



**HANA**

**Microelectronics Public Company Limited**

บริษัท ฮานา ไมโครอิเล็กทรอนิกส์ จำกัด (มหาชน)



**ANNUAL REPORT 2015**

รายงานประจำปี 2558



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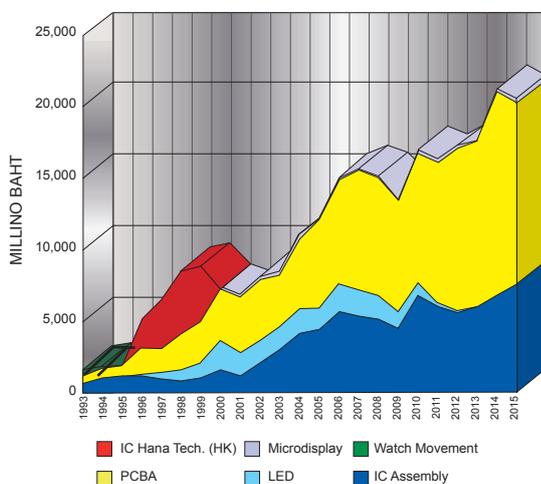


# The Group Financial Highlights

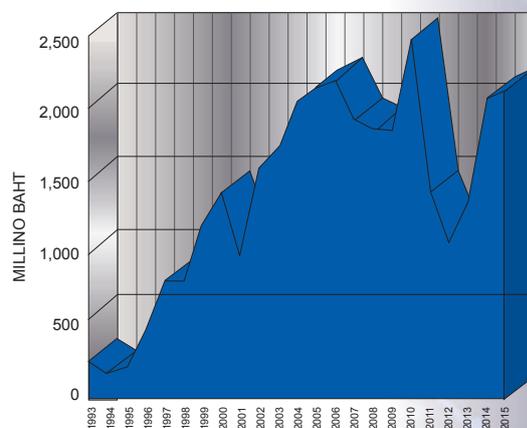
(Baht millions)

	2015	2014	2013	2015/2014 % change
Total Revenue	20,989	23,171	19,152	-9%
Sales Revenue	20,521	21,227	17,667	-3%
Gross Profit	3,030	2,846	1,984	6%
Operating Profit	2,131	2,064	1,340	3%
Net Profit before Non Recurring Items	2,328	1,948	1,530	20%
Net Profit (Loss) for the year	2,066	3,405	2,301	-39%
Recurring EBITDA	3,300	3,189	2,465	3%
Total Assets	23,123	22,051	20,157	5%
Net Fixed Assets	6,901	6,406	6,691	8%
Total Liabilities	3,699	3,688	3,563	0%
Shareholders Equity	19,424	18,364	16,594	6%
Net (Cash) Debt / Equity	(0.28)	(0.27)	(0.19)	-
Net Profit (after tax) % Sales	10%	16%	13%	-38%
Recurring EBITDA Margin	16%	15%	13%	7%
Return on Equity	11%	19%	14%	-43%
Dividend per share (from the profits of)	2.00	2.00	1.50	0%
Payout ratio (excl. Non Recurring items)	69%	83%	79%	-16%
EPS before Non Recurring Items	2.89	2.42	1.90	20%
EPS after Non Recurring Items	2.57	4.23	2.86	-39%
Book Value per share (net of treasury shares)	24.13	22.82	20.62	6%
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 2015 was a year of two halves. The first half was characterized by the recognition that China was slowing down faster than was originally understood with an resulting aggressive inventory adjustment reflecting this situation. The second half saw a recovery towards a more sustainable demand level and helped by a strengthening US dollar, we recovered well to end the year with a strong performance.

Our IC division in Ayutthaya grew Sales Revenue by 13% and whilst the overall IC market was flat, the division saw good growth in sensors for the mobile telecom and automotive markets. During the year we continued to make strong progress in productivity, quality improvements and the development of our computer assisted manufacturing controls all of which resulted in winning greater market share in what could be described as “benign” market conditions throughout 2015.

Our plans to upgrade the factory towards automotive standards are now paying off not only for that specific industry but also others as quality standards continue to become more and more demanding. We are now well on the way towards automating our entire final inspection processes and we aim to complete the elimination of the majority of all manual inspection within 2016.

Our in-house developed computer controlled manufacturing systems designed to substantially reduce the human dependency element has been instrumental towards reducing errors and has been recognized by our customers with added business. This drive will continue into 2016 and we will continue to invest further with the aim towards achieving an industry recognition of “best-in-class” for IC assembly services.

Turning to our China operations in Jiaxing, 2015 Revenues declined 5% year-on-year. It was not a strong year influenced by a steep reduction in our computer touch pad business and weak demand for thumb drive memory devices. Our RFID activity remains strong aided by a recovery in the US labour market but this was insufficient to offset the weakness in the aforementioned industries. Our new LED lighting project was delayed due to technical complications and this is now expected to start in the second half of 2016. Despite a weakening RMB bringing some relief, labour rates continued to increase at a substantial “clip” of 15% and coupled with the high levels of turnover, manufacturing costs in China continued to remain challenging.

Our PCBA division in Lamphun, 2015 saw weaker sales with declining revenues of 13%. There was a substantial drop in demand for laptops (touch pads) during the first half of the year as the customers adjusted their inventories to reflect lower sales revenues. In addition although to a much lesser extent, we saw weaknesses in sensor devices both for the automotive and mobile markets, this was primarily driven by a need to correct the excess inventory situation in China. During the second half, much of the inventory correction had passed and we saw a marked improvement in our operating profits as we reduced our exposure to low 'value added' activities and the strengthening of the USD kicked in.

# Chairman's Statement

Our new factory expansion allowed us to re-located some existing work from our main plant and improve our assembly lay-outs for better efficiency. Our new IC probing activity for mass storage devices was located in the new plant and we expect this to start production by the second quarter of 2016.

During the year we completed the installation of a manufacturing MES system targeting towards the automotive industry which needs complete traceability throughout the assembly process. In 2016 we shall extend this throughout the entire plant as many other industries require similar capabilities. We believe this will bring our Lamphun plant to a new level of manufacturing capability and better position us to attract more sophisticated assembly work in the future.

Our key financial performances were as follows:

- Revenues down 3% from THB 21,227 million to THB 20,521 million
- Operating income up 3% from THB 2,064 million to THB 2,131 million
- EBITDA income up 3% from THB 3,189 million to THB 3,300 million
- NPAT down 39% from THB 3,405 million to THB 2,066 million
- Cash reserves up 9% from THB 8.3 billion to THB 9.1 billion

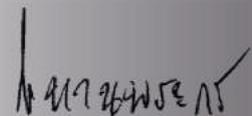
Our Cambodian facility in the Koh Kong region close to the southern Thai Cambodian border started operations in September assembling RFID access control readers for the US market. This maiden project has been successfully launched and our orders have already increased substantially. More projects are in the pipeline and there is strong interest from a number of companies struggling with rising labour cost within the region. As the first company within the EMS industry to venture into Cambodia we are very pleased with this initial response and have high hopes to grow this operation quickly in 2016.

The New Year has started off with considerable concerns for the Chinese economy and this has reverberated throughout global stock markets. Time will tell if this has been an overreaction but clearly the second largest economy in the world continues to cool from the "super charged" level it was only a few years ago. Projecting how this will affect global growth in 2016 is best left to others, but we remain focused on our strategy to develop our core manufacturing capabilities to position ourselves to support our customers' needs both at the most sophisticated level and at the other end of the spectrum – providing the best "value proposition" for low cost manufacturing.

Whilst global growth may remain uncertain in 2016, there remains strong demand for our manufacturing services as consolidation within our industry proliferates an increased need for outsourcing. In addition our new Cambodian operation will offer an attractive proposition for new customers and their never ending quest for cost reductions.

I extend my gratitude to all our staff, management and fellow board of directors for their tireless support and dedication. To all our stakeholders, partners, suppliers and customers I thank you for your continued support.

We enter the New Year with realism as to what lies ahead yet optimistic we can continue to navigate our way through a fast changing economic environment with a clear strategy and vision for Hana's future.



Mr. Bancha Tamprakorn  
Chairman of the Board of Directors

# Operation Review



Hana Microelectronics Public Co., Ltd. (Lamphun)



After a record 2014, 2015 was weaker with lower overall sales revenue, particularly for the automobile and computer segments. However with the weaker THB/USD and our focus on cost control, Hana Lamphun was able to achieve another record operating profit.

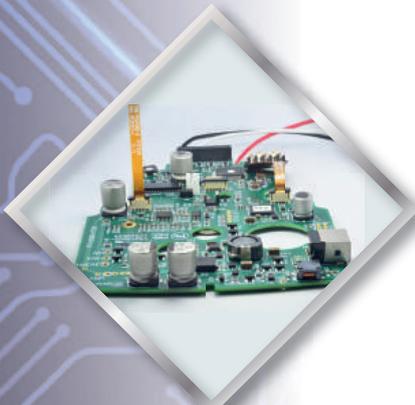
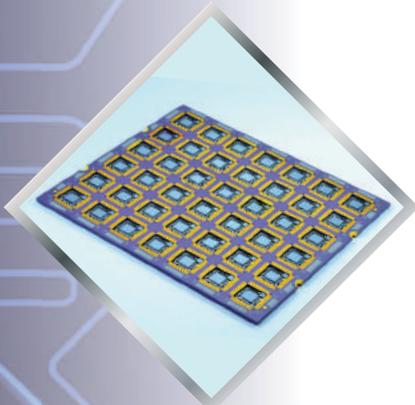
Our factory automation projects enabled a reduction in direct labour cost and increase in quality by eliminating human error. Staff turnover was a record low 2% and we expect this trend to continue. In 2016 we will continue our drive to increase quality through continuing with our automation programs and implementation of automotive discipline, VDA 6.3.

Our new plant, at the Sahaphat Group Industrial Estate, Lamphun or "LPN2", has been in operation since the third quarter of 2014 and is now utilising 50% of the first floor. The focus of this plant is 50% on semiconductor products and 50% printed circuit board assemblies "PCBA". We plan to put further new business into this plant, whilst leaving room expansion of business with existing customers at our main plant, "LPN1".

The business outlook of 2016 is promising as we see higher forecast demand from most customers, and the new products being introduced, with newer technology which will further increase our capabilities.

I would like to thank all Hana LPN staff for their dedication and hard work during a difficult 2015 and to be ready for new year, 2016.

Mr. Wing Keung Chow  
Vice President and General Manager



# Operation Review



Hana Semiconductor (Ayutthaya) Co., Ltd.



2015 continued to be another year of growth and progress for the Hana Semiconductor (Ayutthaya) “Hana-AYT” team. With focus and dedication from the team and support from our valued customers, we achieved a double digit increase in sales revenue in 2015. Operating results continued to show improvement due to improved factory utilization, cost control and productivity improvements.

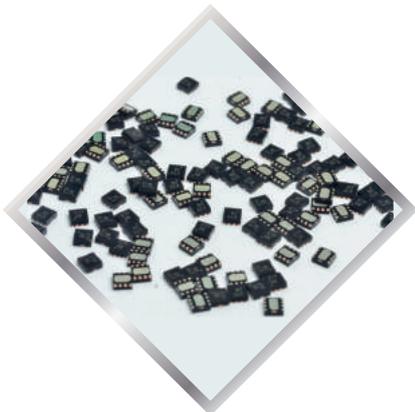
The “Hana-AYT” team believes in using “quality as a business enabler” and this philosophy helped in improving our quality for both internal and external metrics. We continued to perform exceedingly well for customer audits from commercial and automotive customers.

The focus on process and IT automation continued in 2015 and significant investments were made in these areas during the course of the year. This focus will continue in 2016 and is part of our strategic roadmap to provide world class service and products to our customers.



During 2015, the team at Hana-AYT worked on several product and technology developments, adding to our intellectual property portfolio. We also invested in capacity expansion and upgraded our assembly and test equipment capabilities. This focus will allow Hana-AYT to be better positioned to offer increased capacity and state of the art technology to our customers over the coming years.

We are optimistic in maintaining the momentum in 2016 and expect to continue to win more market share from new and existing customers. While continuing to support and expand on commodity IC package assemblies, Hana-AYT will strategically invest and focus on products to service selected segments of market which will provide us a quantifiable differentiator from our competitors.



We once again extend our sincere thanks to our customers for trusting the team at Hana-AYT during 2015. We will continue to do our best to serve our customers and commit to do whatever is needed to live up-to the faith and trust that our customers place in Hana-AYT.

Finally, I would like to extend my sincere thanks and gratitude to the employees of Hana-AYT. It is due to their dedication, loyalty, trust and teamwork that we have been able to achieve so much in 2015. With a team which is so dedicated and loyal with the “can do” attitude, I very much believe that 2016 will be another year of growth for Hana-AYT.

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

# Operation Review



Hana Microelectronics (Jiaxing) Co., Ltd.



2015 was a challenging year for Hana Jiaxing Operations. Sales revenue was lower year-on-year in USD terms. Whilst the Integrated Circuit (IC) business remained flat, the Printed Circuit Board Assembly (PCBA) business was weak for almost all of the year due to softer demand from many of our major customers.

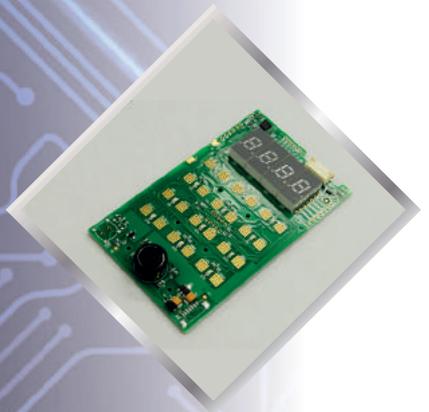
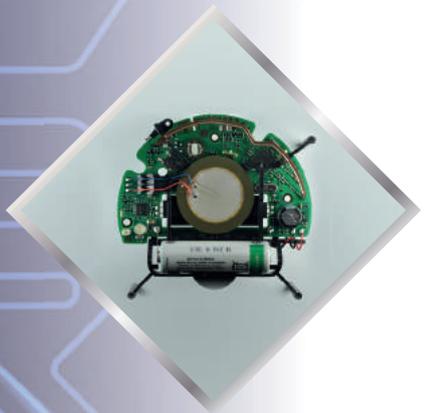
In 2015, our PCBA operations continued to focus on automation for both the manufacturing process and shop floor management. Two robotic test systems, which were jointly developed with a local robotic supplier, were installed in the assembly line to manufacture products for one of our major customers. All Surface Mount Technology (SMT) lines were “streamed” which substantially reduced the manual inspection and handling. A Production Management System (PMS), that manages and controls the data flow all through the manufacturing process to increase productivity, quality and management control, was successfully installed and verified with improved operational performance data.

To lay the foundation for growth of the Jiaxing IC packaging business, to improve our competitiveness and better define our value proposition in the China market, greater management focus was given to the technical roadmap for Jiaxing IC Operations in 2015. To support this strategic roadmap, our first Wafer Level Chip Scale Package (WLCSP) line was installed in 2015. We also started to work with some potential partners to develop the Insulated-Gate Bipolar Transistor (IGBT) power packaging capability targeted for the China market.

With quality being a corner stone for sustainable business growth, we launched a new quality improvement program in 2015 with a key automotive customer targeting our goal towards zero defect manufacturing. Seeing its benefits we have decided to extend the program to cover all of our key operations in 2016.

Whilst 2016 is expected to be another challenging year, we see good opportunities for growth at Hana Jiaxing from both our newly developed and existing customers. We look forward to working closely with all our partners to make a better 2016 together.

Mr. Steven Lee  
Vice President and General Manager



# Operation Review



Hana Microdisplay Technologies, Inc.



Hana Microdisplay Technologies “HMT” continued to grow in 2015. After a disappointing first quarter, HMT was able to recover with 3 consecutive quarters of growth. Most of the growth HMT experienced in 2015 was with its largest customers in both the Microdisplay (MD) and Radio-Frequency Identification (RFID) markets.

Microdisplay growth came from Liquid Crystal (LC) based telecommunication devices as well as camera modules and optical switches. Near-eye devices and miniature projectors continued to be small in 2015, decreasing even more as compared to 2014. HMT expects growth in 2015 from other small projects like optical switches, adaptive optics, and retail-based displays.



