enno Horn*	4	4	1	1

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

## Appointment of Director

The board shall consist of directors who exercise sound business judgment and possess the business expertise, knowledge, professional experiences, have high standard of integrity and are ready to exercise their duties. At least one director has a financial background for membership of the Audit Committee. In addition, the director shall not be a person who violates any regulations stipulated by the Stock Exchange of Thailand, the Securities and Exchange Commission or the Company Articles of Association. The board shall consider the proposal for appointment from the Nomination Committee before recommend to the shareholders.

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.



# Board Structure

## **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 five boards of publicly traded companies in addition to Hana and its associate companies.

## **CEO and Board Evaluation**

On an annual basis, the performance of CEO is evaluated by the independent directors whilst the board shall conduct a self-evaluation of its performance according to the criteria being set. All directors are free to make suggestions to improve the board's performance. In 2012, the evaluation of CEO has been applied with the criteria guided by the Stock Exchange of Thailand.

## **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.

## **Corporate Secretary to the Board**

The corporate secretary is the primary liaison between the corporation's directors and management. The board has formally appointed the corporate secretary on 11 August 2008 to carry out the duties and responsibilities according to Section 89/15 of Securities and Exchange Act No. 4 B.E. 2551. The corporate secretary shall perform duties with care and responsibility and in good faith as well as in compliance with all laws, the objectives, the articles of association of the company, and the resolutions of the board of directors and the shareholders' meeting.

# Corporate Information

## Hana Microelectronics Public Co., Ltd.

Register No. PLC 0107536000773

10/4 Moo 3 Vibhavadi-Rangsit Road, Kwang Talad Bangkokhen,

Khet Laksi, Bangkok 10210, Thailand

Tel. 66-2-551-1297, 66-2-521-4935-9

Fax: 66-2-551-1299, 66-2-552-4906

Type of business: Electronics

Number and Type of Share Issued: 804,878,860 Ordinary Shares (as of 31 December 2012)

## Nature of Business

Hana Microelectronics Public Co., Ltd. and its subsidiaries mainly involve a single industry segment in electronic component and mainly carried on in the geographic area in Thailand, Hong Kong, USA and China.

## Business classification policy

The Group's business operations are primarily Microelectronics 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, Light Emitting Diodes "LED" assembly and Liquid Crystal on Silicon "LCoS" assembly with factories in Thailand, China and USA.

## 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 Details	2010	2011	2012
Interim dividend (Baht/share)	-	-	0.50
Annual Dividend (Baht/share)	1.55	1.00	1.00
Total dividend payment (Baht/share)	1.55	1.00	1.50
Total amount paid (Baht)	1,247,562,233	804,878,860	1,207,318,290
Percentage of total dividend payment against the net profit	45.38%	49.74%	72.71%

## Revenue Structure

(Unit: Million Baht)

PRODUCT	COMPANY	% OF HOLDING	2010		2011		2012	
			REVENUE	%	REVENUE	%	REVENUE	%
IC	HS – AYT & HM - JX	100%	6,783	40	5,963	36.55	5,538	32
CPG	HS – BKK	100%	869	5	252	1.54	74	0
PCBA	HM - LPN & HM - JX	100%	9,084	54	9,849	60.37	11,461	67
MICRODISPLAY	HMT - USA	100%	223	1	251	1.54	160	1
TOTAL			16,958	100	16,315	100	17,233	100

# Corporate Information

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

## Shareholding Structure and Management

Major Shareholders as of the latest closing registration book on 21 March 2012

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	91,890,600	11.42
3.	HSBC PRIVATE BANK (SUISSE) SA, SINGAPORE BRANCH	83,131,100	10.33
4.	STATE STREET BANK EUROPE LIMITED	54,203,200	6.73
5.	STATE STREET BANK AND TRUST COMPANY	30,143,525	3.75
6.	BNP PARIBAS SECURITIES SERVICES, LONDON BRANCH	21,147,200	2.63
7.	HSBC (SINGAPORE) NOMINEES PTE LTD	18,604,310	2.31
8.	THAI NVDR COMPANY LIMITED	14,164,427	1.76
9.	NORTRUST NOMINEES LTD	11,910,600	1.48
10.	ABERDEEN LONG TERM EQUITY FUND	7,829,400	0.97

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

## The Proportion of Free Float of Ordinary Shareholders

As of the closing book on, the proportion of free float of ordinary shareholders was equal 38.61% to of paid up capital.

# Subsidiaries

## Number of Shares held by the Company in Subsidiary Companies

Subsidiary Company	No. of Shares	Registered Shares
<b>Hana Semiconductor (BKK) Company Limited</b> 10/4 Moo 3, Vibhavadi-Rangsit Rd., Kwang Talad Bangkhen, Khet Laksi, Bangkok 10210 Tel: (02) 551-1297 Fax: (02) 551-1299 Type of business: Electronics	99,999,994	1,000,000,000
<b>Hana Semiconductor (Ayutthaya) Company Limited</b> 100 Moo 1, T. Ban Lane, A. Bangpain, Ayutthaya 13160 Tel: (035) 350170-7 Fax: (035) 350805-6 Type of business: Electronics	69,999,993	1,200,000,000
<b>Hana Microelectronics International Company Limited</b> P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands Type of business: Trading products	2	2
<b>Hana Microelectronics Investment Company Limited</b> P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands Type of business: Investment	2	2
<b>Omac Sales Limited</b> 16E, On Fook Industrial Building, 41-45 Kwai Fung Crescent, Kwai Chung, N.T., Hong Kong Type of business: Purchasing and Marketing	99,999	100,000
<b>Hana Technologies Group Limited</b> Maples and Calder, Attorneys-at-Law, Uglan House, P.O. Box 309, George Town, Cayman, Cayman Islands, British West Indies Type of business: Investment	2	2

## References

<b>Auditor:</b>	Ernst & Young office, Ltd., 33 <sup>rd</sup> Fl., Lake Rajada Office Complex, 193/136-137 New Rajadapisek Road, Bangkok 10110 Thailand Tel.: 02-264-0777 Fax: 02-264-0790
<b>Solicitors:</b>	Damrongtham Law Office 63 Soi 8 (Soi Preeda), Sukhumvit Road, Bangkok 10110 Thailand Tel.: 02-255-2550-2, 02-653-1133-4 Fax: 02-653-1135, 02-253-3427
<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.: 02-229-2800 Fax: 02-359-1259

# 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 2012, 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 2012, the company held the Meeting on 30 April 2012 at 14:00 Hrs. at the hotel which is across to Headquarters office. 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 20 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 2012, 6 out of 6 directors (100%) attended the meeting. Those key directors were the Chairman of the Board and Audit Committee, Chief Executive Officer, and the Chairman of the Nomination Committee. The Chief Financial Officer and external auditor also attended the meeting 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 2012 was 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 2012 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 2011), 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 2012 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.

### **Prohibit insider trading and abusive self-dealing**

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.
- 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 2012.

# Corporate Governance

## **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 2012, there was no conflict of interest from directors and executives reported to the board.

## **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. 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. The company has followed the best practices in conducting the annual ordinary general meeting of shareholders. In 2012, 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. Hana has the quality policy and there is a Customer Service Department available for dealing with customers and to monitor progress of our commitments. In 2012, we received a recognition award from our key supplier in meet their expectation.

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.

### **Business Partners, Business Competitors and Creditors**

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 company abides by its obligations to all creditors. The board of directors, management and employees are expected to exercise diligence in their duties with all business partners including creditors. The company conducts business fairly and shall not deceive, discredit or use unethical means to gain advantage from the company's business competitors.

Procurement of suppliers 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.

## Employees

The company has the policy to not engage with any human right violation and we dedicate to the achievement of equality of opportunity for all of its employees in relation to all personnel matters including recruitment, training, promotion, transfer, benefits, dismissal, and etc. without regard to race, color, religion, gender, national origin or handicap status. All employees will be employed solely according to their ability to meet the position requirements. 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 intends to help them save a portion of their salary in the event of retirement, disability, sickness or unemployment. Employees are required to contribute certain rates of their pays, with the company same contribution rates. The savings are managed for a wide variety of investments, and the participating employees can gain as a result of such investment.

A Career Path Development Program is 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. The yearly training master plan has been set for both monthly and daily employees. In 2012, Hana Microelectronics Public Co., Ltd. set the training target at least 5 hours/year accounted for 60% of daily employees and accomplished 66% while the company set the target for monthly at least 15 hours/year accounted for 60% monthly employees and accomplished 46.8%.



# Corporate Governance

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. In 2012, the record of accident at work was 10 cases, which is continuously lower than prior years. The root causes were investigated and improvement has been taken and monitored periodically. The company also provided yearly physical check-up for employees and performed special check for healthy work environment such as sound measurement, lightning measurement and chemical measurement. 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 provided safety at work trainings for new hired and existing employees to ensure the full awareness and how to manage and minimize such risks such as chemical spilt, fire fighting, earthquake evacuation, etc.



## Communities, Society and Environment

Hana Microelectronics Public Co., Ltd. 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 for the safety good health and hygiene of its employees as well as the subcontractors, vendors, suppliers and the customers with least impact to the environment and make continuous improvement for following:-

1. Conserve natural resources and energy effectively to prevent pollution and minimize generation of all wastes.
2. Provide the safe and proper workplace / equipment in order to prevent any accident and incident from occurrence.
3. Strictly comply to legal and other regulations, Standard Requirements of Thai Labour Standard, labour law and provide full support to customer's requirements with regard to occupational health, safety, environment, including social and labour accountability

The company received the support from the Office of Industrial Economics (Sor-Sor-Or) to prepare for the ISO50001 implementation. There is the system in place and we are ready for the ISO50001 certification. In 2012, there were the energy conservation projects as a result, the company successfully made the electrical saving approximately Baht 2.7 million per year. Furthermore, in 2012 we have the reuse and recycle water projects as a result the company could increase the recycle water to average 32% as well as the project to reuse the waste paper for the note pad to reduce the waste.