Our RFID manufacturing grew in 2015, with capacity added for HMT’s largest inlay customer in Q3, taking full affect in Q4, such that RFID revenues doubled from Q3 to Q4. HMT expects to fully utilize their 2 newest inlay machines in 2016, taking its original machine offline for reconfiguration. RFID tire tag business grew another 50% in 2015, after doubling from 2013 to 2014. HMT has contracts in place that will generate a 400% growth for this market segment in 2016.

HMT improved its financial performance in 2015, and expects to build on that in 2016. Growth is forecasted in both MD and RFID markets in 2016, and HMT is working to manage that growth with improved operational performance. HMT increased its manufacturing partnership with its sister companies in Ayutthaya and Lamphun by 35% in 2015, and expect to grow again in 2016 during which time HMT will also start a project in partnership with its sister company in Jiaying.



HMT looks forward to building on a positive 2015, partnering with its customers and suppliers, and growing again in 2016.

**Dr. John Erdmann**  
President and Chief Executive Officer

# Hana Board of Directors



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1. Mr. Winson Moong Chu Hui  
Executive Director

2. Mr. Bancha Tamprakorn  
Chairman of the Board and Independent Director

3. Mr. Richard David Han  
Executive Director

4. Mr. Terrence Philip Weir  
Executive Director

5. Mr. Yingsak Jenratha  
Independent Director

6. Mrs. Salakchitt Preedaporn  
Independent Director

# Hana Executives



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



2. **Mr. Winson Moong Chu Hui**  
President  
and Chief Operating Officer



3. **Mr. Terrence Philip Weir**  
Executive Vice President  
and Chief Financial Officer



4. **Mr. Wing Keung Chow**  
Vice President  
and General Manager  
Hana-Lamphun Operation



5. **Ms. Achara Chaicharncheep**  
Senior Financial and  
Accounting Manager

# Management Team



## Hana Microelectronics Public Co., Ltd. - Headquarter Management

1 2 3 4 5 6

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>1. <b>Mr. KW Hoo</b><br/>Corporate Vice President Global Business and Technology Development</li> <li>2. <b>Ms. Jirapa Kongmanee</b><br/>Senior Internal Audit Manager</li> <li>3. <b>Mrs. Puntipa Tanthana</b><br/>Senior Corporate Administration and Human Resources Director</li> </ol> | <ol style="list-style-type: none"> <li>4. <b>Mr. Somchai Chantrachirathumrong</b><br/>Senior Cambodia Operations and Management Information System (MIS) Director</li> <li>5. <b>Ms. Achara Chaicharncheep</b><br/>Senior Financial and Accounting Manager</li> <li>6. <b>Mr. Peter Wuei Hwang</b><br/>Business Development Director</li> </ol> |
|--|---|



## Hana Microelectronics Public Co., Ltd. - Lamphun Management

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

- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>1. <b>Ms. Juthamard Trerattanawongse</b><br/>Senior Finance Manager</li> <li>2. <b>Mr. Seah Ree Chok</b><br/>Sales and Customer Service Director</li> <li>3. <b>Mr. Steven G. Spittal</b><br/>Operations Director</li> <li>4. <b>Mr. Wichai Sukprasertkul</b><br/>Senior Operations Director</li> <li>5. <b>Mr. Wing Keung Chow</b><br/>Vice President and General Manager</li> <li>6. <b>Mr. Christian Cron</b><br/>Supply Chain Management Director</li> <li>7. <b>Mr. Sathit Umpai</b><br/>Operations Director</li> <li>8. <b>Mr. Reynaldo San Agustin</b><br/>Quality Management Director</li> <li>9. <b>Ms. Napassanun Namwongsa</b><br/>Senior Quality Management Support Manager</li> </ol> | <ol style="list-style-type: none"> <li>10. <b>Mr. Wong Wan Wah Vincent</b><br/>Senior Supply Chain Management Manager</li> <li>11. <b>Mr. Thanawat Pasikthep</b><br/>Human Resources Department Manager (Hana Lamphun Branch 2)</li> <li>12. <b>Mr. Wasan Suthum</b><br/>Senior Operations Manager</li> <li>13. <b>Mr. Tosaporn Musikcharoen</b><br/>Senior Industrial Engineering and Facility Manager</li> <li>14. <b>Mr. Thawatchai Kumprasert</b><br/>Senior Management Information System Manager</li> <li>15. <b>Mr. Somjai Namwongsa</b><br/>Senior Human Resources Department Manager</li> <li>16. <b>Mr. Anawat Aroonsawat</b><br/>Senior Production &amp; Material Control Manager</li> <li>17. <b>Mr. Raymond Ng Kar Hin</b><br/>Senior Quality Management Manager</li> </ol> |
|---|--|

# Management Team



## Hana Semiconductor (Ayutthaya) Co., Ltd. Management

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

1. **Ms. Areenee Kittisupornpong**  
Management Information System (MIS) Director
2. **Ms. Suparin Kengradomkij**  
Senior Logistics and Packing & Finished Goods Manager
3. **Ms. Samantha Kulasinghe**  
Manufacturing Support, Production & Material Control and Industrial Engineering Director
4. **Mrs. Thawanvaree Pichitnorakarn**  
Senior Purchasing and Supplier Quality Management Manager
5. **Ms. Sirirat Silapapipat**  
Senior CSO Engineering Manager
6. **Ms. Praphaphun Naradilok**  
Senior Human Resources and Training Manager
7. **Mrs. Tappawong Na Tarlang**  
Senior Marketing and Account Management Manager
8. **Mrs. Saowanee Rachatakar**  
Senior Financial Controller
9. **Mr. Vincente T. Lau**  
Quality and Reliability Assurance (QRA) Director
10. **Mr. Punsak Eammongkolchai**  
IC - Assembly Operations Director
11. **Mr. Preecha Bootwicha**  
CSO - Operations Director
12. **Mr. Supakit Tantara**  
Package Development and Process Engineering Director
13. **Mr. Sanjay Mitra**  
Vice President and General Manager
14. **Mr. Pongsakorn Jangsatian**  
Senior Quality System and Quality Engineer (QS & QE) Manager
15. **Mr. Pongsak Klongjai**  
Senior Assembly Production Manager
16. **Mr. Sithigorn Petchruk**  
Senior Equipment Technical Manager
17. **Mr. Wanakorn Nonkhunthod**  
Supply Chain Management and Facility Director
18. **Mr. Chaweng Tantiyaphorn**  
IC-Test Operations Director



## Hana Microelectronics (Jiaxing) Co., Ltd. Management

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

1. **Ms. Jane Li**  
Finance, Inventory Control and Logistics Director
2. **Mr. Steven Chua**  
Operations Director
3. **Mr. Andy Shen**  
Operations Director
4. **Mr. Steven Lee**  
Vice President and General Manager
5. **Mr. Felix Zheng**  
Operations Director
6. **Mr. Martin Chen**  
New Product Introduction and Technology Director
7. **Ms. Lucy Guo**  
Senior Human Resources Manager
8. **Mr. SW Lum**  
Senior Purchasing Manager
9. **Mr. Steven Quah**  
Senior Quality and Reliability Assurance Manager
10. **Mr. KY Chew**  
Senior Marketing and Account Management Manager
11. **Mr. SC Ding**  
Senior Planning and Materials Control Manager
12. **Mr. TC Cheah**  
Senior IC Engineering and Test Manager
13. **Mr. Peter Xu**  
Senior Manufacturing Support Manager
14. **Mr. Gordon Gu**  
Senior Facility Manager

# Management Team



## Hana Microdisplay Technology, Inc. Management

1 2 3 4 5

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



## Hana Microelectronics, Inc. Management

1 2 3 4 5 6 7

1. **Mrs. LeAna Bui**  
Account Manager
2. **Mr. Michael Griffin**  
Business Development and Customer Support Director
3. **Mr. Ralph Klouda**  
Business Development and Customer Support Manager
4. **Mr. Sanjay Mitra**  
President – HMI (USA) Business Development and Customer Support
5. **Mr. Patrick Anderson**  
Senior Business Development and Customer Support Manager
6. **Mr. Thang Bui**  
Senior Business Development and Customer Support Director
7. **Mrs. Malee Lowchareonkul**  
Senior Business Development and Customer Support Manager

# Profiles of Directors & Executives

## 1. Mr. Bancha Tamprakorn

- Independent Director
- Chairman of the Board of Directors
- Chairman of Audit Committee



Age:	81
Appointed date:	7 November 2002
Working Experience:	<ul style="list-style-type: none"> <li>• 2007 - present, Chairman of the Board of Directors, Hana Microelectronics Public Co., Ltd.</li> <li>• 2002 - present, Independent Director, Hana Microelectronics Public Co., Ltd.</li> </ul>
Educational Background:	Diploma of Institute of Banker, London, UK
IOD Training Background:	Director Accreditation Program (DAP) 40/2005
Take the position as the director or management in other companies:	None

Shareholding of Mr. Bancha Tamprakorn				Indirect Shareholding	
Number of shares as of 1 January 2015	Movement during the year		Number of shares as of 31 December 2015	Spouse	Minor Child
	Acquisition	Disposition			
140,000 shares	-	140,000 shares	0 shares (0%)	None	None

# Profiles of Directors & Executives

## 2. Mr. Richard David Han

- Executive Director
- Executive Vice Chairman and Chief Executive Officer
- Nomination Committee



Age:	59
Appointed date:	26 July 1993
Working Experience:	1993 - 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>• Director 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.            | 9. Hana Technologies Group Ltd.                |
| 2. Hana Semiconductor (Ayutthaya) Co., Ltd.      | 10. Hana Technologies Investment Ltd.          |
| 3. Hana Microdisplay Technologies, Inc.          | 11. Hana Semiconductor Holding Co., Ltd.       |
| 4. Hana Microelectronics, Inc.                   | 12. Hana Semiconductor International Co., Ltd. |
| 5. Hana Microelectronics (Jiaxing) Co., Ltd.     | 13. Hana Macau Commercial Offshore Ltd.        |
| 6. Hana Microelectronics Investment Co., Ltd.    | 14. Omac Sales Ltd.                            |
| 7. Hana Microelectronics International Co., Ltd. | 15. Hana Microelectronics (Cambodia) Co., Ltd. |
| 8. Hana Microelectronics Enterprise Co., Ltd.    |  |

- Non-listed Company:
1. Omac (HK) Limited
  2. Omac Limited

Listed Company: Thai British Security Printing Public Co., Ltd.

Shareholding of Mr. Richard David Han				Indirect Shareholding	
Number of shares as of 1 January 2015	Movement during the year		Number of shares as of 31 December 2015	Spouse	Minor Child
	Acquisition	Disposition			
1,040,000	-	-	1,040,000 shares (0.129%)	None	None

# Profiles of Directors & Executives

## 3. Mr. Winson Moong Chu Hui

- Executive Director
- President and Chief Operating Officer



Age:	70
Appointed date:	26 July 1993
Working Experience:	1993 - present, Executive Director, President and Chief Operating Officer
Educational Background:	Bachelor of Engineering, Cheng Kong University, Taiwan
IOD Training Background:	Director Accreditation Program (DAP) 117/2015

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

Subsidiaries of Hana:

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

Non-listed Company: None

Listed Company: None

Shareholding of Mr. Winson Moong Chu Hui				Indirect Shareholding	
Number of shares as of 1 January 2015	Movement during the year		Number of shares as of 31 December 2015	Spouse	Minor Child
	Acquisition	Disposition			
7,150,000 shares	40,000 shares	1,060,000 shares	6,130,000 shares (0.762%)	None	None

# Profiles of Directors & Executives

## 4. Mr. Terrence Philip Weir

- Executive Director
- Executive Vice President and Chief Financial Officer
- Chairman of Corporate Governance Committee
- Chairman of Risk Management Committee



Age:	57
Appointed date:	26 July 1993
Working Experience:	1993 - present, Executive Director and Chief Financial Officer
Educational Background:	Bachelor of Economics, Macquarie University, CPA, Australia
IOD Training Background:	Director Certification Program (DCP) 6/2001, Diploma

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

Subsidiaries of Hana:

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

Non-listed Company: None

Listed Company: None

Shareholding of Mr. Terrence Philip Weir			Indirect Shareholding		
Number of shares as of 1 January 2015	Movement during the year		Number of shares as of 31 December 2015	Spouse	Minor Child
	Acquisition	Disposition			
225,000 shares	100,000 shares	-	325,000 shares (0.040%)	None	None

# Profiles of Directors & Executives

## 5. Mrs. Salakchitt Preedaporn

- Independent Director
- Audit Committee
- Nomination Committee
- Corporate Governance Committee



Age:	55
Appointed date:	1 December 2013
Working Experience:	<ul style="list-style-type: none"> <li>• 2013 – Present, Independent Director, Hana Microelectronic Public Co., Ltd.</li> <li>• 2009 – Present, Financial and Accounting Consultant</li> <li>• 1992 – 2009, Accounting Manager, S. Napa (Thailand) Co., Ltd. &amp; Group Company</li> </ul>
Educational Background:	Bachelor of Accounting, Thammasat University, Thailand
IOD Training Background:	<ul style="list-style-type: none"> <li>• Risk Management for Committee Program (RMP) 2/2013</li> <li>• Director Accreditation Program (DAP) 107/2014</li> <li>• Director Certification Program - DCP 205/2015</li> </ul>
Other Training:	Challenges of Audit Committees in reviewing financial and non-financial information by Securities and Exchange Commission (SEC)

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

Shareholding of Mrs. Salakchitt Preedaporn				Indirect Shareholding	
Number of shares as of 1 January 2015	Movement during the year		Number of shares as of 31 December 2015	Spouse	Minor Child
	Acquisition	Disposition			
177,800	-	50,000	127,800 shares (0.016%)	None	None

# Profiles of Directors & Executives

## 6. Mr. Yingsak Jenratha

- Independent Director
- Audit Committee
- Chairman of Nomination Committee
- Corporate Governance Committee



Age:	69
Appointed date:	1 December 2013
Working Experience:	<ul style="list-style-type: none"> <li>• 2013 - Present, Independent Director, Hana Microelectronics Public Co., Ltd.</li> <li>• 2010 - 2011, Management Advisor, International Precision Product Co., Ltd.</li> <li>• 2008 - 2009, Vice President and General Manager, Hana Microelectronics Co., Ltd. (Jiaying), China</li> </ul>
Educational Background:	<ul style="list-style-type: none"> <li>• Bachelor of Art in Political Sciences, Chaingmai University, Thailand</li> <li>• Mini MBA, Kasetsart University, Thailand</li> <li>• Operation Management Certificate from GIBA (Graduated Institute of Business Administration), Chulalongkorn University, Thailand</li> </ul>
IOD Training Background:	<ul style="list-style-type: none"> <li>• Anti-Corruption for Executive Program (ACEP) 9/2014</li> <li>• Director Accreditation Program (DAP) 111/2014</li> </ul>
Take the position as the director or management in other companies:	None

Shareholding of Mr. Yingsak Jenratha			Indirect Shareholding		
Number of shares as of 1 January 2015	Movement during the year		Number of shares as of 31 December 2015	Spouse	Minor Child
	Acquisition	Disposition			
55,000 shares	20,000 shares	10,000 shares	65,000 shares (0.008%)	None	None

# Profiles of Directors & Executives

## 7. Mr. Wing Keung Chow

- Vice President and General Manager Hana-Lamphun



Age: 57  
 Appointed date: 1 January 2008  
 Working Experience:
 

- 2008 - Present, Vice President and General Manager
- 2001 - 2007, Vice President Marketing & Customer Services

 Educational Background: Master Degree of Management, SASIN, Chulalongkorn University, Thailand  
 IOD Training Background: None

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

Shareholding of Mr. Wing Keung Chow			Indirect Shareholding		
Number of shares as of 1 January 2015	Movement during the year		Number of shares as of 31 December 2015	Spouse	Minor Child
	Acquisition	Disposition			
869,500 shares	50,000 shares	70,000 shares	849,500 shares (0.106%)	None	None

# Profiles of Directors & Executives

## 8. Ms. Achara Chaicharncheep

- Senior Financial and Accounting Manager



Age:	47
Appointed date:	14 October 2013
Working Experience:	1996 – present, Senior Financial and Accounting Manager, Hana Microelectronics Public Co., Ltd. (Headquarter)
Educational Background:	Bachelor of Accounting, Kasetsart University, Thailand
IOD Training Background:	None
Take the position as the director or management in other companies:	None

Shareholding of Ms. Achara Chaicharncheep			Indirect Shareholding		
Number of shares as of 1 January 2015	Movement during the year		Number of shares as of 31 December 2015	Spouse	Minor Child
	Acquisition	Disposition			
25,000 shares	5,000 shares	-	30,000 shares (0.004%)	None	None

# Hana Overview and Nature of Business

## Hana Overview

Hana Group is one of South East Asia's leading independent "Electronics Manufacturing Service" (EMS) producers. The company's headquarters is located in Bangkok and there are 6 manufacturing facilities, which are located in Lamphun and Ayutthaya provinces in Thailand, Jiaxing in China, Ohio in USA and a new manufacturing facility in Koh Kong, Cambodia.

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

## Vision, Mission and Corporate Objectives

In 2015, the board of directors reviewed and approved the company's vision, mission and corporate objectives or the long term goals as below.

### Vision

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

### Mission

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

### Corporate objectives/Long term goals

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

# Hana Overview and Nature of Business

## Major changes and development of the company

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

- 2013**
  - The board approved the incorporation of a new subsidiary company under the laws of the Kingdom of Cambodia 100% owned by the company with the initial registered capital of USD 5 million. The new subsidiary Hana Microelectronics (Cambodia) Co., Ltd. was registered on 2 September 2013.
  - The insurance claims related to the floods of Hana Semiconductor (Ayutthaya) Co., Ltd. had been settled for the property and inventory damage claims totaling THB 1,241 million.
- 2014**
  - The company registered the changing of its headquarters from the address no. 10/4 Moo 3, Vibhavadi-Rangsit Road, Kwang Talad Bangkhen, Khet Laksi, Bangkok due to the land lease expired, to be 65/98, Soi Vibhavadi-Rangsit 64 Junction 2, Kwang Talad Bankhen, Khet Laksi, Bangkok. The new office is located on land owned by the company.
  - The insurance claims for business interruption due to the floods of Hana Semiconductor (Ayutthaya) Co., Ltd. had been settled for a total of THB 1,750 million, bringing the total insurance claims both property damage and business interruption totaling THB 2,991 million
- 2015**
  - Hana Microelectronics Public Co., Ltd., Sahaphat Group Industrial Park branch, Lamphun province started the operation in January and this is the second manufacturing base in Lamphun. The main products are for assembling Semiconductors and Printed Circuit Board Assembly.
  - Hana Microelectronics (Cambodia) Co., Ltd. is located at Koh Kong Special Economic Zone, Koh Kong Province started the operation in September, initially assembling RFID access control readers and Printed Circuit Board Assembly.

## 2015 Awards and Recognition

Hana received **“the Best Company Performance Award”** for the listed companies of SET market capitalization of THB 30 billion – THB 100 billion in SET Awards 2015.



# Hana Overview and Nature of Business

## 2015 Awards and Recognition



Mr. Richard David Han received “the Outstanding CEO Award” and Mr. Bancha Tamprakorn received “the Outstanding Company Performance Award” for the listed company of SET market capitalization of THB 30 billion – THB 100 billion in SET Awards 2015.



Hana received the **ESG 100** honor certificate from Thaipat Institute as a listed company with outstanding performance in terms of environment, social, and governance (ESG) aspects.



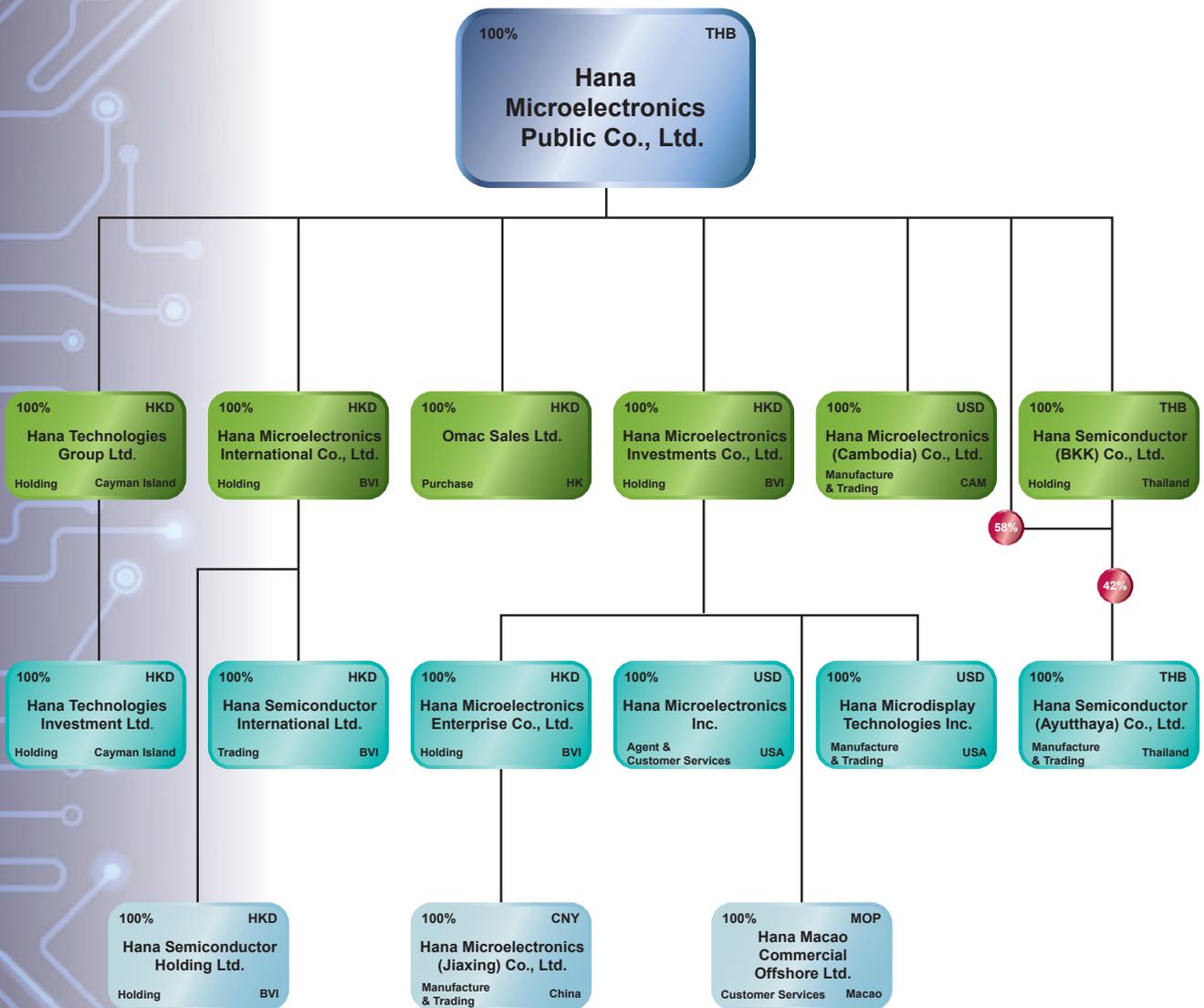
Hana received the Certificate of Membership of Thailand's Private Sector Collective Action Coalition Against Corruption “CAC” from Thai Institute of Directors Association (IOD).

Hana was rated “Excellent” in Corporate Governance Rating (CGR) by the Thai Institute of Directors Association (IOD).

Hana was rated full score of 100 in AGM arrangement assessment in 2015.

# Hana Overview and Nature of Business

## Hana Group Structure



# Hana Overview and Nature of Business

## Business Operating Policy

Hana has the policy to diversify its business to multiple cost competitive manufacturing locations and setting up the necessary companies for customer service, purchasing center, trading and holding companies to serve the group requirement.

### Manufacturing

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

### Holding

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

### Purchasing

Omac Sales Ltd.

### Customer services

Hana Macao Commercial Offshore Ltd.

### Trading

Hana Semiconductor International Ltd.

### Agent and customer services

Hana Microelectronics, Inc.

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

Holding shares by the Company directly	Type of business	No. of shares/ Registered of shares (Type of stock - Common stock)
Hana Semiconductor (BKK) Co., Ltd. 65/98 Soi Vibhavadi-Rangsit 64 Junction 2, Kwang Talad Bangkok, Khet Laksi, Bangkok 10210, Thailand	Holding	99,999,994/100,000,000 Baht
Omac Sales Ltd. 16 E, On Fook Industrial Building, 41-45 Kwai Fung Crescent, Kwai Chung, N.T., Hong Kong	Purchasing	99,999/100,000 HKD
Hana Microelectronics International Co., Ltd. P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	Holding	2/2 USD
Hana Microelectronics Investment Co., Ltd. P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	Holding	2/2 USD
Hana Technologies Group Ltd. P.O. Box 309, Uglan House, South Church St., George Grand Cayman, Cayman Islands	Holding	2/2 USD

## Hana Overview and Nature of Business

Holding shares by the Company directly	Type of business	No. of shares/ Registered of shares (Type of stock - Common stock)
Hana Semiconductor (Ayutthaya) Co., Ltd. 100 Moo 1, T. Baan Lane, A. Bang Pa-in, Ayutthaya Province 13160, Thailand	Manufacturing and trading of electronic components	69,999,993 / 120,000,000 Baht
Hana Microelectronics (Cambodia) Co., Ltd. Koh Kong Special Economic Zone, Koh Kong, Cambodia	Manufacturing and trading of electronic components	5,000,000/5,000,000 USD

Holding shares by the Company's subsidiaries	Type of business	No. of shares/ Registered of shares (Type of stock - Common stock)
Hana Semiconductor International Ltd. P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands	Trading of electronic components	1,851,283/10,000,000 USD Holding shares by Hana Microelectronics International Co., Ltd.
Hana Semiconductor Holding Ltd. P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands	Holding	709,118/10,000,000 USD Holding shares by Hana Microelectronics International Co., Ltd.
Hana Technologies Investments Ltd. P.O. Box 309, Ugland House, South Church St. George Grand Cayman, Cayman Islands	Holding	100 / 100 USD Holding shares by Hana Technologies Group Ltd.
Hana Microdisplay Technologies, Inc. 2061 Case Parkway South, Unit # 6, Twinsburg, Cleveland, Ohio 44087, USA	Manufacturing and trading of electronic components	437,752/ 437,752 USD Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Microelectronics, Inc. 3130 De La Cruz Boulevard Unit # 10, Santa Clara, California 95054 USA	Agent and customer services	1,000/1,000 USD Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Microelectronics Enterprise Co., Ltd. P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands	Holding	2/2 USD Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Macao Commercial Offshore Ltd. Rua De Pequim No. 126 EDF. Commercial I TAK C18 Macao	Customer services	1/1 MOP (Macau Pataca) Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Microelectronics (Jiaxing) Co., Ltd. No#18, Hengnuo Road, Xingcheng Industrial Zone, Ziuzhou district, Jiaxing city, Zhejiang Province, 314000 P.R. China	Manufacturing and trading of electronic components	40,000,000/40,000,000 USD Holding shares by Hana Microelectronics Enterprise Co., Ltd.

# Hana Overview and Nature of Business

Holding shares by the Company's subsidiaries	Type of business	No. of shares/ Registered of shares (Type of stock - Common stock)
Hana Semiconductor (Ayutthaya) Co., Ltd. 100 Moo 1, T. Baan Lane, A. Bang Pa-in, Ayutthaya Province 13160, Thailand	Manufacturing and trading of electronic components	50,000,001/120,000,000 Baht Holding shares by Hana Semiconductor (BKK) Co., Ltd.

## Nature of Business

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

Manufacturing Service	Location	Ultimate Holding
Printed Circuit Board Assembly, Chip on Board Assembly & Test, Lamination	Hana Microelectronics Public Co., Ltd., Lamphun plant 1 and 2, Thailand	100%
Integrated Circuit Assembly & Test, MEMS, SENSORS, SIP, LED, OPTOCOUPERS	Hana Semiconductor (Ayutthaya) Co., Ltd., Thailand	100%
SMT, Printed Circuit Board Assembly, Chip on Board and Chip on Flex Assembly & Test, Coil Winding, Integrated Circuit Assembly & Test, LED Packaging and Test	Hana Microelectronics (Jiaxing) Co., Ltd., P.R. China	100%
Liquid Crystal Microdisplays and Radio Frequency Identification (RFID) Devices	Hana Microdisplay Technologies, Inc., USA	100%
Transformers, RF Communications, Home appliances, Security/Access Control, Inductors, Cable Harness, Consumers, Time-piece, Toys, Entertainment Appliances	Hana Microelectronics (Cambodia) Co., Ltd., Cambodia	100%

# Hana Overview and Nature of Business

## Revenue Structure by Product Group

(Unit : Million Baht)

Product	Company	% of share holding by the Company	2015		2014		2013	
			Revenue	%	Revenue	%	Revenue	%
IC ASSEMBLY	HS-AYT & HM-JX	100%	7,543	37	6,791	32	5,921	33
PCBA	HM-LPN, HM-JX & HMC	100%	12,671	62	14,243	67	11,605	66
MICRODISPLAY	HMT	100%	307	1	193	1	141	1
Total			20,521	100	21,227	100	17,667	100

### Remark:

HS-AYT: Hana Semiconductor (Ayutthaya) Co., Ltd.

HM-JX: Hana Microelectronics (Jiaxing) Co., Ltd.

HMC: Hana Microelectronics (Cambodia) Co., Ltd.

HM-LPN: Hana Microelectronics Public Co., Ltd. (Lamphun)

HMT: Hana Microdisplay Technologies Inc.

## Hana Product Group

### 1. Printed Circuit Board Assembly “PCBA”

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

### 2. Integrated Circuit “IC” Assembly and Test

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

### 3. Microdisplay

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

## Product Distribution and Raw Material

Hana manufactures the products according to the customers’ specifications and requirements and sells the products directly to the customers. The major raw materials are from direct purchase from suppliers and consignment from customers. The company imports the major raw materials used in production by import directly, through distributors overseas or through their trading company

# Hana Overview and Nature of Business

for local purchase. The company does not purchase raw materials from one supplier valued at more than 30 percent of the total purchase of raw materials. The company has the planning system to purchase materials in advance of the planned production to match customer orders.

Some materials are based on world prices market such as gold, copper, steel prices which may fluctuate. The company manages in various ways to cope with the price fluctuation such as finding second sources of materials, advanced planning for material ordering and managing delivery schedules with the suppliers and customers.

## Production Capacity

The production capacity in 2015 is as follows.

(Unit : Piece/Year)

Manufacturing Plants	2015		2014 (Restated)		2013 (Restated)	
	Production Capacity	Actual Production	Production Capacity	Actual Production	Production Capacity	Actual Production
A) IC						
• Ayutthaya plant	3,906,520,000	3,438,296,000	3,749,000,000	3,249,000,000	4,205,000,000	2,822,000,000
• Jiaxing plant	1,798,000,000	1,375,999,109	1,733,000,000	1,546,000,000	1,670,000,000	1,491,000,000
B) PCBA						
• Lamphun plant	900,000,000	720,000,000	824,000,000	669,156,000	820,000,000	491,677,374
• Jiaxing plant	107,000,000	88,311,516	117,000,000	100,000,000	149,000,000	110,000,000
• Cambodia plant	200,000	200,000	-	-	-	-
C) MICRODISPLAY						
• USA plant	70,550,000	35,895,000	50,310,000	31,680,000	58,600,000	19,210,000

## Industry Competitive Condition

In 2015 the markets were weaker in the first half and stronger in the second half, particularly for the IC assembly division at Ayutthaya. Sales in USD terms decreased 8%, but a more favourable product mix and the 5% weaker THB/USD exchange rate helped to maintain similar operating profitability to 2014.

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

### To compete with our competitors:

1. Hana (Thailand) position is towards higher technology and better infrastructure than those in the more labour intensive countries, such as Philippines, India, and Vietnam. Even with the recent wage increase, Thailand is still competitive with our neighboring countries for more complex assemblies.

# Hana Overview and Nature of Business

2. Hana (China) also provides a competitive geographic location but with more corporate technical and administrative support to distinguish them from local competitors.
3. Furthermore, Hana has established a manufacturing plant in Cambodia, to take advantage of the lower labour cost there.
4. Hana provides a wide range of products and processes in various locations to distinguish itself from other competitors who also have multiple factory sites but a smaller product range.
5. Even with the recent fluctuations in the worldwide economy, Hana has maintained a strong cash flow.
6. Hana has multiple sites which provide alternative production facilities in case any one site has difficulty.