## 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.

# Corporate Governance

## 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 2012, 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 2012, 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.

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 2012, 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	terry@hanabk.th.com	02-5511297	02-5511299
Ms. Jirapa Kongmanee	Corporate Affairs	jjirapak@hanabk.th.com	02-5511297 ext. 117	02-5511299
Ms. Penpimol Kotchabhakdi	Corporate Affairs	penpimol_k@hanabk.th.com	02-5511297 ext. 226	02-5511299

## 5. Responsibilities of the Board of Directors

The board of directors consists of 6 directors which are 3 executive directors and 3 independent directors. 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 board has considered that the current the board structure is suitable as comparing to authority and responsibility for managing the company's business. Executive Directors are professional and gaining high experiences in business management. Directors who are non-executives have relevant knowledge and are skillful in various fields of business. All directors devote their time to the serve the board especially for making decisions significant to the company's interests. The board delegates to the executive committee the authority and responsibility for managing the company's day-to-day

# Corporate Governance

business. The company's business is managed under the direction of the board of directors. The board's role is to establish policies for business and management strategies, corporate governance policy which the board evaluates those policies annually, the code of conduct, and monitor managerial performance. 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.

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 2012, there was 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.

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
- 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

# Corporate Governance

- 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

## Committee

The board of directors has established committees to carry out various critical responsibilities. There are four sub-committees: Executive Committee, Audit Committee, Nomination Committee, and Risk Management Committee.

The board promotes non-executive directors to have a separate meeting in absence of management as determined by the non-executive directors as to encourage more open discussion without management present.

## Conflict of Interests and Related Party Transaction

The fiduciary duty of directors is to exercise their business judgment to act in a manner that they reasonably believe to be the best interests of the company. They also are expected to avoid any action that conflicts with any interest of the company or that gives the appearance of a conflict. Each director's other relationships, including business and family may occasionally give rise to the perception that the individual has a material, personal interest on a particular issue involving the company. It is the company policy that 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.

Under the Note for, Related Party Transactions, of the consolidated financial statements discloses relevant detail 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 by definition these cannot give rise to a conflict of interest. The only transaction involving an associated company is a lease of land by the company from Omac Limited. The terms of this lease appear to be arms length normal commercial terms in view of their being consistent with the lease terms paid for the same property by Omac Limited to a third party.

## Controlling system and Internal Audit

The board of directors is responsible for establishing and maintaining the internal control system. In 2012, the board has performed self-assessment to evaluate the internal control system by applying the control assessment criteria from the Stock Exchange of Thailand. The major parts of organizational control and environment, risk management, management control activities, information and communication and monitoring are measured. There is an internal audit department which directly reports to Audit Committee to monitor the company's compliance with the established systems. The board of directors review the effectiveness of internal controls with the internal auditors and management. 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.

The board believes that existing internal control systems are achieving their objectives and that they provide reasonable assurance concerning the accuracy of financial statements, the safeguard of assets against loss or unauthorized use, and the assurance of transactions that are executed consistent with company policies and procedures.

# Corporate Governance

## 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.

## 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 2012, the company had four 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 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 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.

## 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. The total remuneration of directors had been approved by shareholders from the annual shareholders' meeting on 30 April 2012.

# Corporate Governance

## Individual disclosure of remuneration for the Board is as follows.

Name	Position	Meeting Allowance (Baht)	Bonus (Baht)
1. Mr. Bancha Tamprakorn	Chairman of Board, Independent Director, Chairman of the Audit Committee	535,500	89,250
2. Mr. Voraphoj Thepvanapasiddhi	Independent Director, Audit Committee, Chairman of Nomination Committee	288,750	52,500
3. Mr. Martin Enno Horn	Independent Director, Audit Committee, Nomination Committee	288,750	52,500
4. Mr. Richard David Han	Executive Director, Nomination Committee	-	-
5. Mr. Winson Moong Chu Hui	Executive Director	-	-
6. Mr. Terrence Philip Weir	Executive Director	-	-

Remark:

Executive Directors named (4) - (6) receive the remuneration as the company's management/employees.

## Remuneration for executives

Basis of key executive remuneration – The Company is to ensure that executive remuneration enhance our ability to attract, retain and motivate competent and experience staff. Remuneration of executives comprises of base salary and bonus which are basically the same standard as employees. The performance-based has been recognized for the legitimate difference in roles, individual contribution, complexity and responsibility of the position they hold.

The remuneration of 4 executive managements presented below includes the executive directors named (4) – (6) and Mr. WK Chow, General Manager, Lamphun Plant.

Type of remuneration	Amount
Salary	12,333,280
Bonus	3,096,000
Board Allowance	-
<b>Total</b>	<b>15,429,280</b>

## Other Remuneration:

There is a provident fund which is a part of the incentive programs to offer 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.

# Corporate Social Responsibility



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

## CSR Vision and Objectives

Hana outlines its CSR vision as follows.

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

## CSR Committee and Objectives:

Hana has established its CSR Committee with the role to plan and carry out activities related to Corporate Social Responsibility, to promote among Hana employees an awareness of the need for Hana and its employees to contribute to the society and encourage them to participate in such social activities.

The Committee has established the following principles.

- Harmony within Hana and society.
- Hana CSR supports environmental conservation.
- Hana CSR activities are friendly and helpful to society.
- Hana CSR activities will be achieved with heartfelt feeling.

There were two major initiatives which guided the scope of work of Corporate Social Responsibility. One of which was conformance to EICC (Electronic Industry Citizen Coalition) code of conducts, and the second one was the formation of Hana CSR Committee, a company-wide organization that looked into the welfare of all employees and CSR activities.

In 2012, CSR activities are summarized as follows.

## Educational Support

We contribute and provide support for the education for students in the community. To create mutually beneficial relationships between students and local businesses, in 2012 Hana provides educational support through following programs and activities.

### Internship program

Hana recognizes the importance of connecting students' academic training with manufacturing workplace. We provide the general internship and cooperative education programs with the collaboration among colleges and universities in Thailand and overseas for example; Kasetsart University –Bangkhen and Si Racha Campus, Rajamangala University of Technology Suvarnabhumi, King Mongkut's University of Technology Thonburi, Chitralada School (Vocational Section), and City University of Hong Kong, etc.

# Corporate Social Responsibility

Hana applies the competency-based approach for the recruitment and training to match students with the job competencies. Our Internship Program is designed to give students an opportunity to use their knowledge and skills in an actual work situation. It also allows them to investigate career opportunities and learn about their career interests and abilities. We provide specific assignments with the guidance of experienced staff in company and teachers in the university. Meanwhile, the mentors have access to the new concepts and ideas through the interns and exchange new technical knowledge with the students and professors through the projects.

## Support students from poor families

Hana Jiaxing provided continuous financial support to 14 local students from the time they studied at Primary school until they graduated from universities and become well functioning and contributing members of the society. Out of the 14 students, five of them are still studying in universities and 4 of them in middle schools.

Since year 2007, Hana Jiaxing launched a special educational aid program for Xin-Cheng Secondary School which is located in the same industrial zone as our Jiaxing factory. Twelve students from poor families benefited from the program.

## Staff Training and Development Program

Hana believes in the value and potential of all employees. To attract and retain the employees, we are dedicated to developing employees through continuous training and development programs. We offer 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.



In addition, Hana encourages our employees to be involved in Quality and Productivity Improvement e.g. 5S, Kaizen, QCC. Hana has received the Thailand Quality Prize from the Technology Promotion Association (Thailand-Japan) since Y2007. In Year 2012, the Hana Group received the following awards as follows:

Hana Microelectronics Co., Ltd. received

- “Popular Vote” for “Tonkla S.5 (Super Lighting)” QCC Team
- “Diamond Award for Manufacturing QCC Prize” for “Tonkla S.5 (Super Lighting)” QCC Team
- “Silver Award for Junior Manufacturing QCC Prize” for “Packing Idea S.2” QCC Team
- “Silver Award for Junior Manufacturing QCC Prize” for “PEPTEIN” QCC Team

# Corporate Social Responsibility

Hana Semiconductor (Ayutthaya) Co., Ltd. received

- “Golden Award for Support Service QCC Prize” for “Yellow Wave” QCC Team
- “Silver Award for Automation Kaizen Thailand Kaizen Award” for “Ultraman” Team
- “Popular Vote” for “Ultraman” Team

We respect and value everyone's contribution so that we continue to attract and retain our employees and talented staff to support our organization for the long-term growth and sustainability.



## Corporate Culture Development

Corporate culture development has always been one of our management's focuses to cultivate employees to uphold the important concept of maintaining good physical and mental health for their work life so that they are able to grow personally and in the process, contribute towards the continuous growth of the company.

To inculcate a sense of Hana family and team spirit among employees, Hana management strongly support the Recreational and Welfare Committee to organize various social and cultural activities throughout the year. The intent of Hana Family Committee is to create a harmonious environment for all employees so that they all feel like belonging to a one big family. As a result they would be able to fit in the new environment quickly, and have a wonderful career and life in Hana.

To strengthen employees' sense of belonging while working in Hana and promote happy working environment, Hana Jiaying organized various activities such as “welcome party”, “communication meeting”, “birthday party for employees”, “Hana Fun Fair”, “Hana Talent Show” and sport games, each of which have more than 85% participation rate from our employees.