## Future Projects in Plan

The company has invested USD 3.5m in a 50 year lease of land in Koh Kong province of Cambodia for future factory expansion. The company completed the factory construction of 13,000 sq.m on the land in the third quarter of 2015 at the cost of approximately USD 9m. The factory is already in ramp-up production and we plan to introduce in more new products there.

## Company General Information

Name:	Hana Microelectronics Public Co., Ltd.
Company registration number:	0107536000773
Contact address:	
Headquarter:	65/98 Soi Vibhavadi-Rangsit 64 Junction 2, Kwang Talad Bangkhen, Khet Laksi, Bangkok 10210, Thailand Tel.: 66 (0) 2-551-1297-8, 66 (0)2-521-4935-9 Fax: 66 (0) 2-551-1299, 66 (0) 2-552-4906
Branch 1:	101/2 Moo 4, EPZ Northern Region Industrial Estate, Chiangmai – Lampang Road, T. Baan-Klang, A. Muang Lamphun, Lamphun province 51000, Thailand Tel.: 66 (053) 581-567 - 73, 66 (053) 552-361 Fax: 66 (053) 581-573 - 4, 66 (053) 581-290
Branch 2:	No. 123 Moo 5, T. Pa Sak, A. Muang Lamphun, Lamphun province 51000, Thailand Tel.: 66 (053) 090-254, 66 (053) 090-210 Fax: 66 (053) 537-629
Website:	<a href="http://www.hanagroup.com">www.hanagroup.com</a>
Nature of business:	Electronics Manufacturing Service “EMS” Producer
Registered share capital:	974,403,900 ordinary share at par value of Baht 1
Paid-up capital:	804,878,860 ordinary share at par value of Baht 1
Other type of shares:	None
References:	<b>Auditor:</b> <b>EY Office Limited</b> 33rd Fl., Lake Rajada Office Complex, 193/136-137 New Rajadapisek Road, Bangkok 10110 Thailand Tel.: 02-264-0777 Fax: 02-264-0790

# Hana Overview and Nature of Business

## References:

## Solicitors:

**Damrongtham Law Office**

63 Soi 8 (Soi Preeda), Sukhumvit Road, Wattana,  
Bangkok 10110 Thailand

Tel.: 02-255-2550-2, 02-653-1133-4

Fax: 02-653-1135, 02-253-3427

## Share Registrar:

**Thailand Securities Depository**

93 Rachadapisek Road, Dindaeng, Dindaeng, Bangkok 10400 Thailand

Tel.: 02-009-9000

Fax: 02-009-9991

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

## Major shareholders

Major Shareholders as of the latest closing registration book on 11 March 2015

Type of Shares: Ordinary shares

No.	Name	No. of Share	(%)
1.	OMAC LIMITED, OMAC (HK) LIMITED, RAINBOW JOY LIMITED	253,419,360	31.49
2.	THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, SINGAPORE BRANCH	84,801,700	10.54
3.	STATE STREET BANK EUROPE LIMITED	75,057,626	9.32
4.	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	60,654,300	7.53
5.	THAI NDVR COMPANY LIMITED	57,413,407	7.13
6.	HSBC (SINGAPORE ) NOMINEES PTE LTD	19,446,287	2.42
7.	BNP PARIBAS SECURITIES SERVICES, LONDON BRANCH	12,945,827	1.61
8.	STATE STREET BANK AND TRUST COMPANY	8,880,200	1.01
9.	ABERDEEN GROWTH FUND	8,005,200	1.00
10.	ABERDEEN LONG TERM EQUITY FUND	7,894,200	0.98

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

## Dividend Policy

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

# Hana Overview and Nature of Business

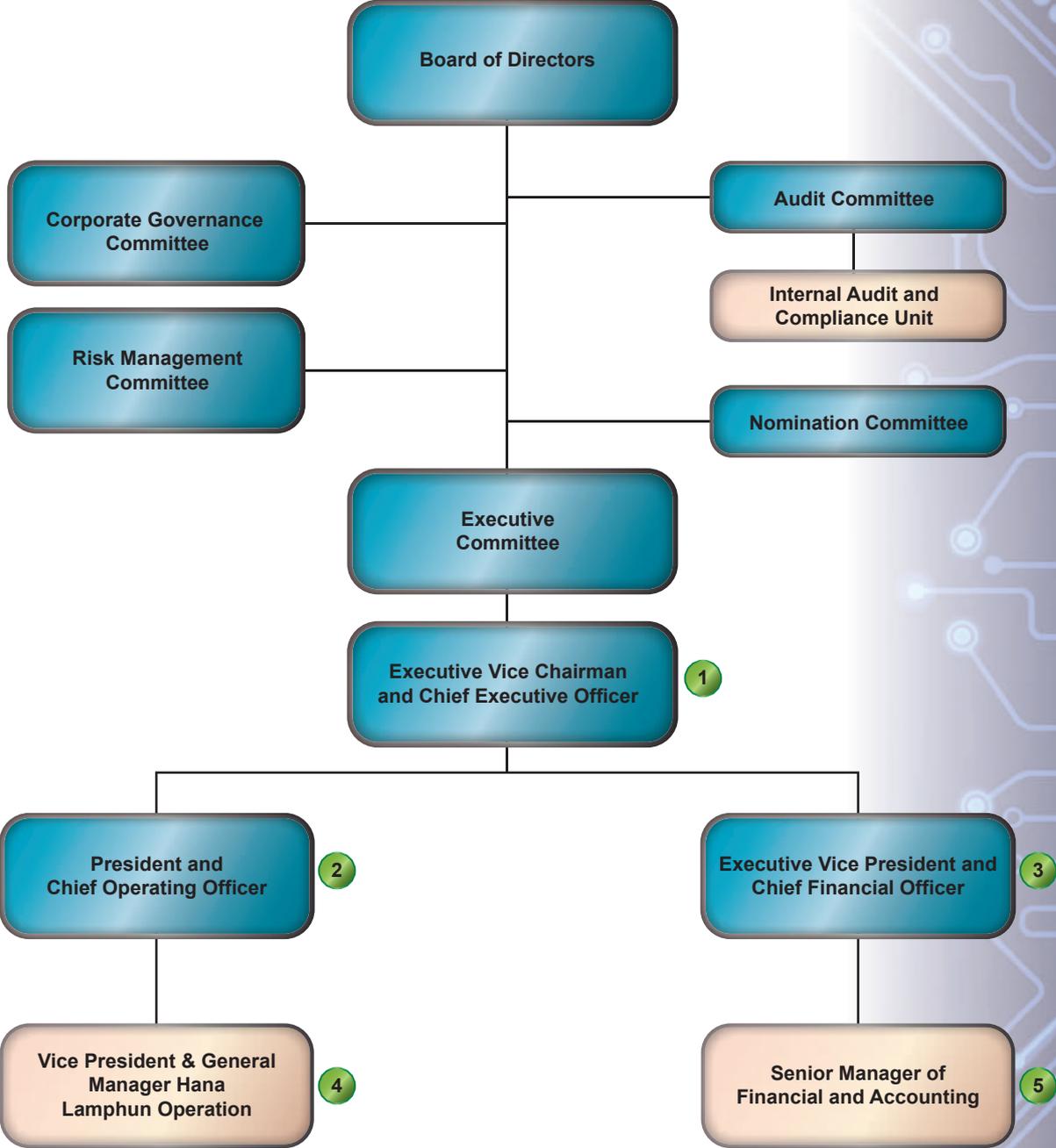
Dividend payment detail	2015	2014	2013
Interim dividend (Baht/share)	1.00	1.00	0.50
Annual Dividend (Baht/share)	1.00	1.00	1.00
Total dividend payment (Baht/share)	2.00	2.00	1.50
Total amount paid (Baht)	1,609,757,720	1,609,757,720	1,207,318,290
Percentage of total dividend payment against the net profit	77.90%	47.27%	52.47%

## Non-Financial KPI

Non-Financial KPIs are other measures used to assess the activities that the company sees as important to the achievement of its strategic objectives. Following are the common non-financial KPIs that the company uses as part of performance management.

KPI	Target	Actual in 2015
1. Training hours per year (average hour per person)	30	49.5
2. Continuous Improvement Program (CIP) participation rate	60%	65%
3. Zero audit failures (customer audit and 3rd party audit)	0	0
4. Customer complaint handling cycle time	100%	100%
5. Zero type A accidents	0	1

# Management Structure



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

# Management Structure

## Board of Directors

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

The board of directors as of 31 December 2015 is as follows.

Name	Position	Appointment Date
1. Mr. Bancha Tamprakorn	Independent Director	7 November 2002
2. Mrs. Salakchitt Preedaporn	Independent Director	1 December 2013
3. Mr. Yingsak Jenratha	Independent Director	1 December 2013
4. Mr. Richard David Han	Executive Director	26 July 1993
5. Mr. Winson Moong Chu Hui	Executive Director	26 July 1993
6. Mr. Terrence Philip Weir	Executive Director	26 July 1993

### Term of service of independent directors:

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

### Authorized Directors:

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

### Board duties and responsibilities:

In conducting the business of the company, the board of directors shall perform their duties with responsibilities, due care and loyalty in the best interest of the company and its shareholders. The duties and responsibilities of the board of directors are as follows.

1. To direct the business in accordance with the relevant laws and objectives enumerated in the company's Memorandum of Association and have the authority to perform duties provided or related thereto under the resolution of the shareholder meetings
2. To determine the company's strategic direction, annual business plan, including monitor and oversee the implementation of corporate strategies
3. To determine the vision and mission of the company and review annually
4. To consider decisions on the material transactions or significant matters such as large investment, the company key policies, management authority, and any transactions as prescribed by law
5. To review the system of sound internal control and risk management system to be effectively implemented and maintained
6. To ensure that the major related transactions are in compliance with the relevant notifications, regulations and guidelines of the Stock Exchange of Thailand
7. To ensure the appropriate accounting systems, the preparation of financial reports and accounting policies in accordance with generally accepted accounting and review by independent auditors
8. To put in place a mechanism for an annual performance evaluation of the board and sub-committees
9. To ensure business continuity in the long term including employee development plans and the continuation of the executives (Succession Plan)

# Management Structure

10. To review the corporate governance policy and its compliance at least annually
11. To attend every board of directors' meeting except special reasonable circumstances

## Authorities of the Board of Directors:

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

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

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

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

## Segregation of duties between the Board of Directors and Management

The roles and responsibilities between the board and management are clearly segregated as follows.

The Board of Directors	Management
<ul style="list-style-type: none"> <li>• To have the ultimate responsibility for the company's long-term prosperity</li> <li>• To approve the large projects/investment, major transactions, policies, etc.</li> <li>• To oversee the overall performance of the company and the implementation of the policies and plan by management planned effectively and efficiently</li> </ul>	<ul style="list-style-type: none"> <li>• To run the business of the company and set its business strategy in accordance with the delegated authority of the board</li> <li>• To have the authority to approve day-to-day operational expenditures, investment, commercial agreement, etc. according to the limited amount approved by the board</li> <li>• To report results to the board</li> </ul>

The board has approved the separation of duties and authorization 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.

# Management Structure

## Management Team

As of 31 December 2015, the executive of the company consists of 5 members as follows.

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

### Duties and Responsibilities of Chief Executive Officer:

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

### Sub-Committees of the Board of Directors

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

## Executive Committee

Structure: The Committee currently comprises of three members.

Term: There is no term limit.

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

# Management Structure

## Duties and responsibilities of the Executive Committee:

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

## Audit Committee

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

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

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

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

## Duties and responsibilities of the Audit Committee:

1. To review the company's financial reporting process to ensure that it is accurate and adequate
2. To review the company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the head of an internal audit department
3. To review the company's compliance with the laws on securities and exchange, the regulations of the SET and other laws relating to the company's business
4. To consider, select and nominate an independent auditor including propose their remuneration, as well as to consider the performance of auditors and dismissal
5. To review the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the SET regulations and applicable laws, and are reasonable and for the highest benefit of the company
6. To prepare and disclose in the company's annual report, an Audit Committee's report which shall be signed by the Chairman Audit Committee and consist of at least the following information:

# Management Structure

- 6.1 an opinion on the accuracy, completeness and creditability of the company's financial report,
- 6.2 an opinion on the adequacy of the company's internal control system,
- 6.3 an opinion on the compliance with related laws i.e. the Securities and Exchange Act, the SET regulations, or the laws relating to the company's business,
- 6.4 an opinion on the suitability of an auditor,
- 6.5 an opinion on the transactions that may lead to conflicts of interests,
- 6.6 the number of the Audit Committee meetings, and the attendance of such meetings by each committee member,
- 6.7 an opinion or overview comment received by the Audit Committee from its performance of duties in accordance with the charter, and
- 6.8 other transactions which, according to the Audit Committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the company's board of directors
- 7. To perform any other act as assigned by the board of directors
- 8. In its performance of duties, if it is found or suspected that there is a transaction or any of the following acts which may materially affect the company's financial condition and operating results, the Audit Committee shall report it to the board of directors for rectification within the period of time that the Audit Committee thinks fit:
  - 8.1 a transaction which causes a conflict of interest;
  - 8.2 any fraud, irregularity, or material defect in an internal control system; or
  - 8.3 an infringement of the SET regulations or any law relating to the company's business

If the company's board of directors or management fails to make a rectification within the period of time under the first paragraph, any Audit Committee may report on the transaction or act under the first paragraph to the SEC and the SET.
- 9. To support and monitor the risk management systems and ensure the measures of the company are appropriate

## Nomination Committee

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

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

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

# Management Structure

## Duties and responsibilities of the Nomination Committee:

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

## Corporate Governance Committee

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

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

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

## Duties and responsibilities of the Corporate Governance Committee:

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

## Risk Management Committee

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

**Term:** No term limit

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

# Management Structure

## Duties and responsibilities of Risk Management Committee:

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

## Meeting Attendance:

Meetings	Board of Directors Meeting	Audit Committee Meeting	Nomination Committee Meeting	Corporate Governance Meeting	Non-executive Meeting	Annual General Meeting
Total number of meetings in 2015	6	4	3	1	1	1
Number of meeting attended/participated in 2015						
<b>Independent Directors:</b>						
Mr. Bancha Tarnprakorn	6/6	4/4	-	-	1/1	1/1
Mrs. Salakchitt Preedaporn	6/6	4/4	3/3	1/1	1/1	1/1
Mr. Yingsak Jenratha	6/6	4/4	3/3	1/1	1/1	1/1
<b>Executive Directors:</b>						
Mr. Richard David Han	6/6	4/4	3/3	-	-	1/1
Mr. Winson Moong Chu Hui	6/6	-	-	-	-	1/1
Mr. Terrence Philip Weir	6/6	4/4	-	1/1	-	1/1

## Corporate Secretary to the Board of the Directors

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

## Detail of the corporate secretary:

Name	Education	Experience
Ms. Jirapa Kongmanee	<ul style="list-style-type: none"> <li>Bachelor degree in Accounting, Bangkok University</li> <li>Master degree in Business Ministration, Butler University (USA)</li> </ul>	<ul style="list-style-type: none"> <li>1999 – present: The head of internal audit department of Hana Group</li> <li>2008 – present: Corporate secretary of the board of directors</li> <li>2013 – present: The head of compliance unit</li> </ul>

# Management Structure

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

1. To prepare and maintain following documents.
  - 1.1 Director registration
  - 1.2 Notification and minutes of the board of directors meetings including annual reports
  - 1.3 Notification and minutes of shareholder meetings
2. To maintain Report on Interest of Directors, Executives and Related Persons and send a copy of the report under Section 89/14 of SEC regulation to the Chairman of the board and Audit Committee within 7 days from the date that the report is received.
3. Other duties regulated by the Securities and Exchange Commission
4. Other duties assigned by the board of directors such as
  - Advice on the laws and regulations involved and oversee the activities of the board to be in accordance with the law
  - Conduct the board of directors and shareholders meetings
  - Liaise with regulatory agencies such as the SET and ensure disclosure and press release according to the applicable laws

## Remuneration of the Board of Directors and Executives

### Remuneration for Directors:

The company provides the remuneration to the independent directors while the executive directors receive the remuneration as the role of employees of the company. Therefore, the company has not established the Remuneration Committee as the board considers and reviews the remuneration of the independent directors by the whole board. The company provides the remuneration to the independent directors in forms of meeting allowances and bonus of which the rates are up to the responsibilities of the members. There is no other benefit. The remuneration for directors has been compared with the rate of the same industry and the structure of the remuneration of the company. All types of the remuneration of directors have always been approved by shareholders every year.

# Management Structure

Individual disclosure of remuneration for the board of directors in 2015 is as follows.

Name	Position	Meeting Allowance (Baht)	Bonus (Baht)	Total (Baht)
1. Mr. Bancha Tamprakorn	Independent Director Chairman of Board of Directors Chairman of Audit Committee	644,000	92,000	736,000
2. Mrs. Salakchitt Preedaporn	Independent Director Audit Committee Corporate Governance Committee Nomination Committee	357,500	55,000	412,500
3. Mr. Yingsak Jenratha	Independent Director Audit Committee Chairman of Nomination Committee Corporate Governance Committee	357,500	55,000	412,500
4. Mr. Richard David Han	Executive Director Nomination Committee	-	-	-
5. Mr. Winson Moong Chu Hui	Executive Director	-	-	-
6. Mr. Terrence Philip Weir	Executive Director Chairman of Corporate Governance Committee Chairman of Risk Management Committee	-	-	-
<b>Total</b>				<b>1,561,000</b>

## Remuneration for Executives:

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

The board of directors has established the written CEO remuneration policy that covers the short-term and long terms incentives. The board delegates the CEO compensation process to the executive committee within the budget approved by the board annually. The short-term incentive depends on the group's financial performance and on CEO's own success evaluated by the independent directors. For the long-term incentives, the CEO shall be eligible to receive this long term incentive with the same terms and conditions as employees. For other long term incentives of CEO if any, the executive committee shall seek recommendation from the board.

**Measurement criteria** - The performance-based has been recognized for the legitimate difference in roles, individual contribution, complexity and responsibility of the position they hold, including the performance of the company. The determination of remuneration also takes into account the current market rate and annual salary increase of the staff with consideration of the market survey performed by Human Resources Department.

# Management Structure

In 2015, the total remuneration of 5 executive managements is as follows.

Type of remuneration	Amount (Baht)
Salary	14,644,718
Bonus	4,101,020
Provident fund	679,749
Board remuneration	-
<b>Total</b>	<b>19,425,487</b>

## Human Resources

As of 31 December 2015, the company and its subsidiaries had a total number of employees of 10,760. For 2015, the total remuneration including salary, overtimes, bonus, provident funds, etc. was Baht 3,241 million. In Thailand, there were 8,424 employees with Baht 2,235 million paid for remuneration.

### Number of employees and remuneration in Thailand:

Y2015	Hana Microelectronics Public Co., Ltd.	Hana Semiconductor (Ayutthaya) Co., Ltd.
Production	3,522 employees	2,523 employees
Administration and others	1,032 employees	1,347 employees
Total employees	4,554 employees	3,870 employees
Total remuneration	Baht 1,169 million	Baht 1,066 million

### Human Resource Development:

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

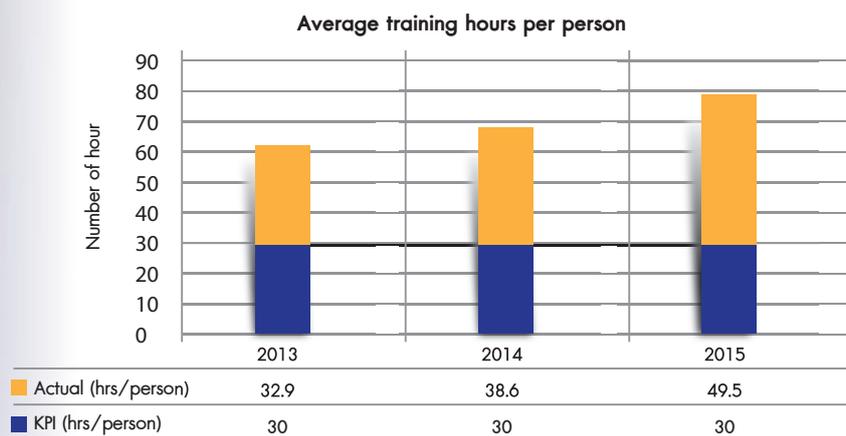
### Objectives of employee training programs are as follows:

- To develop and master personnel with knowledge, skills, abilities, and attitudes to help employees to function more effectively in their present positions as well as to enhance employee satisfaction and increase a competitive advantage for the organization
- To motivate and prepare employees as part of the succession planning and career development process

# Management Structure

## Training hours:

Below is the average training hours per person against our KPI in 2015 compared to prior years.



## Training courses:

In 2015, the company provided training to employees in various courses, which can be classified by below types of training programs.

Training courses (type)	Number of training hours			%
	Daily employees	Monthly employees	Total hours	
Professional certification	68,075.30	6,057.20	74,132.50	32.86
Professional re-certification	46,447.00	6,615.00	53,062.00	23.52
Technical skills	12,638.00	17,479.30	30,117.30	13.35
Safety & EMS	13,996.30	4,278.00	18,274.30	8.10
Quality	10,270.25	6,712.35	16,983.00	7.53
General	7,369.30	6,235.40	13,605.10	6.03
Management skills	3,096.00	6,776.45	9,872.45	4.38
Multi-Skills	4,710.00	113.00	4,823.00	2.14
Computer skills	589.45	2,847.30	3,436.20	1.52
Job transfer	1,265.00	23.00	1,288.00	0.57
<b>Total</b>	<b>168,456.60</b>	<b>57,137.00</b>	<b>225,594.30</b>	<b>100.00</b>

# 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 2015, 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 as follows.

- **Rights to attend the shareholders' meeting and vote**

One of the basic rights of shareholders is the right to attend and vote at shareholders' meetings. To encourage shareholders to exercise their rights in shareholders' meeting, the company takes following actions.

### **Before the meeting day:**

The company holds the Annual General Meeting of Shareholders (AGM) within 4 months after financial year ends. In 2015, the company held the AGM on 30 April 2015 at 14:00 hrs. at its company head office located at 65/98 Soi Vibhavadi-Rangsit 64, Junction 2, Kwang Talad Bangkhen, Khet Lakxi, Bangkok making it convenient for shareholders including institutional investors to travel and attend the meeting. 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 by posted mail 21 days prior to the meeting date in order to provide sufficient time for shareholders and institutional investors to review the details of information disclosed in the notice of the meeting. 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.

For 2015 AGM, the company promoted the right of shareholders by providing opportunities for them to propose agenda items to the board's consideration from October – December 2014 with the detailed procedure was available in the company website under section "Investor Relation" title "Corporate Governance." However, in 2015 there were no shareholder proposals sent to the board of directors for consideration of any additional agenda items. The matters discussed in the AGM were in sequence as given in the invitation letter.

The company also provided opportunities for shareholders to submit enquiries for consideration prior to the meeting with the detail enclosed in the notice of the meeting. Further, the company encouraged the exercising of voting rights by shareholders who cannot attend the shareholders' meeting by appointing their proxies to participate in the meeting or appoint the company's independent directors on their behalf to attend the meeting and vote by providing the proxy form B on which shareholders are able to specify their votes, with the notice of the meeting.

# Corporate Governance

## 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 AGM conducted in 2015, 6 out of 6 directors (100%) attended the meeting which include the Chairman of the Board and Audit Committee, Chief Executive Office, Chief Financial Officer and Chairman of Nomination Committee. The external auditor also attended the meeting with the directors so that they could listen to shareholders' opinions or suggestions and also answer any questions.

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

## 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 AGM in 2015 were posted to the company's website within the following business day after the meeting and at the same time sent to the Stock Exchange of Thailand. If shareholders have any inquiries or comments on the minutes, they can contact to the corporate secretary. The minutes are maintained at the company's head office.

## • Rights beyond voting right

The company has provided shareholders beyond voting right as follows.

- The rights to be counted as a shareholder, for example, a right to buy, sell, transfer shares or a right to inspect shareholder records, etc.;
- The right to receive full and fair returns without inequitable treatment from any group of shareholders.;
- The right to access the company information such as the quarterly financial results, the minutes of shareholders meeting, the right to request the company visit, etc.;
- The right to participate in decision-making for material matters such as the appointment or dismissal of the company directors and approval of their remuneration, appointment of auditors and approval of their remuneration, etc.;
- The right to inspect the management of the board of directors, who are representatives of shareholders, such as to inspect the company books and records through the company's public filings including annual report, 56-1 report, etc.;
- The right to obtain a redress or a rectification for any violations of their rights.

In 2015, the company had no actions that violated 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.

In addition, the company did not prevent or obstruct any opportunities for shareholders to communicate with each other.

## 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.

# Corporate Governance

## **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 shareholder meeting is done by the principle of one share, one vote. The company promotes the right of minority shareholders to nominate candidates to be elected as the directors in advance at the AGM. For 2015 AGM, shareholders could, during the period from October – December 2014, submit proposals for the annual shareholders meeting to the board of directors. The procedures and criteria to nominate the director to the board of directors have been posted to the company's website under section "Investor Relation" title "Corporate Governance."

## **Prevent insider trading:**

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

- Communicate the compliance of the policy of Business Code of Conduct of the board of directors, executives and employees. The directors and executives are required to sign on acknowledgement of the policy on an annual basis.
- Inform the board and executives for the duties to report the company security' holdings and movements to the Securities Exchange Commission (SEC) under the Securities and Exchange Act B.E. 2535 and the Stock Exchange of Thailand's regulation.
- Inform the board and executives by a circular letter that those who may gain inside information shall 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.
- Confirm the shareholding status with individual director and executive through the company's secretary on a monthly basis.
- Report to the board for the shareholding status of individual director and executive at every board's meeting.

In 2015, no director or executive traded the company's shares by using inside information.

## **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.

### **Employees**

Employees as the internal stakeholders who are those within an organization play an important role in contributing to the long-term success and performance of the corporation. Our key focus is to retain deserving and talented employees while employees' satisfaction is of utmost importance for them to remain happy and also deliver their level best.

# Corporate Governance

**Health and safety in the workplace:** The combined efforts of the company and employees are required to improve the health and wellbeing of employees at work. Hana has been certified for the Occupational Health and Safety Management Systems in accordance with OHSAS/TIS 18001. The company policy is to provide the safe and proper workplace to protect injury and illness from work. In order to eliminate or reduce health, safety and welfare related risks to our employees, various health and safety management programs have been implemented such as health and safety risk management system including audit, safety activities and safety incentive program to promote health and safety awareness. Employees take part in work environment management, e.g. by reporting hazards, incidents, illness and suggesting measures to be taken.

In 2015, the company also provides health and safety training for newly hired and existing employees, including our partners and subcontractors, to ensure full awareness occupational hazards, to encourage and promote safety in the workplace.



The accident statistic report is posted on the bulletin board by detailing the target and accident statistics and being updated every day. In 2015, there were 10 cases of accident but no accident death. When an accident occurs, a report describing the circumstances is submitted, and steps are taken to identify the cause and implement necessary improvements.

Accident case	2015	2014	2013
Small accident or employees stop working less than 3 days (case)	9	7	14
Accident that employees stop working more than 3 days (case)	1	0	2
<b>Total</b>	<b>10</b>	<b>7</b>	<b>16</b>

**Employee remuneration and competency development:** Compensation paid to employees is complied with all applicable wage laws, including those relating to minimum wages, overtime payment, and legally mandated benefits. The company has provided various welfare programs for employees such as health benefits, children educational assistance for lower-pay employees, meal allowance, group life insurance, employee long service award program, etc. Provident fund is one of the key long term benefit programs to employees that the company provides to help employees to save a portion of their salary in the event of retirement, disability, sickness or unemployment.

In addition, the company provides the compensation to employees in line with their performance in both the short term such as bonuses and the long term performance through Career Path Development Program which has been continuously provided to employees in order to define the development of skill sets and identify how individuals move through the organization. The Career Path/Development Process has considerable benefits from both an individual employee and an overall organizational perspective. The company has set the policy and the Committees to assess potential candidates, identify the core competencies and perform assessment to verify candidates' abilities and determine strengths and weaknesses to match with currently holding position and the readiness for advancement of each candidate, and plan for training and other development tools.

# Corporate Governance

**Human rights** - The company believes that respect of human rights is an important part of being a good corporate citizenship. The company has upheld human rights in every activity we do and we do not tolerate such discrimination of others. There will be no child labour or abusive hiring. Our Human Resource representatives provide advice and counsel to employees and managers to address issues involving human and labour rights. The company also has established a Welfare Committee as an internal channel of communication to develop a consensus between employees and the company. In 2015, the company has had claimed or reported of human right violations from employees, business partners, or local communities.

## 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 been accredited to Quality Management System (QMS) with the aim to deliver high quality products on time. The company policy is to strive for the customer satisfaction, zero defects, and meeting the international standard requirements. Nearly twenty-year of ISO 9001 certification demonstrates our commitment towards quality, continuous improvement, and sustainment.

The company and its subsidiaries continue to support the supply chain management so that all the members from suppliers to customers could coordinate their business activities and processes to minimize their total costs and maximize their effectiveness in the marketplace. As such, in past years, the company and our subsidiaries received various awards from our key customers such as "Suppliers Valuable Contribution and Strategic Partnership", "Excellent Support", "Supplier of the Year", "20-Year Partnership Recognition".

**Intellectual property** - Hana has the policy on the intellectual property and copyrights in order to safeguard 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. Any reward and copyrights received from the assignment/work given by the company or any byproduct assignment/work that originated or result from training/tutoring by the company shall belong to the company. Directors, management and employees shall use computer and information technology related work according to Computer-Related Crime Act and other local intellectual property and copyright laws. All employees are required to sign for acknowledgement of the agreement of compliance with intellectual property and copyrights and related laws.

## Business Partners

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

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

- 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.

# Corporate Governance

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 & Hospitality and Anti-Corruption Policies and Procedures. In 2015, there was no dispute or lawsuit between the company and suppliers or any business partners.

## Shareholders

The company attempts to achieve growth in earnings for shareholders over the long term. Board members and executive management shall be qualified for their positions and have a clear understanding of their roles in corporate governance and exercise sound business judgment in the best interest of the company and shareholders including the preparation and disclosure of financial and non-financial information accurately, completely and timely and devote the time and ability to perform their duties. Our treatment toward shareholders shall comply with the good corporate governance principles for the right and equitable treatment of all shareholders. The disclosures shall be made on a consistent basis, completely and truthfully in regards to the status of the company, its operating results, financial standing, accounts and other reports. There shall be no disclosure of inside information to individuals associated with the management or directors, which caused damage to the shareholders as a whole. The company has followed the best practices in conducting the annual general meeting of shareholders. In 2015, the company was rated "excellent" in the assessment of the AGM by the Office of the SEC and the Thai Investors Association.

## Business Competitors

The board focuses on running its business with open and fairness and have a practical guidance for the competitors such as fair competition, not involved in the competition by the dumping, persecution or deprivation influence in order to avoid competition, not take any action that violates the intellectual property or copyright of competitors, not use dishonest methods to discredit a competitor or no trade secret violations. In 2015, there was no dispute or lawsuit between the company and any competitors.

## Creditors

The company treats creditors responsibly with honesty and fairness to obtain a fair return to both parties and comply with the agreement including the terms of guarantee and managing cash flow to be able to pay to the creditors according to the terms and conditions. The company will notify the creditor status in the event of payment default and to comply with the Consumer Protection Law and other related laws. In case that the company cannot comply with the agreed terms, the company shall notify the creditors in advance to jointly find solutions.

## Communities, Society and Environment

Hana has been certified by the International Standard for Environmental Management Systems or ISO 14001 which provides practical tools for the company to manage not only its environmental responsibilities but also the business development by focusing on the pollution prevention and environmental protection so overall help reduce the environmental impact as well as reduce operating costs of the business. Moreover, the company has been certified by the International Standard for Occupational Health, Safety and Environment (OHSAS 18001 and TIS 18001) with the policy expressing the commitment to operate business not only to resolve health and safety at work but also cover ways to prevent accidents to the workers and the surrounding community.

The company encourages the use of resources efficiently by arranging various energy saving projects (refer to Corporate Social Responsibility Section). The board supports the training of all employees to achieve a better understanding and create awareness of the environment. In 2015, various environmental training courses had been provided to employees by both internal and external instructors such as:

# Corporate Governance

**Environmental aspects' assessment:** To identify environmental issues arising from activities, products and services within the scope of the environmental management system for the environmental aspects so the company can plan to make improvement.