# Corporate Social Responsibility

Hana Lamphun joined a Car Free Day held by Lamphun Province and a community-based bicycle organization with the goal of reducing automobile dependent and minimizing global warming.



One of Team Building activities of Hana Lamphun is to organize a Sport Day for its employees, whereby aim to promote the interaction with each other, to build employee moral and teamwork and to increase awareness of the importance of sport for a healthier life.



Hana Lamphun promoted Alcohol-Free Workplace by participating with Lamphun Province local government. In 2012, 2 employees were awarded as “my idol” of non alcohol involvement. The company is committed to maintaining a safe workplace and an educational environment free from the influence of drugs and alcohol.



Loy Krathong (in Chiang Mai the celebration is known as “Yee Peng”) is one of Thailand’s festivals that the company sees as important to celebrate with our employees annually.



# Corporate Social Responsibility

For Her Majesty Queen Sirikit's Birthday, Hana arranged activities for employees such as a singing contest and blood donation in Lamphun factory to give blessings to the Queen and increase blood reserves for the Thai Red Cross Society's National Blood Center.



## Social contribution

Hana has also contributed to various social contribution activities such as:-

Hana Lamphun staff jointed with certain schools in Chiangrai to donate the blankets, dry food, books, medicine, etc. to poor communities in the northern part of Chiangmai.



Hana Lamphun staff provided the lunch and necessary stuff to orphanage of Sangchaidarun Foundation, Chiangmai.



During Children's Day (June 1, 2012), Culture team members visited an orphanage in Jiaying, presented food and gifts to the great delight of the children on this special day. Team members also spent time playing games with the children to make them feel that the warm and that society cares for them.

# Corporate Social Responsibility



From the support of our staffs, Hana Ayutthaya donated books, stationery and cash for disadvantaged children via the Mirror Foundation.



Hana Ayutthaya donated dry food to the monks of a temple in Ang Thong province in order to support over 400 orphans that the temple is taking care of. This event was conducted as the spirit of management and staff that passed through the flood crisis during October – November 2011.

Hana Ayutthaya staff and management jointly donated cash prevent the slaughter of 6 cows and buffalos according to His Majesty King Bhumibol's project.

## Environmental Management

Hana recognizes the importance of a clean and green environment for the mutual benefit of our employees, the global community and future generations. We are committed to integrate environmentally friendly practices into all aspects of our daily activities according to the following guidelines:

1. maintain effective programs to minimize adverse environmental impact through conservation of resources (natural and processed) and materials
2. administer and establish responsible methods for the use and disposal of hazardous substances to prevent pollution
3. nurture our environment through continuous improvements, in compliance with all applicable laws and regulations
4. advocate open communication with our employees, customers, suppliers, and the local community on the importance of good environmental protection

Hana is committed to manufacture products in full compliance with National environmental and industrial safety regulations. Our routine work includes the following:

- electricity saving, water usage control, diesel and nitrogen usage control
- waste water and gas release control
- Hazardous materials control of storage, usage and transportation

# 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 2012. The meeting attendance of each committee is as follows.

Committee	Meeting Attendance
1. Mr. Bancha Tamprakorn, Chairman	4 of 4
2. Mr. Voraphoj Thepvanaprasiddhi, 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 and legal compliance. 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 Bangkok Office Limited for the financial year ending December 31, 2012.

The Audit Committee concludes its satisfaction with the accuracy, completeness and creditability of 2012 financial statements' preparation and reporting, the adequacy of internal control systems and the compliance with applicable laws and regulations. There is no transaction that may lead to conflict of interests. As a result, the Audit Committee has no particular matter to draw to the attention of shareholders.



Bancha Tamprakorn  
Chairman  
Audit Committee

# Nomination Committee Report

The Nomination Committee consists of three directors, of which two are the independent directors. In 2012, the company had one meeting and all committee members attended the meeting. The Nomination Committee has reviewed the candidates on the basis of knowledge, skill, experience as well as vision and attitude to match with the Company's requirement.

In respect of the candidate nominations for new director appointments in 2012, the Company promoted the shareholders' right 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 shareholders proposed candidates to the Committee for review 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 potentially 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. Voraphoj Thepvanaprasiddhi  
Chairman of Nomination Committee

# Management's Discussion and Analysis

## Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 6% year on year, to THB 17.3 billion in year 2012 from THB 16.3 billion in year 2011. Sales Revenue in USD terms increased by 4% to USD 556m in 2012 from USD 535m in 2011. Operating profits decreased 25% to THB 1,076m Baht in 2012 from THB 1,427m Baht in 2011. Operating profits decreased 26% in USD terms to USD 35m in 2012 from USD 47m in 2011.

## Past Performance Analysis

### Revenue Analysis

Group Sales were higher by 6% in 2012 at THB 17,233m from THB 16,315m in 2011 with markets being stronger in the first half of 2012 and weaker in the second half of the year. USD sales were 4% higher in 2012 at USD 555m from USD 535m in 2011 as the average THB/USD exchange rate in 2012 weakened 2% to THB/USD 31.03 in 2012 from THB/USD 30.53 in 2011.

The Microelectronics divisions' sales revenues increased 14% [+16% THB] in 2012 over 2011. The microelectronics operation in Lamphun increased 14% [15% in THB terms] and JXG by 17% [+19% in THB terms] for 2012.

In 2012 IC assembly sales decreased by 9% in USD terms [-7% in THB terms]. For 2012, the IC division in AYT sales decreased 16% [-14% in THB terms], but increased 27% [+30% in THB terms] for the IC division in JXG. CPG sales fell 71% [-71% THB] in 2012 as the operations ceased in Q1 2012. Hana Microdisplay Technologies "HMT", sales decreased 37% [-36% THB] for the year.

### The annual sales split was:

	2012	2011	2010
PCBA (Thailand)	42%	38%	37%
PCBA (China)	25%	22%	17%
CPG - (Bangkok)	0%	2%	5%
IC (AYT)	25%	31%	35%
IC (China)	7%	6%	5%
HMT (USA)	1%	2%	1%
	100%	100%	100%

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

The Gross Profit margin was 10% in 2012 down 3% from 13% in 2011 due to the change in product mix with the increase in PCBA sales and decrease in IC assembly sales. PCBA sales have a higher material content than IC assembly product sales. Higher labour costs due to the minimum wage increase in 2012 also contributed to a lower margin.

### Operating Profit Analysis

The Operating profit margin decreased 3% in 2012 to 6% from 9% in 2011 due to the lower Gross Profit margin. SGA expenses decreased by 5% [THB 55m] and were 5% of sales revenue in 2012, compared to 6% in 2011.

# Management's Discussion and Analysis

## Payout Analysis

The company paid dividends per share of THB 1.40 in 2010 from the profits of 2009, THB 1.55 in 2011 from the profits of 2010 and THB 1.00 in 2012 from the profits of 2011 being 55%, 45% and 48% dividend payout of net profits before exceptional items respectively. The company also paid an interim dividend of THB 0.50 in Q412.

The final dividends are 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 31<sup>st</sup> December, 2012 were THB 5.5 billion down from 31st December, 2011 of THB 5.8 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	2012	2011	2010
Less than 3 months	2,653,880	2,445,169	2,423,065
3 - 6 months	23,758	20,670	8,957
6 - 12 months	16,349	7,236	2,782
More than 12 months	3,173	5,380	0
Total accounts receivable - other companies	2,697,160	2,478,455	2,434,803
Less : Allowance for doubtful accounts	-6,904	-11,189	-3,240
	2,690,256	2,467,266	2,431,564

## 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 64 days in 2012, 66 days in 2011 and 55 days in 2010.

## Liquidity

The group has THB 5.5 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% lower in 2012 due to the flood of the Ayutthaya plant, stronger exchange rate and increased wage and material costs with EBITDA at THB 2.3 billion in 2012 and THB 2.6 billion in 2011 and THB 3.6 billion in 2010.

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 0.8m, interim dividend Q412 THB 0.4m, capital expenditure THB 1.4 billion.

# Management's Discussion and Analysis

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.

The cash decrease in 2010 from 2009 was THB 1.0 billion after EBITDA THB 3.7 billion less dividend THB 1.1 billion and capital expenditure THB 2.1 billion and a THB 1.5 billion increase in working capital.

## Capital Expenditure

Net Capital Expenditure was THB 1,372m in 2012, THB 1,360m in 2011 and THB 1,976m in 2010. Capital Expenditure was higher in 2012 due to the replacement of equipment damaged in the flood at the Ayutthaya plant.

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 80m 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 2012 of THB/USD 31.03 was 2% weaker than the THB/USD 30.53 in 2011 which was 4% stronger than the THB/USD 31.73 in 2010.

# Management's Discussion and Analysis

## 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 and in the 2012 accounts. The repairs were completed in 2012.

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 2011 THB 300m was booked as receivable for an interim property insurance claim receipt. Net Exceptional items is primarily THB 400m business interruption insurance interim proceeds less THB 163m for flood related damaged materials provisions. There were no exceptional items in 2010.

## Subsequent Event

None

# Risk Factors

## 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. Whilst Hana's key strategy is to maintain a diverse base of customers with different industry exposures; 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.

## b) Production Risk

The production risks are -

- changes in manufacturing technology making existing equipment obsolete.
- a factory partial or whole destruction by fire, flood or earthquake. Whilst The company has multiple factories there would be a loss of customers and a period of months to years to install new equipment and recover customer orders.
- the companies ability to source suitably skilled staff sufficient direct labour.
- Material Supply Chain risks. Inability of our suppliers to deliver materials on time and in accordance with specification.

## c) Management Risk

The company employs a number of expatriate management in key positions. Whilst the company does not have any individual staff or management who are key to the survival of the business, loss of senior management and the company's ability to replace key management could affect the company's market value and business performance.