**Advanced energy saving:** To raise awareness of the issues of natural resources and awareness of the environment and energy conservation so that employees can apply the skills, knowledge and experience into practice and everyday life properly and in accordance with company policy.

**Intensive use of chemical safety:** To train to employees who perform work related to chemical, emergency team and related functions for understand what the chemical hazards in the workplace and their effect on health and the environment including the control or management of such hazardous chemicals.



By providing those courses to our employees, the company could determine priorities and set objectives better for eliminating hazards, reducing risks and the developing continuous improvement. The company also gains from the efficient use of resources including better effective environmental management.

## Government Authorities and Associated Organizations

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

## Anti-corruption

**Anti-corruption policy:** The company established the anti-corruption policy and has been reviewed and approved by the board yearly. The anti-corruption policy is as follows.

“Hana has a zero tolerance of bribery and corruption. The company prohibits the board of directors, management, employees or third parties in their relationship with the company, being involved in any act of corruption in any form in all business transactions to benefit directly or indirectly and shall comply with the applicable laws and regulations in all the countries in which the company operates.”

**Risk assessment:** In 2015, the Risk Management Committee assessed the potential corruption risks by conducting the corruption risks meetings separate from other risks. The risk profile was reported to the board by having the Compliance Unit perform compliance audit in mitigated risks with the established policy.

**Training and communication:** In 2015, the company communicated and provided training to employees regarding its anti-corruption policy and related policies i.e., corporate code of conducts, gifts and hospitality policy, conflict of interest policy, at which time management received training from the corporate trainers. Employees can get access to the policies via the company's bulletin boards and intranet website. The supplier code of conduct policy has been communicated with both overseas and local suppliers for their acknowledgment and compliance.

# Corporate Governance

**Monitoring and review:** The Audit Committee shall review the anti-corruption policy on an annual basis and propose any amendment to the board for approval. The Audit Committee will also monitor the implementation of the policy and make recommendations accordingly.

Internal control systems and procedures shall be reviewed periodically by Internal Audit Department to ensure that they are effective in countering bribery and the audit results are to be discussed with relevant operational personnel and reported to senior management and the Audit Committee.

**Certification:** The company was certified by Thailand's Private Sector Collective Action Coalition Against Corruption in October 2015 for the company's actions and effort to support the mobilization of the private sector in the fight against corruption.

## Channel of Complaints

The board provides channels for stakeholders to communicate any concerns about illegal, any suspected fraud or corruption, human right violation, unethical conduct or violation of the good corporate governance, any suggestion 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 following channels.

Position	Name	Email
Chairman of the Board of Directors and the Audit Committee	Mr. Bancha Tamprakom	<a href="mailto:tarnprak@gmail.com">tarnprak@gmail.com</a>
Chairman of Corporate Governance Committee and Risk Management Committee	Mr. Terrence Philip Weir	<a href="mailto:terry@hanabk.th.com">terry@hanabk.th.com</a>
Chief Executive Officer	Mr. Richard David Han	<a href="mailto:richardh@hanabk.th.com">richardh@hanabk.th.com</a>
Sr. Corporate Administration and Human Resources Director	Mrs. Puntipa Tanthana	<a href="mailto:puntipat@hanabk.th.com">puntipat@hanabk.th.com</a>
Company's secretary and the head of Internal Audit	Ms. Jirapa Kongmanee	<a href="mailto:jirapak@hanabk.th.com">jirapak@hanabk.th.com</a>

**Mailing address:** Hana Microelectronics Public Co., Ltd., 65/98, Soi Vibhavadi-Rangsit 64, Junction 2, Kwaeng Talad Bangkhen, Khet Laksi, Bangkok 10210, Thailand

Any whistle-blower of the companies in Hana group should initially make a complaint or report any act of misconduct or suspicions through the respective channels such as through an employee's direct supervisor (manager level and above); the head of Human Resource Department of each Hana location or suggestion/red box available at each Hana location. If employees cannot go to their respective channels, they could report to the above channels.

**Handling of complaints:** The company will decide how to respond in a responsible and appropriate manner. An investigation will be conducted as speedily and sensitively as possible in accordance with all relevant laws and regulations. The internal audit department will report the details of complaints and investigation results to the Executive Committee or the Audit Committee and the board depending on the complaint, dispute or issue raised.

**Protection of reporting individual:** It is a policy that the company will not discharge, demote, suspend, threaten, harass or in any other actions against any person reporting any such complaint that made in good faith.

In 2015, the board did not receive any complaints about corruption/fraud, breach of business ethics and corporate governance, human right violation or no complaint that damage to a company's reputation due to the administration of the board of directors, as well as no legal dispute concerning labour, human rights, and the environment.

# Corporate Governance

## 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 2015, 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 2015, the company conducted analyst meetings four times to provide information about the past quarters' performance to the interested persons. Additionally, company visits by interested analysts are also welcome and can be arranged by appointment. All investors can access the company's financial information through the SET's Public disclosure system and at company's website: <http://www.hanagroup.com>, or contact to following person.

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

### Conflict of Interest

The company has the policy in place to deal with conflicts 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 2015, there was no conflict of interest from directors and executives reported to the board.

## 5. Responsibilities of the Board of Directors

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

# Corporate Governance

## Board diversify

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

## Nomination of director and independent director

The board of directors gives emphasis on the transparency of director nomination. The company has the policy to use a professional search firm, IOD director pool for new director recruitment or personal recommendation. In addition, the company has the policy to give the right to minority 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 and make recommendations to the board of directors for proposing to shareholders for approval. In 2015, 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, expertise, previous year performances, willingness and time devoted to the board are suitable to be considered for re-election.

## Qualification of director

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

- 1) To have qualification and have no prohibited characteristics as specified by the laws on public company limited including have no manner indicating a lack of trustworthiness to manage the company from the view of shareholders according to the Securities and Exchange Commission regulations.
- 2) To have knowledge, skill, expertise, experience, education and gender as the board deems appropriate for board composition, diversity and that can contribute to the company's strategies. In addition, at least 1 executive director is to be experienced in the electronic industry or related to the company business.
- 3) To devote time especially for making key decision and handle duties for the best interest of the company and able to participate in all the board and shareholder meetings unless necessary or emergency.
- 4) To have a moral, ethical, and any other features that may be required by law or deemed appropriate by the board.

## Qualification of independent director

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

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

- 1) Holds shares less than 0.5% of the total shares eligible to vote of the company, subsidiaries, associates, or controlling parties, including the shares held by the related parties of an independent director (This shareholding threshold of the company shares held by the independent directors is more strict than the minimum requirements of the SEC and SET.)
- 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

# Corporate Governance

- 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
- 8) Does not conduct the same business and compete business with the company or subsidiary, nor being a business partner or executive director, paid employee or hold more than 1% of voting shares from other companies which have the same business and compete with the company
- 9) Has no other conditions that unable to exercise independent opinion regarding the business operation of the company

## Appointment of directors

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

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

# Corporate Governance

## **Supervision of subsidiary and associated companies**

The board has its mechanisms to manage and oversight the subsidiary and associated companies. The board has delegated to the Executive Committee to oversee and responsible for the operations of its subsidiaries and associates include appointing the representative to be a director or a controlling person and shall report to the board accordingly. From the board resolution No. 6/2013, the board has resolved that the appointed person must be approved by the board prior to vote on important matters in the same approval levels of the company that has to approve by the board. This includes the connected transaction and the acquisition or disposition of assets by the rules relating to the disclosure of information and the transaction is in line with the rules of the company. In addition, the maintenance of information and accounting records of the subsidiaries can be verified and financial statements can be consolidated within timelines.

## **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. 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, where our policy is to provide 5 days in advance. To prepare for meetings, directors are responsible for reviewing the materials that are sent to them in advance. If there are additional inquiries, the directors can contact the company secretary. At the board meeting, ample time is scheduled to allow full discussion of important matters. Management presentations are scheduled to permit an appropriate portion of board meeting time to be available for discussion and comments. The board's policy is to vote on the agenda item by having at least 2 out of 3 of total directors present in the meeting for each agenda item. The minutes of board of directors meeting are properly made and contain key facts such as the timing of start and finish, name of directors present and absent, summary of items of major discussion and resolutions, the minute taker and certifier. The minutes are maintained at the company's head office and cannot be edited without prior consent of the board approval.

In 2015, the company had 6 meetings. In 2016, the board resolved to approve a minimum of 7 meetings per year by holding an additional meeting at one of the company's operating units.

## **The meeting without attendance of management**

The board encourages the non-executive directors to have a separate meeting in absence of management to encourage more open discussion without management present. In 2015, the independent directors conducted a meeting without attendance of management 1 time. The meeting was conducted with the participation of internal and external auditors.

## **Orientation for new directors**

The newly appointed director shall receive an orientation regarding the company's business, duties and responsibilities of directors. The brief review shall be led by the chief executive officer, chief financial officer or his appointee. All other necessary information shall be given by the company's secretary. In 2015, the company provided the orientation program to a new board member who has no previous experience in the electronic industry by attending the training courses including the factory visit to see the production processes, meet with general manager and employees in order to gain more understanding and experience.

## **Director development**

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

# Corporate Governance

In 2015, the directors attended following training courses.

Name	Position	Course
1. Mr. Winson Moong Chu Hui	Executive Director	<ul style="list-style-type: none"><li>• Director Accreditation Program (DAP) 117/2015</li></ul>
2. Mrs. Salakchitt Preedaporn	Independent Director	<ul style="list-style-type: none"><li>• Director Certification Program (DCP) 2015/2015</li><li>• Challenges of Audit Committees in reviewing financial and non-financial information hosted by Securities and Exchange Commission</li></ul>

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

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

In 2015, the company secretary attended the seminars held by the SET such as CG in Substance, Risk Oversight: High Priority Roles of the Board, Board Responsibility toward Internal Control, and Anti-Corruption held by PACT Network incorporated with PwC Consulting Thailand, etc.

## Service on other boards

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

## Performance assessment of the board of directors

The board has conducted its annual performance evaluation using self-assessment method to assess performance in the latest year. The board self-assessment questionnaire allowed the board to assess their effectiveness into 6 aspects ranging from the board structure and qualifications, roles and responsibilities of the board, the board meeting, duties of directors, relationship with management, and director's self-improvement and management training. The board also can provide feedback in the assessment form to improve the board performance. The company secretary concludes the board group performance and report to the board meeting. In 2015, the overall performance of the board group was assessed at "very good" ranking.

The board also has conducted the performance evaluation of an individual director using the self-assessment method with evaluation criteria. In 2015, the company secretary concluded the board individual performance and reported to the board meeting with the average performance was "very good" ranking.

## Performance assessment of the sub-committees

The board has also annually conducted the performance evaluation of all sub-committees that are the Audit Committee, the Nomination Committee, the Corporate Governance Committee and the Risk Management Committee. The committee evaluates their own assessment and the company secretary reports the result to the board. In 2015, each sub-committee got the average score as "very good".

# Corporate Governance

## Performance assessment of CEO

On an annual basis, the performance of CEO is evaluated by the independent directors, where the evaluation criteria have been applied from the guidance of the Stock Exchange of Thailand. The areas to assess CEO cover his leadership, strategy formulation, strategy execution, financial planning and performance, relationships with the board, external relations, human resources management and relations, succession, products/service knowledge and personal qualities. In 2015, the independent directors assessed the CEO with “excellent performance”. As he has become increasingly progressive, our CEO, Mr. Richard David Han, was awarded as one of the top ten best CEO in SET Awards 2015.

## CEO succession plan

The board of directors has improved its succession planning approach by developing the formal CEO succession planning policy in adopting a more comprehensive program that anticipates internal CEO succession while preparing for the possible need to recruit an external candidate depending on the circumstances whether on a planned or emergency basis.

An emergency succession is required when CEO is unable to perform the duties due to accident or other unexpected circumstances. A special meeting of the board would be convened to decide which of the executives might be appointed as Acting CEO for the remainder of the time required.

In the event of permanent changes due to retirement or planned vacancy, the entire board shall be involved in choosing a successor. However, the board could delegate much of the responsibility to implement the search to the Nomination Committee or a special ad hoc committee to work with the board and current CEO to identify and develop potential internal candidates, monitor the development of candidates and assess the readiness of candidates, or conduct an external search if cannot come to an agreement on an internal candidate, etc.

Managing the CEO succession plan is the board responsibility. The plan shall be reviewed annually to ensure that key components are up-to-date, particularly the CEO's job description, minimum qualification requirements, minimum experience and personal characteristics and the succession readiness improvement.

## 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.

In 2015 to ensure that employees have the knowledge and understanding of the policies and practices of business ethics, the company conducted trainings for employees and provided the post-tests to evaluate the training results. In addition, all the directors were required to sign a certification of acknowledgement and compliance with the code of conducts for the board of directors. The internal audit department also monitored the implementation and compliance for the code of conducts.

For the available whistleblowing channels, no compliant or dispute regarding ethical issue was reported in 2015.

# Corporate Governance

## Auditor's remuneration

In 2015, the Annual General Meeting of Shareholders approved the appointment of Mrs. Saifon Inkaew, Certified Public Accountant No. 4434 of EY Office Limited to be the company's auditor with the remuneration of not exceeding Baht 2,170,000.

The company and its subsidiaries paid the audit fees to EY Office Limited, Thailand as follows.

### 1. Audit fee

(Unit: Baht)

Company	2015	2014
Hana Microelectronics Public Co., Ltd.	2,170,000	2,060,000
3 subsidiaries	1,650,000	1,640,000
<b>Total</b>	<b>3,820,000</b>	<b>3,700,000</b>

### 2. Non-audit fee

(Unit: Baht)

Company	Non-audit fees	2015	2014
Hana Microelectronics Public Co., Ltd.	1. BOI audit fee	360,000	360,000
	2. Inventory destruction fee	75,000	45,000
3 subsidiaries	1. BOI audit fee	450,000	450,000
	2. Inventory destruction fee	40,000	20,000
<b>Total</b>		<b>925,000</b>	<b>875,000</b>

For the financial year ended 31 December 2015, the external auditors confirmed to the Audit Committee on the actions they take to maintain their professional independence with respect to the company and its affiliates in accordance with the Code of Ethics for Professional Accountants issued by Thailand's Federation of Accounting Professions by not holding any shares in the company and its affiliates, not providing non-audit services, and not purchasing goods and services from the company and its affiliates.

# Internal Control and Risk Management

The board of directors is responsible for establishing and maintaining the internal control system. The board has appointed the Audit Committee to review the appropriateness and effectiveness of the internal control system provided by management. The Audit Committee shall ensure that such existing internal control systems are achieving their objectives and that they should provide reasonable assurance concerning the accuracy of financial statements, the safeguard of assets against loss, unauthorized use or fraud, and the assurance of transactions that are executed consistent with company policies and procedures.

In 2015, the board has performed self-assessment to evaluate the internal control system by applying the control assessment criteria from the Stock Exchange of Thailand. There is an Internal Audit Department and Compliance Unit to monitor and oversee the overall company activities in line with established system and applicable laws and regulations. The Risk Management Committee has been appointed to ensure implementation of the risk management policy to be monitored and limited overall risks at an acceptable level.

From the Board of Directors' Meeting No. 6 held on 9 December 2015 with the Audit Committee attended the meeting, the board has assessed the company's internal control system based on 5 components of COSO's Internal Control Integrated Framework which are Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring Activities.

The board agreed with the Audit Committee that the existing internal control system is considered appropriate and adequate as summarized below.

## 1. Control Environment

The company has established organization structure, line of control, approval authorities for different managerial levels, and the charter of various committees to assist in discharging duties and responsibilities of the board of directors. The policies on corporate governance, code of conduct, anti-corruption policy and the operation policies and procedures are written as guidelines for directors, executive and employees to perform their duties with integrity.

## 2. Risk Assessment

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 company also considers the potential for fraud in assessing risks to the achievement of objectives.

## 3. Control Activities

The company develops general control activities to mitigate risks such as the segregation of duties among approval, accounting booking and asset's custody, the security control of information technology system, as well as the policy to approve transactions done by people who have no interest in the transaction.

## 4. Information and Communication

The company's management provides the board with adequate information for decisions and sends the notice or document to the board in advance for their preparation. The minutes of the board meeting could be able to track back concerning the duties of the directors. The company has the whistle blower channels for internal and external parties.