## 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. However, 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.

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 80m 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.

## Industry and Competitive Condition

In 2012 the markets were stronger in the first half of the year and weaker in second half of the year due to the weakening phase of the semiconductor cycle. Whilst sales in USD terms have slightly increased in 2012 from 2010 and 2011 the flood in the Ayutthaya factory in Q4 2011, the stronger THB/USD and CNY/USD exchange rates, higher material and labour costs impacted the group profit margin.

# Risk Factors

The company remains competitive by providing assemblies to the quality level demanded by the customers and at a competitive cost. The management believes that company maintains a competitive cost structure equal or lower than the majority of its competitors.

## Investment policy

The company maintains full management control over each of its subsidiaries. Operational management for each operating subsidiary factory lies with the factory general manager reporting to the company president. Capital expenditure and financial management are controlled through the company's corporate management, which is overseen by the board of directors.

## Future Projects in Plan

The company is looking to invest in a 50 year lease of land in Koh Khong province of Cambodia for future factory expansion. The land lease investment is expected to be USD 3.48m . The company plans to construct a 28,000 sq.m facility on the land at a cost of approximately USD 12m.

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.

The company has also purchased 5 rai of land near our current head office in Laksi, Bangkok and is currently constructing a 4,000 sq. m office building which will be used as the company's new head office from the last quarter of 2013. The factory building and office which houses our current head office is a leased facility of which the lease will expire in February 2014.

## Audit's remuneration

Company	Auditor	Fee (Baht)
Hana Microelectronics Public Co., Ltd.	Ms. Kamontip Lertwitworatep	2,060,000
Hana Semiconductor (Ayutthaya) Co., Ltd.	Ms. Kamontip Lertwitworatep	1,020,000
Hana Semiconductor (BKK) Co., Ltd.	Ms. Kamontip Lertwitworatep	360,000
<b>Total</b>		<b>3,440,000</b>

## Non-audit fee

Company	Non-audit service	Auditor	Other Non-audit fee	
			Fee paid during the fiscal year (Baht)	Fee paid in the future (Baht)
Hana Microelectronics Public Co., Ltd.	Review the compliance with the conditions of the Board of Investment's certificate	Ernst & Young Office Limited	360,000	-
Hana Semiconductor (Ayutthaya) Co., Ltd.	Review the compliance with the conditions of the Board of Investment's certificate	Ernst & Young Office Limited	360,000	-
Hana Semiconductor (BKK) Co., Ltd.	Review the compliance with the conditions of the Board of Investment's certificate	Ernst & Young Office Limited	-	-
<b>Total Non-audit fee</b>			<b>720,000</b>	<b>-</b>

## 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 2012 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

# Report of Independent Auditor

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 2012, 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 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Kamontip Lertwitworatep  
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited  
Bangkok: 27 February 2013

# Statements of Financial Position

Hana Microelectronics Public Company Limited and its subsidiaries

As at 31 December 2012

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	3,111,180,904	3,824,147,266	94,145,566	520,425,225
Short-term investments	8	2,370,090,185	2,014,320,054	-	-
Trade and other receivables	7, 9	2,764,216,396	2,568,516,148	1,261,696,621	1,275,014,508
Insurance claim receivable	21	-	300,000,000	-	-
Inventories	10	2,847,768,315	2,646,579,217	915,061,716	993,410,322
Other current assets		169,640,107	154,070,581	49,327,491	58,845,676
<b>Total current assets</b>		<b>11,262,895,907</b>	<b>11,507,633,266</b>	<b>2,320,231,394</b>	<b>2,847,695,731</b>
<b>Non-current assets</b>					
Investments in subsidiary companies	11	-	-	3,427,501,838	3,427,501,838
Other long-term investment		97,000	97,000	97,000	97,000
Property, plant and equipment	12	6,621,700,623	6,372,590,324	1,701,265,171	1,630,983,810
Intangible assets	13	15,957,384	14,541,422	4,088,220	4,756,328
Other non-current assets		20,723,857	16,850,458	1,328,750	1,328,750
<b>Total non-current assets</b>		<b>6,658,478,864</b>	<b>6,404,079,204</b>	<b>5,134,280,979</b>	<b>5,064,667,726</b>
<b>Total assets</b>		<b>17,921,374,771</b>	<b>17,911,712,470</b>	<b>7,454,512,373</b>	<b>7,912,363,457</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 2012

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institution	14	24,435,471	38,820,547	-	-
Trade and other payables	7, 15	2,087,839,938	2,506,443,445	775,389,590	1,004,751,416
Short-term provisions	16	448,350,166	368,474,353	214,575,498	150,465,664
Corporate income tax payable		16,564,570	15,154,576	7,870,413	5,449,676
Other current liabilities		38,071,477	65,340,606	23,147,956	23,277,607
<b>Total current liabilities</b>		<b>2,615,261,622</b>	<b>2,994,233,527</b>	<b>1,020,983,457</b>	<b>1,183,944,363</b>
<b>Non-current liabilities</b>					
Provision for long-term employee benefits	17	376,360,511	352,899,533	167,074,141	154,850,654
<b>Total non-current liabilities</b>		<b>376,360,511</b>	<b>352,899,533</b>	<b>167,074,141</b>	<b>154,850,654</b>
<b>Total liabilities</b>		<b>2,991,622,133</b>	<b>3,347,133,060</b>	<b>1,188,057,598</b>	<b>1,338,795,017</b>
<b>Shareholders' equity</b>					
<b>Share capital</b>					
Registered					
974,403,900 ordinary shares of Baht 1 each					
(31 December 2011: 1,000,000,000 ordinary shares of Baht 1 each)					
	19	974,403,900	1,000,000,000	974,403,900	1,000,000,000
Issued and fully paid-up					
804,878,860 ordinary shares of Baht 1 each					
(31 December 2011: 830,474,960 ordinary shares of Baht 1 each)					
	19	804,878,860	830,474,960	804,878,860	830,474,960
Share premium		1,723,218,982	1,723,218,982	1,723,218,982	1,723,218,982
<b>Retained earnings</b>					
Appropriated - statutory reserve					
	18	352,497,188	320,218,399	100,000,000	100,000,000
Appropriated - reserve for treasury shares					
	19	-	262,987,260	-	262,987,260
Unappropriated					
		12,229,598,986	11,783,074,320	3,638,356,933	3,919,874,498
Other components of shareholders' equity		(180,441,378)	(92,407,251)	-	-
<b>Total shareholders' equity</b>		<b>14,929,752,638</b>	<b>14,827,566,670</b>	<b>6,266,454,775</b>	<b>6,836,555,700</b>
Treasury shares	19	-	(262,987,260)	-	(262,987,260)
<b>Total shareholders' equity</b>		<b>14,929,752,638</b>	<b>14,564,579,410</b>	<b>6,266,454,775</b>	<b>6,573,568,440</b>
<b>Total liabilities and shareholders' equity</b>		<b>17,921,374,771</b>	<b>17,911,712,470</b>	<b>7,454,512,373</b>	<b>7,912,363,457</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 2012

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Revenues</b>					
Sales		17,232,768,681	16,314,929,359	7,192,856,771	6,273,340,810
Interest income		170,695,739	157,109,899	7,595,981	7,163,133
Dividend income	7, 11	28,125	1,771,746	126,028,125	310,021,375
Gain on exchange		168,399,691	120,339,269	24,892,845	76,068,635
Other income	21	815,999,559	404,197,143	78,276,093	69,283,604
<b>Total revenues</b>		<b>18,387,891,795</b>	<b>16,998,347,416</b>	<b>7,429,649,815</b>	<b>6,735,877,557</b>
<b>Expenses</b>					
Cost of sales	20	15,550,124,185	14,261,378,605	6,236,613,230	5,329,354,656
Selling expenses		133,162,104	131,632,924	26,207,931	25,395,694
Administrative expenses		879,433,405	809,899,958	180,790,462	194,847,646
Loss from flood event	21	-	99,293,874	-	-
Other expenses		88,285,560	25,801,296	65,595,050	-
<b>Total expenses</b>		<b>16,651,005,254</b>	<b>15,328,006,657</b>	<b>6,509,206,673</b>	<b>5,549,597,996</b>
<b>Profit before finance cost and income tax expenses</b>		<b>1,736,886,541</b>	<b>1,670,340,759</b>	<b>920,443,142</b>	<b>1,186,279,561</b>
Finance cost		(7,478,309)	(9,350,969)	(2,408,463)	(2,912,948)
<b>Profit before income tax expenses</b>		<b>1,729,408,232</b>	<b>1,660,989,790</b>	<b>918,034,679</b>	<b>1,183,366,613</b>
Income tax expenses		(68,882,587)	(42,921,044)	(17,830,054)	(16,342,098)
<b>Profit for the year</b>		<b>1,660,525,645</b>	<b>1,618,068,746</b>	<b>900,204,625</b>	<b>1,167,024,515</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		1,660,525,645	1,618,068,746	900,204,625	1,167,024,515
<b>Earnings per share</b>					
Basic earnings per share	22				
Profit attributable to equity holders of the Company		2.06	2.01	1.12	1.45

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 2012

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Profit for the year		1,660,525,645	1,618,068,746	900,204,625	1,167,024,515
Other comprehensive income:					
Gain (loss) on change in value of available-for-sale investments	8.2	142,342,193	(36,132,311)	-	-
Exchange differences on translation of financial statements in foreign currency		(230,376,320)	439,466,334	-	-
Other comprehensive income for the year		(88,034,127)	403,334,023	-	-
Total comprehensive income for the year		1,572,491,518	2,021,402,769	900,204,625	1,167,024,515
Total comprehensive income attributable to:					
Equity holders of the Company		1,572,491,518	2,021,402,769	900,204,625	1,167,024,515