## 5. Monitoring Activities

The appropriateness and adequacy of internal control is monitored regularly through a combination of management review, self-assessment, compliance and internal & external audits. The results of internal & external audit and compliance reviews are reported to the Audit Committee on a regular basis. The Audit Committee also approves the internal audit and compliance unit plans.

# Internal Control and Risk Management

## Internal Audit

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

## Compliance Unit

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

# Related Party Transactions

## Related Transactions in 2015

According to the note on related party transactions of the consolidated financial statements for the year ended 31 December 2015, relevant details of related party transactions entered into by the company and its subsidiaries were disclosed. Those related party transactions were entered into in the normal course of business between the company and its subsidiaries and such transactions have been done with fair and at arms' length and will not give rise to a conflict of interest.

In 2015, the company had no related transaction as the property lease contract between the company and a major shareholder's company was expired since 28 February 2014.

## Related Transactions in 2014

In 2014, the company had a related transaction of leasing the property between the company and a company of a major shareholder amounting to Baht 262,374. It expired on 28 February 2014 and was not extended.

Related company/person	Type of relationship	Summary of transaction	Size of transaction	Reasonable and necessary conditions
Omac Limited	Omac Limited is a shareholder holding the company shares amounting to 40,939,360 shares equivalent to 5.09 % of paid-up capital <sup>(1)</sup> and Han Family is the major shareholder of Omac Limited <sup>(2)</sup> and a director of the company is a director of Omac Limited <sup>(3)</sup>	The company is the sub-lessee of land 5 Rai, 93 Square Wah located on Vibhavadi-Rangsit Road from Omac Limited which is the lessee this land from Mrs. Aphiradee Habananande, Mrs. Piyada Angsanant and Mr. Prempree Watcharapai, the land lord. The landlord agreed to lease the land to Omac from 1986 – 2014.	Rental rate is Baht 262,374 per year. The land lease had expired on 28 February 2014.	The company has subleased the land from Omac Limited since 1991 to be the company's headquarter and the manufacturing of its subsidiary. The rental rate is reasonable because it is the same rate as Omac Limited agreed with the landlord.

(1) The information as of closing registered date on 14 March 2014

(2) The major shareholders of Omac Limited are:

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

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

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

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

## Procedures for Related Party Transactions

In case of normal business transactions made with related parties under Section 89/12 (1) as required by the Securities and Exchange Act such as general trading conditions or transactions that support the normal course of business, such transactions shall be approved by the board of directors or in compliance with the principle approved by the board of directors.

For related party transaction that may have a potential conflict of interest, the Audit Committee shall review and approve by the board. In case that there is any transaction which has or may have the conflict of interests of directors or related persons, directors who have interests shall inform foresaid transaction to the board and abstain from voting in that agenda.

# Related Party Transactions

In addition, the company and its subsidiaries shall comply with the notifications and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand. The related party transactions which the company discloses on the note in financial statements shall be presented and considered by the Audit Committee quarterly in order to prevent potential conflict of interest.

Any material related party transactions required shareholders' approval under the notification of Stock Exchange of Thailand, the company shall disclose the details and rationale of the transactions to shareholders in advance before execution with the below minimum disclosures:

1. The name and relationship of the person who has conflict of interest.
2. The nature and volume of transactions during the year, as well as the continuous transactions or time by time transactions.
3. The reasons to engage the transaction with a person who may have conflict of interest, the benefit to shareholders, and pricing policy and terms is fair and reasonable.
4. The opinions of the Audit Committee.

The transaction shall be approved by the shareholders' meeting and shareholders who have interest in foresaid transaction have no right to vote on such resolution so the decision shall be made by disinterested shareholders.

## Protecting Investors

When there is any related company transaction between the company or its subsidiary, and the related parties in the future, the transaction shall be approved by the board of directors, which has the Audit Committee providing its opinion for the necessity and the appropriateness of the transactions and how utmost benefits to the company. Directors who have an interest in such transactions shall have no right to vote. If the Audit Committee doesn't have an expertise in the matter of such transactions, the company shall provide an independent expert or the company's auditor to provide an opinion as to the necessity, reasons for decision by the board or shareholders in making the transactions, as any case may be. The company shall also disclose the transactions in the notes of the financial statements audited by the company's auditor.

## Policy of related transactions in future

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

The company's policy is to operate business in the best interest of the company and its subsidiaries. The company and its subsidiaries have engaged into business transactions with their related companies in Hana group. As such, the transaction shall be done under the normal course of business conditions with the fair and at market price.

## Opinion of the Audit Committee

The Audit Committee has considered the previous and current related company transactions between the Company and its subsidiaries or the related parties or transaction may have conflict interest, has the opinion that the company has disclosed the information correctly and completely. Such transactions were under the normal business conditions with fair and at arms' length.

# Corporate Social Responsibility



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

## CSR Policy, Vision and Strategies for Sustainable development:

**Policy:** The board of directors commits that the company will conduct business with respect to its economic, social, and environmental responsibilities for the shareholders as well as for other stakeholders. The board also commits that the company business will be conducted in an open, honest, and ethical manner. Hana and its subsidiaries recognize the importance of protecting human rights, consumer rights, environmental management, compliance with applicable laws, regulations and to contribute to community development for long term success of the company, society and stakeholders.

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

**Strategy:** Hana's business environment is highly competitive. The company seeks to expand its sales each year and to continually improve the capabilities and productivity of its production processes. Whilst doing so the management and staff are mindful of the CSR policies for sustainable development and review each change to ensure compliance with the CSR objectives toward sustainable development with regards to the economic, social and environmental impact. In addition the company and its subsidiaries have established CSR committees at each plant with representatives from different departments which focus on the company's relationship with our stakeholders.

# Corporate Social Responsibility

## Stakeholders Prioritization:

Our key stakeholder groups are identified as follows.

Stakeholders	Engagement Approach	Expectation/Concerns	Implementation
<b>Shareholder/Investor</b>	<ul style="list-style-type: none"> <li>Analyst meeting</li> <li>Annual General Meeting of Shareholders</li> <li>Annual report, 56-1 report, Press Release</li> <li>ESG scorecard questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>Consistent dividend payment</li> <li>Steady growth</li> <li>Environment, Social and Governance</li> </ul>	<ul style="list-style-type: none"> <li>Dividends paid each year based on the company's cash flow</li> <li>Company vision for constantly strives to grow and be competitive</li> <li>Corporate governance scorecard</li> <li>Environmental management</li> </ul>
<b>Customer</b>	<ul style="list-style-type: none"> <li>Customer audits</li> <li>Customer's satisfaction survey</li> <li>Customer visits</li> <li>Risk assessment</li> </ul>	<ul style="list-style-type: none"> <li>Quality products with on time delivery and competitive product pricing</li> <li>Ethical and environmentally responsible</li> <li>Occupational health, Safety and Labour</li> </ul>	<ul style="list-style-type: none"> <li>Quality management system</li> <li>Supply chain management</li> <li>Code of conduct, Electronic Industry Citizenship Coalition (EICC) Code of Conduct</li> <li>Occupational health, safety and labour</li> <li>Green product</li> <li>Productivity improvements</li> <li>Cost reduction programs</li> <li>Working to grow with new and existing customers</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Employee's satisfaction survey</li> <li>Orientation, exit interview</li> <li>Training and workshop</li> <li>Complaint channels</li> <li>Operation meeting</li> <li>Risk assessment</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate compensation and welfare</li> <li>Occupational health and safety</li> <li>Career path development</li> </ul>	<ul style="list-style-type: none"> <li>Employee Relation Committee</li> <li>Occupational health, safety and Labour</li> <li>Career path development program</li> </ul>
<b>Supplier</b>	<ul style="list-style-type: none"> <li>Supplier audit</li> <li>Supplier quality management</li> <li>Risk assessment</li> </ul>	<ul style="list-style-type: none"> <li>Fair and transparent supplier selection</li> <li>Payment on time</li> <li>Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>Code of conduct</li> <li>Treatment of creditors</li> <li>Supply chain management</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>Activities conducted outside the company</li> <li>Feedback from Industrial Estate</li> <li>Recruitment</li> <li>Procurement</li> </ul>	<ul style="list-style-type: none"> <li>Operate with no impact to the environment</li> <li>Social contribution</li> <li>Employment opportunities for local people</li> <li>Support local business</li> </ul>	<ul style="list-style-type: none"> <li>Environmental management</li> <li>CSR to support community project</li> <li>Local persons hired when qualified</li> <li>Products and services purchased from local business when qualified</li> </ul>

# Corporate Social Responsibility

## Our priorities:

Following are our sustainable development efforts on areas that are of greatest interest and concerns to our stakeholders.

### Economic

- 1) Strong cash flow and continuous dividend payment
- 2) Good business governance
- 3) Ethic and anti-corruption

### Social

- 1) Occupational Health, Safety and Labour policies
- 2) Labour practice
- 3) Community and social interaction

### Environment

- 1) Environmental policy and management
- 2) Efficient use of resources
- 3) Minimise environmental impact

In 2015, the company and its subsidiaries operated our businesses by integrating with CSR principles of the Stock Exchange of Thailand as follows.

## 1. Corporate Governance

The board realizes and commits to conduct business with the good corporate governance in conformance with OECD Principles of Corporate Governance as a key international standard in making an organization operate with more efficiency, transparency, enhancing its credibility and strengthening sustainable growth. The board has established and approved the corporate governance policy and the corporate code of conducts as the guidelines for the directors, executives and employees in discharging their duties. Due to our continued development of good corporate governance, the company received an “excellent or five-star” CG rating as evaluated by Thailand Institute of Directors (IOD) in 2015.

The board continues the development of good corporate governance practices in order to create maximum benefit to shareholders and other stakeholders resulting in a sustainable positive corporate performance over the long term.

## 2. Fair Operating Practice

**Fair and open competition:** Hana conducts its business in compliance with fair competition laws and regulations, advising employees to realize the important of fair competition policy, avoiding and anti-monopoly trading, not asking for and not receiving or paying any benefits that are not honest with trading partners or government officials, and not seeking the confidential information of competitors by fraudulent, dishonest, inappropriate, immoral or illegal acts.

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

# Corporate Social Responsibility

**Customer relationship management:** Customer satisfaction surveys are conducted annually to improve the company's products, services and other business processes in order to meet the customers' needs and requirements, enabling the company to maintain and expand its customer base in the long term. The company also complies with the Electronic Industry Citizenship Coalition (EICC) which is the code of conduct for electronic industry best practices.

**Promote value supply chain:** The company is taking its efforts to build open business relationships and ensure fair and even-handed dealings with its suppliers, cooperative and support CSR activities in aiming at building a sustainable society in full partnership with its suppliers such as ensure to comply with established purchasing procedure. The company also encouraged its business partners for fair operating practices by requiring suppliers to sign acknowledgement and compliance with the code of conducts for suppliers. In 2015, 98% of existing and new suppliers submitted the signed letters back to the company.

## 3. Anti-Corruption

The company realizes the importance of the fight against corruption. Written anti-corruption and related policies have been established with the monitoring process to ensure that employees and concerned parties comply with the policies and anti-corruption programs. The company also provides whistle blowing channels, set up an anti-corruption committee with the senior management as chairman, does corruption risk assessment, employees' training as well as participating with partners to fight against corruption.

The board is a signatory company of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) in 2013, with the objective to support the Coalition against Corruption aiming to counter corruption in any form.

The company has lately been certified as a member of Thailand's Private Sector Collective Action Coalition Against Corruption in October 2015 which affirms that the company has supported the fighting corruption through the implementation of policies and effective mechanisms to prevent corruption at company and industry levels.

## 4. Respect of Human Rights

Hana respects the basic human rights of individuals. The company has policies to ensure that there shall be no human rights violations, all employees treated equally and operate in a workplace that is free from discrimination. The company has the career path development program for employees to enhance their knowledge and skills and open opportunities for future growth. Employees' remuneration shall be the same standard for men and women. Open communication and direct engagement between workers and management are the best ways to resolve workplace and compensation issues. The company respects the rights of workers to associate freely, join or not join labour unions, seek representation, join workers' councils in accordance with local laws. Workers shall be able to communicate openly with management without fear of reprisal, intimidation or harassment. Employee satisfaction surveys have been regularly conducted to provide management with the knowledge and tools to build positive employee relations and a positive work environment. Channels of complaint are also opened to all employees while protecting employees who report violations or wrongdoing in the company.

In 2015, the company had no major issues regarding labour and human rights from our key customers' in-depth audits, where those audits had focused on anti-discrimination, anti-harassment and abuse, prevention of involuntary labour and underage labour, working hours, compensation, freedom of association, and etc.

# Corporate Social Responsibility

## 5. Fair Labour Treatment

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

In addition, Hana supports projects of the government to protect the rights of disabled persons and provide them with employment opportunities. The company employs persons who are disabled and arranges the appropriate job matching to their capability. The company also improved the workplace environment to enable employees with disabilities easier access to the company's facilities. Furthermore, Hana also arranges a place for disabled persons to open shops in the factory compound at no cost, which gains the good support from employees. In 2015, Hana Semiconductor (Ayutthaya) Co., Ltd., a subsidiary of the company received a prize of "The Top Ten Best Employers in Thailand who supported the disabled persons" by the Office of the National Development and Disabilities, the Ministry of Social Development and Human Security for empowerment and support of the disability program for 3 consecutive years.



**Not using forced labour or child labour:** The company does not use trafficked, forced labour or child labour. The company shall comply with applicable laws whether laws prohibiting complaints to support slavery or trafficking, and shall not use or enter into the agreement for forced labour including slavery such as assigning employees to certain types of work which they either not willing to do or as punishment. Employees are free to resign from the employment by giving advanced notice and the company shall not keep their identification cards, passport or work permit with the company as part of employment obligation.

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

# Corporate Social Responsibility



The company provides pregnancy care support for pregnant employees by providing trainings regarding midwifery and newborn care, gift sets and pregnancy allowance per month. In 2015, the company provided the support to pregnant employees and scholarships for employees' children over Baht 1 million.

The company focuses on the work environment that is safe for both physical and mental health. The company has been certified for OHSAS 18000 and TIS 18001 which is an international and Thai's occupational health and safety management system since 2005 to date. The company is committed to developing environmental and safety, health of employees and those involved, as well as uphold social responsibility and labour, along with operating the business and making continuous improvement as follows.

1. Conserve natural resources and energy effectively to prevent pollution and minimize generation of all wastes.
2. Provide the safe and proper workplace and equipment in order to prevent any accident and incidence from occurrence.
3. Strictly comply with labour and other applicable legal and regulations and provide full support to customers' requirements with regard to occupational health, safety, environment, including social and labour accountability (e.g., Electronic Industry Citizenship Coalition (EICC) Code of Conduct.)



The main content of this policy has been communicated to employees at all levels through the company's noticeboard, the intranet website, and post on employee's ID card as the guidelines for employees to perform their work with the same objectives. In addition, the company's policy has been released to the public by posting in front of the factory and communicating to business partners outside the company.

In 2015, the company received an outstanding award of the safety, occupational health and environment in the workplace given at the National Safety Week.

The company and its subsidiary, Hana Semiconductor (Ayutthaya) Co., Ltd., received the certificates for the Workplace Safety Program honored by Her Royal Highness Princess Maha Chakri Sirindhorn, given by the Ministry of Labour.

With the commitment of safety workplace, Hana Semiconductor (Ayutthaya) Co., Ltd. received the silver award of Zero Accident Campaign in 2015, organized by the Department of Labour Protection and Welfare, Ministry of Labour.



# Corporate Social Responsibility

**Recreational activities for employees:** The company realizes the importance of employees by arranging various recreational activities as part of the company's strategy to develop and build relationships between management and employees, as well as creating a "family" culture within the organization which allows employees to enjoy their work. In 2015, the company and its subsidiaries provided a variety of recreational activities for employees such as sport day, Marathon walking, Yi Peng, New Year, and Songkran parties, Mother's Day and etc.



The company also held a "Teacher's Day" to honor employees who dedicated their time and effort by being a volunteer teacher or lecturer to train staff. In 2015, there were totally 52 internal instructors joining knowledge sharing program.



# Corporate Social Responsibility

The company also arranged, meet the management meetings with staff, with a quarterly meeting with senior staff level and twice a year with all employees. This is a good opportunity for management to meet and discuss with employees so that we can have 2-way communication so enable management to bring such feedback for improvement plan and minimize the gap between management and staff as well.