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 2012

(หน่วย: บาท)

	Consolidated financial statements										Total shareholders' equity		
	Note	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	
				Statutory reserve	Appropriated	Reserve for treasury shares	Unappropriated	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 2011		830,474,960	1,723,218,982	320,218,399	262,987,260	11,412,567,807	103,872,536	(599,613,810)	(495,741,274)	14,053,726,134	(262,987,260)	13,790,738,874	
Total comprehensive income for the year		-	-	-	-	1,618,068,746	(36,132,311)	439,466,334	403,334,023	2,021,402,769	-	2,021,402,769	
Dividend paid	26	-	-	-	-	(1,247,562,233)	-	-	-	(1,247,562,233)	-	(1,247,562,233)	
Balance as at 31 December 2011		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	
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	
Total comprehensive income for the year		-	-	-	-	1,660,525,645	142,342,193	(230,376,320)	(88,034,127)	1,572,491,518	-	1,572,491,518	
Dividend paid	26	-	-	-	-	(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	19	(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	352,497,188	-	12,229,598,986	210,082,418	(390,523,796)	(180,441,378)	14,929,752,638	-	14,929,752,638	

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 2012

(Unit: Baht)

	Note	Separate financial statements							Total
		Issued and paid up share capital	Share premium	Retained earnings			Total equity attributable to owners of the Company	Treasury shares	
				Statutory reserve	Appropriated	Unappropriated			
Balance as at 1 January 2011		830,474,960	1,723,218,982	100,000,000	262,987,260	4,000,412,216	6,917,093,418	(262,987,260)	6,654,106,158
Total comprehensive income for the year		-	-	-	-	1,167,024,515	1,167,024,515	-	1,167,024,515
Dividend paid	26	-	-	-	-	(1,247,562,233)	(1,247,562,233)	-	(1,247,562,233)
Balance as at 31 December 2011		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
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
Total comprehensive income for the year		-	-	-	-	900,204,625	900,204,625	-	900,204,625
Dividend paid	26	-	-	-	-	(1,207,318,290)	(1,207,318,290)	-	(1,207,318,290)
Write-off treasury shares	19	(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	-	3,638,356,933	6,266,454,775	-	6,266,454,775

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 2012

(Unit : Baht)

Note	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Cash flows from operating activities</b>				
Profit before tax	1,729,408,232	1,660,989,790	918,034,679	1,183,366,613
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation	1,225,593,097	1,187,435,691	291,415,476	291,912,262
Amortisation expenses	3,392,862	5,395,984	668,107	633,513
Allowance for doubtful accounts (reversal)	(4,285,162)	7,948,887	-	-
Adjustment of inventories to net realisable value (reversal)	49,888,174	143,326,204	108,128,525	(793,888)
Dividend income from subsidiary companies	-	-	(126,000,000)	(310,000,000)
Dividend income from other companies	(28,125)	(1,771,746)	(28,125)	(21,375)
Interest income from short-term investments	(114,664,461)	(102,628,265)	-	-
Gain on sales of short-term investments	(9,455,551)	(54,521,769)	-	-
Revaluation loss (gain) on investments in securities held for trading	(9,506,897)	2,397,154	-	-
Loss (gain) on disposals/write-off of machinery and equipment	97,343,834	1,937,894	(1,434,312)	(536,750)
Allowance for impairment loss on assets (reversal)	(182,627,681)	190,989,510	-	337,603
Provision for product warranty	22,690,510	25,801,296	-	-
Loss on tax assessment	64,109,834	-	64,109,834	-
Wrote-off withholding tax deducted at source	1,485,216	-	1,485,216	-
Provision for vacation	4,351,813	160,618	1,999,076	1,655,041
Provision for long-term employee benefits	32,092,630	86,071,908	14,645,446	48,286,461
Unrealised loss (gain) on exchange	1,509,829	(1,820,627)	12,038,531	(7,993,195)
Unrealised loss (gain) on forward contracts	(30,874,662)	29,418,846	-	-
Unrealised loss (gain) on swap contract	752,397	(1,117,305)	-	-
Interest expenses	87,293	564,667	-	434,178
Profit from operating activities before changes in operating assets and liabilities	2,881,263,182	3,180,578,737	1,285,062,453	1,207,280,463
Operating assets (increase) decrease				
Trade and other receivables	(205,039,266)	(56,460,146)	(14,822,098)	(218,835,818)
Insurance claim receivable	300,000,000	(300,000,000)	-	-
Inventories	(251,077,272)	(234,897,426)	(29,779,919)	(376,639,213)
Other current assets	20,188,068	41,201,667	7,792,478	(29,317,727)
Other non-current assets	26,067	(7,133,699)	-	-
Operating liabilities increase (decrease)				
Trade and other payables	(429,800,169)	293,968,010	(197,448,253)	445,748,404
Other current liabilities	(31,620,942)	2,271,747	(2,128,727)	197,289
Provision for long-term employee benefits	(8,631,652)	(4,300,727)	(2,421,959)	(3,380,126)
Cash from operating activities	2,275,308,016	2,915,228,163	1,046,253,975	1,025,053,272
Cash paid for corporate income tax	(74,304,605)	(53,032,511)	(15,409,317)	(19,620,381)
<b>Net cash from operating activities</b>	<b>2,201,003,411</b>	<b>2,862,195,652</b>	<b>1,030,844,658</b>	<b>1,005,432,891</b>

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 2012

(Unit : Baht)

Note	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Cash flows from investing activities</b>				
Increase in short-term investments	(531,399,770)	(314,740,528)	-	-
Proceeds from sales of short-term investments	336,934,280	351,421,653	-	-
Interest income from short-term investments	113,532,434	70,318,611	-	-
Dividend income from subsidiary companies	-	-	126,000,000	310,000,000
Dividend income from other companies	28,125	1,771,746	28,125	21,375
Acquisitions of property, plant and equipment	(1,480,504,872)	(1,396,553,927)	(378,629,104)	(234,189,801)
Proceeds from disposals of equipment	108,315,299	36,600,516	2,794,952	25,078,526
Increase in intangible assets	(4,808,824)	(2,368,780)	-	(650,650)
Decrease (increase) in other non-current assets	(3,899,466)	10,794,745	-	-
<b>Net cash from (used in) investing activities</b>	<b>(1,461,802,794)</b>	<b>(1,242,755,964)</b>	<b>(249,806,027)</b>	<b>100,259,450</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans from financial institution	(14,385,076)	38,820,547	-	-
Cash paid for interest expenses	(87,293)	(560,737)	-	(434,178)
Dividend paid	(1,207,318,290)	(1,247,562,233)	(1,207,318,290)	(1,247,562,233)
<b>Net cash used in financing activities</b>	<b>(1,221,790,659)</b>	<b>(1,209,302,423)</b>	<b>(1,207,318,290)</b>	<b>(1,247,996,411)</b>
Increase (decrease) in cash and cash equivalents	(482,590,042)	410,137,265	(426,279,659)	(142,304,070)
Translation adjustment	(230,376,320)	439,466,334	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(712,966,362)</b>	<b>849,603,599</b>	<b>(426,279,659)</b>	<b>(142,304,070)</b>
Cash and cash equivalents at beginning of year	3,824,147,266	2,974,543,667	520,425,225	662,729,295
<b>Cash and cash equivalents at end of year (Note 6)</b>	<b>3,111,180,904</b>	<b>3,824,147,266</b>	<b>94,145,566</b>	<b>520,425,225</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	17,229,977	(133,493,019)	(15,571,628)	(8,530,794)
Revaluation gain from changes in fair value of investments in available-for-sale securities	(142,342,193)	(36,132,311)	-	-

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 2012

## 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 Bangkhen, Khet Laksi, Bangkok.

## 2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting 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	
			2012	2011
			Percent	Percent
<b>Held by the Company</b>				
Hana Semiconductor (BKK) Company Limited	Manufacture and trading of electronic components	Thailand	100	100
Omac Sales Limited	Trading of electronic components	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 Semiconductor (Ayutthaya) Company Limited	Manufacture and trading of electronic components	Thailand	58	58
<b>Held through the subsidiary companies</b>				
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 2012

- 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 not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

**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:**

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

The Company's management believes that TAS 20 (revised 2009), SIC 10, SIC 21 and SIC 25 are not relevant to the business of the Company; while TAS 21 (revised 2009) and TFRS 8 will not have any significant impact on the financial statements for the year when they are initially applied, and TAS 12 will have an impact on the financial statements as below.

**TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines. The management of the Company expects the adoption of this accounting standard to have the effect of increasing the Company and its subsidiaries' brought-forward retained earnings of the year 2013 by approximately Baht 15.0 million (the Company only: increasing by approximately Baht 4.7 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows:

	Effective date
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
<b>Accounting Standard Interpretation:</b>	
SIC 29                      Service Concession Arrangements: Disclosures	1 January 2014

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

		Effective date
<b>Financial Reporting Standard Interpretations:</b>		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programme	1 January 2014

The management of the Company has assessed the effect of the above accounting treatment and accounting standard interpretation and believes that they are not relevant to the business of the Company.

## 4. Significant accounting policies

### 4.1 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.

#### *Rental income*

Rental income is recognised on an accrual basis.

#### *Dividends*

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

### 4.2 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.

### 4.3 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.

### 4.4 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.

### 4.5 Investments

- 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.
- 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.
- 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.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

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

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.

## 4.6 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.

## 4.7 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.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	5 - 10 years

## 4.8 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.

## 4.9 Foreign currencies

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.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 4.10 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. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

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.

## 4.11 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.

#### *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.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 4.12 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.

## 4.13 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.

## 4.14 Income tax

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.

## 4.15 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.

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.

## 5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards 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:

### 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.

### 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.

### 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.

### 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.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 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 Company's 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.

## 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. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2012 and 2011 as reflected in the statements of financial position and cash flows consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash	926	876	141	113
Bank deposits	1,841,953	1,788,988	94,005	270,312
Bills of exchange	180,000	610,000	-	250,000
Fixed deposits with maturity not over 3 months	1,088,302	1,424,283	-	-
Cash and cash equivalents	3,111,181	3,824,147	94,146	520,425

As at 31 December 2012, bank deposits in savings accounts, fixed deposits and bills of exchange carried interests between 0.001 and 2.850 percent per annum (2011: 0.001 and 3.250 percent per annum).

## 7. Related party transactions

During the years, the Company and its subsidiaries 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
	2012	2011	
<b>Transactions with subsidiary companies</b>			
(eliminated from the consolidated financial statements)			
Sales of goods	12	13	Prices agreed between the parties due to the uniqueness of products sold to each customer
Dividend income	126	310	Declared rate
Rental income	10	9	Contract price
Purchase of materials	259	162	Cost plus mark up
Purchase of fixed assets	66	4	Cost plus mark up
Service fee expenses	2	4	Rates stipulated in the agreement

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

As at 31 December 2012 and 2011, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
<b>Trade and other receivables (Note 9)</b>				
<b>Trade receivables - subsidiary companies</b>				
Hana Microdisplay Technologies, Inc.	-	-	15,586	11,642
Omac Sales Limited	-	-	10,716	108
Hana Semiconductor (Ayutthaya) Company Limited	-	-	285	352
Hana Microelectronics Investment Company Limited	-	-	198	-
Hana Semiconductor International Limited	-	-	39	78
Hana Semiconductor (BKK) Company Limited	-	-	-	107
<b>Total trade receivables - subsidiary companies</b>	-	-	26,824	12,287
<b>Other receivables - related parties</b>				
<u>Subsidiary company</u>				
Hana Semiconductor (Ayutthaya) Company Limited	-	-	3,780	-
<u>Related company</u>				
Omac Limited (by way of common directors)	32	-	-	-
<b>Total other receivables - related parties</b>	32	-	3,780	-
<b>Total trade and other receivables</b>	32	-	30,604	12,287
<b>Trade payables - subsidiary companies (Note 15)</b>				
Omac Sales Limited	-	-	200,570	49,990
Hana Semiconductor (Ayutthaya) Company Limited	-	-	14,652	36,863
Hana Semiconductor International Limited	-	-	5,203	4,540
Hana Microdisplay Technologies, Inc.	-	-	3,518	1,069
Hana Microelectronics, Inc.	-	-	283	1,651
Hana Microelectronics Investments Company Limited	-	-	-	32
<b>Total trade payables - subsidiary companies</b>	-	-	224,226	94,145

## Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Short-term employee benefits	69	81	11	9
Post-employment benefits	10	8	10	8
<b>Total</b>	79	89	21	17

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 8. Short-term Investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2012		31 December 2011	
	Cost/Carrying value	Fair value	Cost/Carrying value	Fair value
<b>Securities held for trading</b>				
Overseas marketable equity securities	91,896	100,091	95,074	95,956
Unsecured subordinated notes	30,154	31,465	-	-
<b>Total</b>	<b>122,050</b>	<b>131,556</b>	<b>95,074</b>	<b>95,956</b>
Add: Revaluation surplus on changes in value of investments	9,506	-	882	-
<b>Investments in securities held for trading</b>	<b>131,556</b>	<b>131,556</b>	<b>95,956</b>	<b>95,956</b>
<b>Available-for-sale securities</b>				
Overseas marketable corporate bonds	1,080,730	1,213,375	1,000,449	1,046,768
Local quoted bonds	30,634	31,661	-	-
Overseas quoted bonds	910,962	987,372	843,831	865,252
<b>Total</b>	<b>2,022,326</b>	<b>2,232,408</b>	<b>1,844,280</b>	<b>1,912,020</b>
Add: Revaluation surplus on changes in value of investments	210,082	-	67,740	-
<b>Investments in available-for-sale securities</b>	<b>2,232,408</b>	<b>2,232,408</b>	<b>1,912,020</b>	<b>1,912,020</b>
<b>Fixed deposit with financial institution</b>				
Fixed deposit within 1 year	6,126	6,126	6,344	6,344
Investment in fixed deposit with financial institution	6,126	6,126	6,344	6,344
<b>Total short-term investments</b>	<b>2,370,090</b>	<b>2,370,090</b>	<b>2,014,320</b>	<b>2,014,320</b>

### 8.1 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, shares of a company listed on the Stock Exchange of Thailand (SET), including bond investment trust of an overseas bank. These investments are held for trading purpose. During the current year, the subsidiary additionally invested in unsecured subordinated notes of a company listed on the Stock Exchange of Australia. During the year 2011, the subsidiary disposed the entire amount of the remaining shares of a company listed on the Stock Exchange of Thailand, resulting in gain of USD 1.8 million or equivalent to approximately Baht 53.1 million.

As at 31 December 2012, the subsidiary had assessed the fair value of the equity securities for mutual fund, the bond investment trust from an overseas bank and the subordinated notes by referring to the latest bid price as quoted on the Stock Exchanges, in which the fair value had increased by USD 0.3 million or equivalent to approximately Baht 9 million (2011: decreased by USD 0.07 million or equivalent to approximately Baht 2 million). The changes in the fair value of these investments were recognised in profit or loss.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 8.2 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 overseas quoted bonds, resulting in net gain of USD 0.3 million or equivalent to approximately Baht 9.4 million (2011: net gain of USD 0.05 million or equivalent to approximately Baht 1.4 million).

As at 31 December 2012, the subsidiary had assessed the fair value of the bonds by referring to the value quoted by the banks in which the fair value had increased by USD 4.7 million or equivalent to approximately Baht 142.3 million (2011: decreased by USD 1.3 million or equivalent to approximately Baht 36.1 million). The changes in the fair value of such bonds are shown as a separate item in the statement of comprehensive income.

As at 31 December 2012, part of short-term investments were used as security for short-term loans from financial institution as discussed in Note 14.

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Age of receivable				
Trade receivables - subsidiary companies				
Not yet due	-	-	997	1,691
Past due				
Up to 3 months	-	-	3,114	4,140
3 - 6 months	-	-	12,916	2,387
6 - 12 months	-	-	8,175	3,107
Over 12 months	-	-	1,622	962
Total trade receivables - subsidiary companies	-	-	26,824	12,287
Trade receivables - unrelated parties				
Not yet due	2,057,526	2,090,226	1,003,769	1,138,627
Past due				
Up to 3 months	596,354	354,943	217,752	105,460
3 - 6 months	23,758	20,670	3,418	929
6 - 12 months	16,349	7,236	286	34
Over 12 months	3,173	5,380	3	-
Total trade receivables - unrelated parties	2,697,160	2,478,455	1,225,228	1,245,050
Less: Allowance for doubtful accounts	(6,904)	(11,189)	-	-
Total trade receivables - unrelated parties - net	2,690,256	2,467,266	1,225,228	1,245,050
Total trade receivables - net	2,690,256	2,467,266	1,252,052	1,257,337
Other receivables - related parties	32	-	3,780	-
Other receivables - unrelated parties	73,928	101,250	5,865	17,678
Total other receivables	73,960	101,250	9,645	17,678
Trade and other receivables - net	2,764,216	2,568,516	1,261,697	1,275,015

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods	939,399	553,620	(186,597)	(121,434)	752,802	432,186
Work in process	221,428	292,648	-	-	221,428	292,648
Raw materials	2,024,119	2,000,275	(212,688)	(227,963)	1,811,431	1,772,312
Goods in transit	62,107	149,433	-	-	62,107	149,433
Total	3,247,053	2,995,976	(399,285)	(349,397)	2,847,768	2,646,579

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods	368,658	202,060	(186,585)	(121,287)	182,073	80,773
Work in process	107,070	117,251	-	-	107,070	117,251
Raw materials	697,982	808,856	(97,564)	(54,734)	600,418	754,122
Goods in transit	25,501	41,264	-	-	25,501	41,264
Total	1,199,211	1,169,431	(284,149)	(176,021)	915,062	993,410

## 11. 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	
	2012	2011	2012	2011	2012	2011	2012	2011
			ร้อยละ	ร้อยละ				
Hana Semiconductor (Ayutthaya) Company Limited	1,200,000	1,200,000	58	58	2,142,910	2,142,910	126,000	70,000
Hana Semiconductor (BKK) Company Limited	1,000,000	1,000,000	100	100	1,011,100	1,011,100	-	240,000
Omac Sales Limited	325	325	100	100	273,492	273,492	-	-
Hana Microelectronics International Company Limited	-	-	100	100	-	-	-	-
Hana Microelectronics Investment Company Limited	-	-	100	100	-	-	-	-
Hana Technologies Group Limited	-	-	100	100	-	-	-	-
Total investments in subsidiary companies					3,427,502	3,427,502	126,000	310,000

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 12. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements								
	Land	Buildings	Leasehold improvement	Installation	Machinery and equipment	Office furniture and equipment	Vehicles	Construction in progress and machinery under installation	Total
<b>Cost</b>									
As at 1 January 2011	279,008	2,017,524	134,438	571,285	9,966,127	470,536	49,165	375,193	13,863,276
Additions	-	8,633	-	26,048	328,263	32,948	1,526	688,247	1,085,665
Disposals	-	-	-	(5)	(114,000)	(15,846)	(8,614)	-	(138,465)
Transfer in (out)	-	126,560	-	60,527	573,779	11,368	3,502	(775,736)	-
Translation adjustment	-	56,946	2,979	-	195,635	4,753	1,600	7,327	269,240
As at 31 December 2011	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
<b>Accumulated depreciation</b>									
As at 1 January 2011	-	598,060	114,805	397,525	5,745,357	367,938	30,281	-	7,253,966
Depreciation for the year	-	106,260	3,420	43,102	988,523	39,460	6,671	-	1,187,436
Accumulated depreciation for disposed assets	-	-	(616)	(5)	(76,964)	(15,156)	(7,186)	-	(99,927)
Translation adjustment	-	14,712	1,286	-	69,402	3,198	1,061	-	89,659
As at 31 December 2011	-	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
<b>Allowance for impairment loss</b>									
As at 1 January 2011	-	-	-	613	82,204	-	-	-	82,817
Increase during the year	-	-	-	-	190,989	-	-	-	190,989
Translation adjustment	-	-	-	-	2,186	-	-	-	2,186
As at 31 December 2011	-	-	-	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
<b>Net book value</b>									
As at 31 December 2011	279,008	1,490,631	18,522	216,620	3,948,107	108,319	16,352	295,031	6,372,590
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
<b>Depreciation for the year</b>									
2011 (Baht 984 million included in manufacturing cost, and the balance in administrative expenses)									1,187,436
2012 (Baht 1,091 million included in manufacturing cost, and the balance in administrative expenses)									1,225,593

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

(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
<b>Cost</b>									
As at 1 January 2011	172,625	812,509	85,641	148,032	2,052,364	111,732	21,097	148,005	3,552,005
Additions	-	5,804	-	11,235	28,860	10,458	-	169,302	225,659
Disposals	-	-	-	-	(76,463)	(1,043)	(6,420)	-	(83,926)
Transfer in (out)	-	77,255	-	38,579	157,190	879	-	(273,903)	-
As at 31 December 2011	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
<b>Accumulated depreciation</b>									
As at 1 January 2011	-	271,488	83,212	74,970	1,290,148	87,734	14,827	-	1,822,379
Depreciation for the year	-	42,901	2,429	13,326	222,178	9,342	1,736	-	291,912
Accumulated depreciation for disposed assets	-	-	-	-	(53,196)	(931)	(5,258)	-	(59,385)
As at 31 December 2011	-	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
<b>Allowance for impairment loss</b>									
As at 1 January 2011	-	-	-	613	6,897	-	-	-	7,510
Increase during the year	-	-	-	-	338	-	-	-	338
As at 31 December 2011	-	-	-	613	7,235	-	-	-	7,848
As at 31 December 2012	-	-	-	613	7,235	-	-	-	7,848
<b>Net book value</b>									
As at 31 December 2011	172,625	581,179	-	108,937	695,586	25,881	3,372	43,404	1,630,984
As at 31 December 2012	247,851	550,285	-	113,032	682,069	28,380	2,122	77,526	1,701,265
<b>Depreciation for the year</b>									
2011 (Baht 222 million included in manufacturing cost, and the balance in administrative expenses)									291,912
2012 (Baht 217 million included in manufacturing cost, and the balance in administrative expenses)									291,415

As at 31 December 2012, certain 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 4,619 million (2011: Baht 4,625 million) and for the Company amounted to approximately Baht 1,052 million (2011: Baht 860 million).

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 13. 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 2011	40,480	6,767
Additions	2,238	651
Translation adjustment	1,044	-
As at 31 December 2011	43,762	7,418
Additions	2,592	-
Translation adjustment	1,970	-
As at 31 December 2012	48,324	7,418
<b>Accumulated amortisation</b>		
As at 1 January 2011	22,911	2,028
Amortisation for the year	5,396	634
Translation adjustment	914	-
As at 31 December 2011	29,221	2,662
Amortisation for the year	3,393	668
Translation adjustment	(247)	-
As at 31 December 2012	32,367	3,330
<b>Net book value</b>		
As at 31 December 2011	14,541	4,756
As at 31 December 2012	15,957	4,088
<b>Amortisation for the year</b>		
2011	5,396	634
2012	3,393	668

## 14. Short-term loans from financial institution

The balances of short-term loans from financial institution of an overseas subsidiary as at 31 December 2012 and 2011 are summarised below.

	2012	2011	
	Million USD	Million Pound Sterling	Million Euro
Principal loan balance	0.80	0.52	0.33
Interest rate (percent per annum)	1.00 - 1.35	0.88	1.27

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

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 15. Trade and other payables

(Unit: Thousand Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2012	2011	2012	2011
Trade payables - subsidiary companies	-	-	224,226	94,145
Trade payables - unrelated parties	1,552,396	1,916,228	475,785	812,933
Advance received from customers	120,315	164,050	26,524	30,094
Other payables for purchase of machineries	191,702	174,472	22,823	38,394
Accrued expenses	223,427	251,694	26,032	29,185
Total trade and other payables	2,087,840	2,506,444	775,390	1,004,751

## 16. Short-term provisions

(Unit: Thousand Baht)

	Consolidated financial statements		
	Loss on tax assessment	Product warranty	Total
As at 1 January 2011	150,466	182,992	333,458
Increase during the year	-	35,016	35,016
As at 31 December 2011	150,466	218,008	368,474
Increase during the year	64,110	15,766	79,876
As at 31 December 2012	214,576	233,774	448,350

(Unit: Thousand Baht)

	Separate financial statements	
	Loss on tax assessment	Total
As at 1 January 2011	150,466	150,466
As at 31 December 2011	150,466	150,466
Increase during the year	64,110	64,110
As at 31 December 2012	214,576	214,576

### Provision for loss on tax assessment

The Company has recorded provision for loss on tax assessment, as described in Note 27.5.

### Provision for product warranty

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

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 17. 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	
	2012	2011	2012	2011
Defined benefit obligation at beginning of year	352,900	271,128	154,851	109,944
Current service cost	41,162	40,469	19,911	18,204
Interest cost	10,960	9,471	5,168	4,173
Benefits paid during the year	(8,632)	(4,300)	(2,422)	(3,380)
Actuarial (gain) loss	(20,029)	36,132	(10,434)	25,910
<b>Defined benefit obligation at end of year</b>	<b>376,361</b>	<b>352,900</b>	<b>167,074</b>	<b>154,851</b>

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Current service cost	41,162	40,469	19,911	18,204
Interest cost	10,960	9,471	5,168	4,173
Actuarial (gain) loss recognised during the year	(20,029)	36,132	(10,434)	25,910
<b>Total expense recognised in profit or loss</b>	<b>32,093</b>	<b>86,072</b>	<b>14,645</b>	<b>48,287</b>
Line items under which such expenses are included in profit or loss				
Cost of sales	24,575	28,822	8,690	13,949
Selling and administrative expenses	7,518	57,250	5,955	34,338

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.2%	3.7%	4.2%	3.7%
Future salary increase rate (depending on age)	4.0% - 5.3%	3.1% - 5.4%	4.0% - 5.3%	3.8% - 5.4%
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

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

(Unit: Thousand Baht)

	การผูกพันตามโครงการผลประโยชน์		การปรับปรุงตามประสบการณ์ ที่เกิดจากหนี้สินโครงการ	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
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	-	-

## 18. 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.

## 19. Treasury shares

As at 31 December 2012 and 2011, details of treasury shares are as follows:

	Consolidated and separate financial statements	
	2012	2011
Cost of treasury shares (Thousand Baht)	-	262,987
Number of treasury shares (Thousand shares)	-	25,596
Average price per share (Baht)	-	10.27
Percentage of treasury shares to the Company's shares in issue	-	3.08

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.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

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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. 1/2012 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.

## 20. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Raw materials and consumables used	10,926,437	9,744,187	4,764,964	3,996,872
Changes in inventories of finished goods and work in process	(249,396)	75,011	(91,119)	(31,884)
Salary and wages and other employee benefits	2,756,767	2,687,463	992,252	889,658
Management benefit expenses	79,594	88,842	20,814	17,042
Depreciation and amortisation expenses	1,228,986	1,192,832	292,083	292,546
Loss from flood event	-	99,294	-	-
Loss from tax assessment	64,110	-	64,110	-
Product warranty expenses	22,691	25,801	-	-

## 21. Loss from flood event

The plant of Hana Semiconductor (Ayutthaya) Co., Ltd., a 100% owned 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 is in the process of claiming insurance compensation for its property damages and 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.

# Notes to Consolidated Financial Statements

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During the second quarter and the 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.

## 22. 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.

Diluted 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 plus the weighted average number of ordinary shares which would need to be issued to convert of all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

	For the year ended 31 December			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Profit for the year (Thousand Baht)	1,660,526	1,618,069	900,205	1,167,025
Number of weighted average ordinary shares - net of treasury shares (Thousand shares)	804,879	804,879	804,879	804,879
Basic earnings per share (Baht)	2.06	2.01	1.12	1.45

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries  
For the year ended 31 December 2012

## 23. 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 smart card 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	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
3.1	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.	10 years (expired)	10 years (expired)	-	-	-	-	-	-	-
3.2	5% allowance of the increment in export income over the preceding years.	5 years (expired)	5 years	5 years	5 years	5 years (expired)	5 years (tax exempted according with investment)	5 years (tax exempted according with investment)	5 years	5 years
3.3	50 % reduction of the normal corporate income tax rate for net income derived after the expiry date in 3.1	10 years (expired)	10 years	10 years	10 years	10 years (expired) (tax exempted according with investment)	10 years (tax exempted according with investment)	10 years (tax exempted according with investment)	10 years	10 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 2012

Particulars	Subsidiary				
	Hana Semiconductor (Ayutthaya) Company Limited				
1. Certificate No.	1133(4)/2548	2176(4)/2548	1458(1)/2553	1817(2)/2550	1034(2)/2550
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.

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

The Company's operating revenues for the years 2012 and 2011 could be divided according to promoted and non-promoted operations as follows:

(Unit: Thousand Baht)

	Promoted operations		Non-promoted operations		Total	
	2012	2011	2012	2011	2012	2011
<b>Sales</b>						
Domestic sales	2,307	684	9,461	15	11,768	699
Export sales	7,172,670	6,258,086	8,419	14,556	7,181,089	6,272,642
Total sales	7,174,977	6,258,770	17,880	14,571	7,192,857	6,273,341

## 24. Segment information

The Company and its subsidiaries mainly involve a single industry segment in electronic components and mainly carry on their business in the geographic areas in Thailand, Hong Kong, the United States of America and China. Geographical segment information of the Company and its subsidiaries as at and for the years ended 31 December 2012 and 2011 are as follows:

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

(Unit: Million Baht)

	Consolidated financial statements for the years ended 31 December							
	Domestic		Foreign		Eliminated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues from external customers	11,618	11,559	5,615	4,756	-	-	17,233	16,315
Intersegment revenues	36	31	7,043	5,530	(7,079)	(5,561)	-	-
Total revenues	11,654	11,590	12,658	10,286	(7,079)	(5,561)	17,233	16,315
Segment profit	871	1,365	812	689			1,683	2,054
Unallocated income and expenses:								
Other income							987	563
Gain on exchange							168	120
Selling expenses							(133)	(132)
Administrative expenses							(880)	(810)
Loss from flood event							-	(99)
Other expenses							(88)	(26)
Finance cost							(7)	(9)
Corporate income tax							(69)	(43)
Profit for the year							1,661	1,618

(Unit: Million Baht)

	Consolidated financial statements for the years ended 31 December							
	Domestic		Foreign		Eliminated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Property, plant and equipment	4,605	4,413	2,017	1,960	-	-	6,622	6,373
Other assets	18,330	18,032	19,598	18,173	(26,629)	(24,666)	11,299	11,539
Total assets	22,935	22,445	21,615	20,133	(26,629)	(24,666)	17,921	17,912

Transfer prices between business segments are as set out in Note 7 to the financial statements.

## 25. 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 2012, total amount of approximately of Baht 53 million (2011: Baht 46 million) had been contributed to the fund by the Company and its subsidiaries, and Baht 24 million had been contributed by the Company (2011: Baht 20 million).

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 26. Dividend paid

During the years 2012 and 2011, the Company and its subsidiaries had dividend payments as follows:

	Approved by	Total dividends	Dividend per share
		(Million Baht)	(Baht)
<b>The Company</b>			
Final dividends for 2010	Annual General Meeting of the shareholders on 29 April 2011	1,248	1.55
Total for the year 2011		1,248	1.55
Final dividends for 2011	Annual General Meeting of the shareholders on 30 April 2012	805	1.00
Interim dividends for 2012		402	0.50
Total for the year 2012		1,207	1.50
<b>Subsidiary companies</b>			
<b>Hana Semiconductor (Ayutthaya) Company Limited</b>			
Final dividends for 2010	Annual General Meeting of the shareholders on 20 April 2011	120	1.00
Total for the year 2011		120	1.00
Final dividends for 2011	Annual General Meeting of the shareholders on 17 April 2012	216	1.80
Total for the year 2012		216	1.80
<b>Hana Semiconductor (BKK) Company Limited</b>			
Final dividends for 2010	Annual General Meeting of the shareholders on 29 April 2011	190	1.90
Interim dividends for 2011		50	0.50
Total for the year 2011		240	2.40

## 27. Commitments and contingent liabilities

### 27.1 Capital commitments

As at 31 December 2012, the Company and its subsidiaries had capital commitments of approximately USD 3.1 million or equivalent to Baht 96.4 million (2011: USD 2.2 million or equivalent to Baht 70.8 million), relating to the acquisitions of machinery the Company only: Baht 19.8 million (2011: Baht 28.1 million).

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 27.2 Operating lease commitments

The Company and a local subsidiary operate their 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 2012 up to the year 2015 with the annual lease payment of approximately RMB 0.8 million.

## 27.3 Marketing supportive service agreement

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

## 27.4 Guarantees

As at 31 December 2012, there were outstanding bank guarantees of approximately Baht 256 million (2011: Baht 188 million) and the Company only: Baht 223 million (2011: Baht 154 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 208 million (2011: Baht 144 million) to be security for the tax assessment of the Company made by the Revenue Department (as discussed in Note 27.5) and Baht 48 million to guarantee electricity uses, among others (2011: Baht 44 million).

## 27.5 Tax assessment

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. Currently, the Company is in the process of appealing to the Supreme Court and expects that the Supreme Court will reverse the judgment of the Central Tax Court, which will not result in any tax payment to the Company.

During the second quarter and the third quarter of 2012, the Company received the notifications of corporate income tax assessments for the year 2001 and 2002 from the Revenue Department for the excess of the allocated administrative expenses, interest expenses and loss on exchange rate to the promoted operations, and over utilised of loss carried forward, causing the under recording of corporate income tax for the year 2001 and 2002, which together with related penalty and surcharge amounted to approximately Baht 20 million and Baht 44 million, respectively. The Company did not agree with the assessments and appealed them to the Board of Appeals on 28 June 2012 and 28 September 2012. The Company expects that the Board of Appeals will reverse the assessment of the Revenue Department, which will not result in any tax payment to the Company.

However, as at 31 December 2012, the Company recorded provision for loss on tax assessments of approximately Baht 215 million (2011: Baht 150 million) and has placed the bank guarantees as securities against the assessments.

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

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## 28. Financial instruments

### 28.1 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.

#### *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. 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 banks, short-term investments and short-term loans. Most of their financial assets bear floating interest rates, or fixed interest rate 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 date, or the repricing date if this occurs before the maturity date.

	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	-
	3,487	1,522	3,237	8,246	
<b>Financial liabilities</b>					
Short-term loans from financial institution	-	24	-	24	1 - 1.35
Trade and other payables	-	-	2,088	2,088	-
	-	24	2,088	2,112	

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

	Consolidated financial statements as at 31 December 2011				
	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	2,036	1,572	216	3,824	0.001 - 3.25
Short-term investments	1,894	24	96	2,014	0.15 - 9.75
Trade and other receivables	-	-	2,569	2,569	-
Insurance claim receivable	-	-	300	300	-
	3,930	1,596	3,181	8,707	
<b>Financial liabilities</b>					
Short-term loans from financial institution	-	39	-	39	1.00 - 1.35
Trade and other payables	-	-	2,506	2,506	-
	-	39	2,506	2,545	

	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.)
<b>Financial assets</b>					
Cash and cash equivalents	-	92	2	94	0.1 - 0.875
Trade and other receivables	-	-	1,262	1,262	-
	-	92	1,264	1,356	
<b>Financial liabilities</b>					
Trade and other payables	-	-	775	775	-
	-	-	775	775	

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

	Separate financial statements as at 31 December 2011				
	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	250	263	7	520	0.1 - 3.25
Trade and other receivables	-	-	1,275	1,275	-
	250	263	1,282	1,795	
<b>Financial liabilities</b>					
Trade and other payables	-	-	1,005	1,005	-
	-	-	1,005	1,005	

## Foreign currency risk

The Company's and its subsidiaries' exposure to foreign currency risk arise mainly from trading transactions 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 2012 and 2011 are summarised below.

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2012	2011	2012	2011	2012	2011
	(Million)	(Million)	(Million)	(Million)	(Baht per foreign currency unit)	
China Yuan	318	308	102	84	4.9164	5.0328
US Dollar	165	156	59	58	30.6316	31.6912
Japan Yen	64	24	5	32	0.3545	0.4084
Indian Rupee	45	45	-	-	0.5597	0.5891
Euro	9	9	-	-	40.5563	41.0274
Hong Kong dollar	3	3	1	2	3.9510	4.0795
Pound Sterling	3	3	-	-	49.3458	48.8578
Australia dollar	2	2	1	-	31.7757	32.1971
Singapore Dollar	2	2	-	-	25.0340	24.3854
Brazilian real	2	2	-	-	15.1800	17.9600

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

As at 31 December 2012 and 2011, an overseas subsidiary company had outstanding forward exchange contracts, of which details are presented below.

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

As at 31 December 2011		
Sold amount	Contractual maturity date	Contractual exchange rate for amount sold
(Million USD)		(Baht per USD)
10	25 January 2012	31.07
10	2 February 2012	31.90
20	30 March 2012	31.30
40	13 June 2012	30.98
(Million Euro)		(USD per Euro)
5	16 May 2012	1.37

In addition, the subsidiary company entered into the linked asset swap agreement with an overseas bank. The details of the swap agreement outstanding as at 31 December 2012 and 2011 are 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)

As at 31 December 2011				
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	1.12

# Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2012

## 28.2 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.

## 29. 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 2012, the Group's debt-to-equity ratio was 0.20:1 (2011: 0.23:1) and the Company's was 0.19:1 (2011: 0.20:1).

## 30. Event after the reporting period

On 27 February 2013, the meeting of the Board of Directors of the Company No. 1/2013 passed the resolution approving the final dividend payment for the year 2012 to the Company's shareholders at Baht 1 per share. The dividend will be paid on 15 May 2013.

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

## 31. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2013.



**HANA**

**Microelectronics Public Company Limited**

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