## 6. Customer Responsiveness

The products and services that we make are safe and not harmful to consumers. The company is accredited with following international standards.

- ISO 9001 quality management system where the company can demonstrate procedures to consistently provide products that meets customer, applicable statutory and regulatory requirements.
- ISO/TS 16949 quality system for automotive production which focuses on the technical production of high quality automotive parts.
- ISO 13485 quality system used in the medical device industry which is a quality system that mostly focuses on the safety of products.

In addition, the company promotes fair trading and has the policy to assess customer satisfaction both before and after sale to improve customer satisfaction and continuous improvement.

It is the policy of the company to encourage all employees to participate in improving their own work processes i.e., reduce defect in production line, reduce cycle time, reduce error and customer complains through multiple initiative projects such as Quality Control Circles (QCC), improvement project, special projects assigned by the chairman for employees level supervisors or engineers and technicians, employees' suggestion, and small group activities for daily paid employees who are account for 90% of employees. The company received good support from both internal and external organizations. The employees participated in group activities for the Thailand Quality Prize organized by Technology Promotion Association (Thailand-Japan). Hana Microelectronics Public Co., Ltd. received various awards from 2009 to 2015. In 2015, the company received 3 golden awards of Manufacturing and Junior QCC Prizes so this is another quality management tool that allows Hana to develop its organization steadily.

# Corporate Social Responsibility



## 7. Environmental Care

**Environmental management:** As Hana has its manufacturing sites located in industrial estates; there are a number of control and management systems and standards to prevent pollution and impact to the environment and community. The company also has been certified for the environmental management system ISO 14001 since 1999. The company operates its business in compliance with the requirements of industrial and environmental legislation and applicable laws. There is the environmental committee responsible for overseeing the environmental management and the effective implementation.

**Use of resource efficiency:** In 2015, the company implemented the programs to efficiently utilise resources, reduce and prevent pollution to the environment and the community as follows:

**Electricity:** The company invested in various projects to reduce energy consumption such as, replacing fluorescent tubes of 36 watt each with LED 20 watt tubes, covering both in Lamphun and Ayutthaya factories. Other projects included the installation of equipment to reduce energy consumption in the heating system, installation of equipment and efficiencies in the air conditioning water cooling system, and installation of sensor lights in lobby and bathrooms. Further, the company also improved energy efficiency in air conditioning systems and compressed air systems and the control electrical energy during the holidays and at shift change.

**Water quality:** The company has continued to reduce the use of water. The waste water from the production process shall be treated and filtered to recycle enabling the increase the recycling water by 40%.

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

# Corporate Social Responsibility

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

**Illumination measurement:** Insufficient or excessive illumination could cause the employees' fatigue. The company has provided the assessment and measurement of the intensity of the light on a periodic basis to determine whether improvement measures are needed to protect employees.

**Heat stress measurement:** The company annually measure to identify whether those employees who may be at risk from heat stress are suffering from any heat related illnesses. The heat stress measurement has been in line with the standard requirement.

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

**Chemicals and hazardous substances:** In addition to ISO 14001 certification, our manufacturing plant in China has been certified for IECQ QC080000:2005 Hazardous Substance Process Management "HSPM" since 2008. IECQ accreditation creates a competitive advantage in compliance with laws and operations with the highest industry standards as we have the processes in place to properly manage our products to be free from hazardous substances.

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

Our Lamphun and Ayutthaya factories have been certified as "Green Industry Level 3" or "Green System" using the Environmental Management System which includes monitoring, evaluation and improvement. This project is a part of energy conservation program of the Ministry of Industry which Hana participates in order to operate its business in an environmentally friendly manner. To become the Green Industry Level 3, the following are the outcomes that the company would benefit from:

- Reduce impact on the environment and the community; as a result, reduce complaints and reduce the risk of future obligations.
- Create positive image and attitude towards the industry for a more environmentally friendly; resulting in a better understanding and acceptance between the industry and the surrounding community.
- Create more job employment related to environment fields, increase worker safety and satisfactory in the workplace.
- Reduce the use of resources and energy; resulting in cost savings and enhance competitive advantage.

**Complaint procedures:** The company assigned environmental supervisors and operators, to receive training and registration as required by law, to communicate information with the community and residents living around. The company also has the procedure for complaints and resolving complaints arising from the operations of the company. In 2015, the company has no major environmental complaints from the employees or the community.

# Corporate Social Responsibility

In summary, Hana Microelectronics Public Co., Ltd. consumed energy in 2015 compared to prior years as follows.

Key energy measurement	2015	2014	2013	Reference
Electricity Consumption/Revenue (kWh/MB)	5,152.48*	4,071.10	5,386.81	Total electricity consumption divided by million Baht of revenue
CO2 Emission/Revenue (Kg CO2e/MB)	2,689.59*	2,157.68	2,875.18	Total CO2 emissions divided by million Baht of revenue
Recycled Water Consumption (% of total water consumption)	40%	41%	41%	
Environmental Issues	None	None	None	

\* In 2015, a company's new factory (Lamphun branch 2) started to operate along with the decline of the company's sale revenues in 2015 which is resulting in higher power consumption. However, the trend of power consumption of the existing factory has reduced with following details.

Factory	2015	2014	2013
<b>Electricity Consumption:</b>			
Factory Lamphun 1	38,355,200	40,613,280	42,124,817
Factory Lamphun 2	9,367,200	-	-
<b>Total electricity consumption (kWh)</b>	<b>47,722,400</b>	<b>40,613,280</b>	<b>42,124,817</b>
<b>CO2 Emission:</b>			
Factory Lamphun 1	20,021,414	21,200,132	21,989,155
Factory Lamphun 2	4,889,678	-	-
<b>Total CO2 emission (Kg)</b>	<b>24,911,093</b>	<b>21,200,132</b>	<b>21,989,155</b>

## 8. Social and Community Development

The company participates with the community to support social stability and to be a good corporate citizen through following projects:

**Support the youth and people within the communities** – The company arranged various projects to improve the quality of life and strengthen the good relationship between the company and the communities as below.

- The company held a Children's Day event annually to enhance the children's learning skills and gain new experiences including encourage assertiveness in children. With the creative activities along with plenty of prizes, there were 1,500 children and parents enjoying the National Children's Day event held by the company in 2015.
- To help society with activities for youths, the company annually arranged a football clinic to teach students nearby.
- The company provided scholarships and books to support education of poor students through the schools and universities in the communities.
- To enhance safety and environmental awareness for the youth, the company provided helmets to children and emphasized safety discipline when riding motorcycles.
- To support the volunteer projects of the Industrial Estate, the company's staff helped build the dams to local residents to keep water during dry season.

# Corporate Social Responsibility



**Promote education for engineers and technicians:** Engineers and technicians are particularly required by the electronic industry as well as other industries. As part of our human resources development plan to ensure capable and sufficient manpower planning of those high-need fields, Hana Semiconductor (Ayutthaya) Co., Ltd. in cooperation with the universities from various parts of the country provided scholarships and career opportunities to students who are studying in engineering and technician degree programs for 26 students amounting to Baht 2.6 million.



# Corporate Social Responsibility



**Social contribution activities:** To encourage employees to care for society and help others, our employees have been joined society benefiting activities initiated by the company as follows.

- **Blood donation:** Employees of Hana Lamphun, Ayutthaya and China joined with the Red Cross for blood donation. In 2015, employees donated blood more than 800,000 milliliters.

On 29 September 2015, Her Royal Highness Princess Soamsavali awarded a Certificate of Honor and Medal of Appreciation to Hana Semiconductor (Ayutthaya) Co., Ltd. as a full-time blood donor class 3, 2 and 1 respectively, who has donated blood 36, 50 and 75 times to the Red Cross.



# Corporate Social Responsibility

- **Helping those in need:** Due to the problems of students travelling to school away from their hometown on small island to attend the classes at Ban Ta Lad school, Nongbualamphu province, by old and damaged boats, Mr. Bancha Tamprakorn, the chairman of the board of directors on behalf of the company, along with staff donated funds and English books which was given by BFT (Books for Thailand Foundation) to the school to minimize their suffering and other education purposes.



## 9. Innovation and its Dissemination

The company has invested in a Manufacturing Execution System to modify the traditional manufacturing process and automate production processes which can increase the competitiveness advantage of the company by improving product quality, increasing operating efficiency, responding to higher customer requirements, managing labour issues in regards to both labour costs and labour shortages, as well as reducing waste and environmental impact.

**Geared towards manufacturing excellence through Kaizen:** From joining the competition with Thailand Kaizen Award in 2015 which was organized by the Technology Promotion Association Thailand – Japan, in the first year, the company won 3 awards from the contest with the 1st prize of diamond award and 2nd prize of gold award from Automation Kaizen, and the 3rd prize of the silver award from Karukuri Kaizen. The factory automation project applying Kaizen has been successfully implemented from developing the thinking process, brainstorming to increase the capacity and efficiency of the production process, and bringing into the practice of employees. With the development of innovative applications using Kaizen successfully, this could raise the company operations to a higher standard and strengthen the company's competitiveness.



# 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 Audit Committee held 4 meetings during 2015. The meeting attendance of each committee is as follows.

Committee	Meeting Attendance
1. Mr. Bancha Tarnprakorn, Chairman	4 of 4 times
2. Mrs. Salakchitt Preedaporn	4 of 4 times
3. Mr. Yingsak Jenratha	4 of 4 times

In 2015, the Audit Committee has performed its duties and responsibilities assigned by the Board of Directors and the Charter of the Audit Committee as follows.

- Review the financial statements of the company and its subsidiaries to ensure the compliance with generally accepted accounting principles, and the disclosure of the notes to the financial statements in accordance with the financial reporting standards. The Audit Committee agreed with the auditors that the financial performance and cash flows of the company and its subsidiaries for financial year ending 31 December 2015 presented substantial fairly and disclose with generally accepted accounting principles and financial reporting standards. Such disclosure has also made adequately and timely manner.
- Review the adequacy and efficiency of the internal control system by evaluating the internal controls, approving the annual audit plan, reviewing the audit reporting, as well as considering the risk assessment and risk control measures. From the review, the Audit Committee found no deficiency and concluded that the company has adequate internal control and risk management systems which are appropriate to the business.
- Review the connected transactions to ensure no possible conflict of interests and in compliance with the Securities and Exchange Acts. The company also has the policy that a director and an executive shall report his interest or a related person's interest which may cause conflicts of interest and the policy to require the board to approve the major transactions. In 2015, the company's business transactions with related parties arose in the ordinary course of business under the commercial terms and bases agreed upon between the company and those related parties. There was no connected transactions give rise to potential conflict of interests.
- Review to ensure compliance with rules and regulations of the Securities and Exchange Commission and applicable regulatory requirements and the board policies. The Audit Committee concludes that the company has complied with the applicable laws, regulations and established policies.
- Recommend the appointment of the external auditors and their remuneration by giving due consideration to their experience, knowledge, ability, reliability, staff and workload, as well as the independence of auditors in performing such duties. Such auditors must be approved by the Securities and Exchange Commission (SEC). The Audit Committee has proposed to the board to seek further approval from the shareholders' meeting. For financial year ending 31 December 2016, the Audit Committee recommended to appoint Mrs. Saifon Inkaew and/or Ms. Siriwan Suratepin and/or Mrs. Sarinda Hirunprasurtwutti of EY Office Limited as the auditors of Hana Microelectronics Public Co., Ltd. for a total remuneration of Baht 2,270,000.

The Audit Committee concludes its satisfaction with the accuracy, completeness and creditability of 2015 financial statements' preparation and reporting, the adequacy of internal control systems and risk management, the compliance with applicable laws and regulations including reasonable related party transactions. As a result, the Audit Committee concluded no significant deficiency or irregularity.



Mr. Bancha Tarnprakorn  
Chairman of Audit Committee

# Nomination Committee Report

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

In 2015, the Committee held 3 meetings and the meeting attendance of each committee is as follows.

Committee	Meeting Attendance
1. Mr. Yingsak Jenratha, Chairman	3 of 3 times
2. Mrs. Salakchitt Preedaporn	3 of 3 times
3. Mr. Richard David Han	3 of 3 times

The Committee reviewed the candidates who have the qualifications to match with the company's requirement. In respect of the candidate nominations for new director appointments in 2016, the company invited to the shareholders to propose candidates for election to the Board of Directors. The policies and procedures to allow shareholders to propose candidates for the election of the Board are posted on the company's website. However, there were no proposed candidates to the Committee from the shareholders in previous year. Therefore, the Nomination Committee reviewed those directors whose term expired by rotation in accordance with the company's Articles of Association. The Committee has considered that those directors can continue to make further contribution to the Board and the company.

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



Mr. Yingsak Jenratha

Chairman of Nomination Committee



# Corporate Governance Committee Report

The Corporate Governance Committee consists of three directors, of which two are the independent directors. The Corporate Governance Committee has performed its responsibilities in compliance with the Corporate Governance Committee Charter approved by the Board of Directors.

In 2015, the Committee held 1 meeting and the meeting attendance of each committee is as follows.

Committee	Meeting Attendance
1. Mr. Terrence Philip Weir, Chairman	1 of 1 time
2. Mrs. Salakchitt Preedaporn	1 of 1 time
3. Mr. Yingsak Jenratha	1 of 1 time

The Committee reviewed the corporate governance policy and its related policies to ensure the policy updated and in line with the international standards, laws, criteria, rules and regulations as well as reviewed the compliance and proposed recommendations including conducted corporate governance self-assessment with related checklists of Thai Institute of Directors Association (IOD), the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and the Thai Investors Association.

From our continuous implementation and improvement of good corporate governance, the company was assessed with “excellent” recognition level (5 stars) on corporate governance of Thai listed companies and rewarded for “the Outstanding Company Performance Award” for the listed company of SET market capitalization of THB 30 billion – THB 100 billion from SET Awards in 2015. The company was also assessed with “very good” level on quality on arrangement of Annual General Meeting of Shareholders in 2015 with score of 100 percent.

The Committee believes that the implementation of good corporate governance with continuous development shape the growth and the future of the company and long term sustainability to our stakeholders.



Mr. Terrence Philip Weir

Chairman of Corporate Governance Committee



# Management Discussion and Analysis

## Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue decreased 3% year on year, to THB 20.5 billion in year 2015 from THB 21.2 billion in year 2014. Sales Revenue in USD terms decreased by 8% to USD 599 million in 2015 from USD 653 million in 2014. Operating profits increased 3% to THB 2,131 million in 2015 from THB 2,064 million in 2014. Operating profits decreased 2% in USD terms to USD 62 million in 2015 from USD 63 million in 2014.

Net Profit decreased by 39% to THB 2,066 million in 2015 from THB 3,405 million in 2014. The subsidiary Hana Semiconductor (Ayutthaya), continued to recover from the impact of the flood in 2011 and has been operationally profitable from mid 2013. Net Exceptional items in 2014 of THB 1,350 million is from the final payments of insurance proceeds for business interruption.

## Past Performance Analysis

### Revenue Analysis

Group Sales were lower by 3% in 2015 at THB 20,521 million from THB 21,227 million in 2014 with markets being weaker in the first half of 2015 in particular and generally weaker for the PCBA division (which had strong growth in 2014). USD sales were 8% lower in 2015 at USD 599 million from USD 653 million in 2014 as the average THB/USD exchange rate weakened 5% to THB/USD 34.25 in 2015 from THB/USD 32.48 in 2014.

The Microelectronics divisions' sales revenue decreased 16% [-11% THB] in 2015 over 2014. The microelectronics operation in Lamphun sales decreased 17% [-13% in THB terms] and JX decreased by 13% [-8% in THB terms] in 2015. In 2015 IC assembly sales overall increased by 5% in USD terms [+11% in THB terms]. Specifically, IC AYT sales increased 7% [+13% in THB terms], and IC JX USD sales were similar [+4% in THB terms].

Hana Microdisplay Technologies "HMT", sales increased 51% [+59% THB] for the year.

### The annual sales split was:

	2015	2014	2013
PCBA (Thailand)	42%	47%	44%
PCBA (China)	19%	20%	22%
CPG - (Bangkok)	0%	0%	0%
IC (AYT)	31%	26%	27%
IC (China)	6%	6%	6%
HMT (USA)	2%	1%	1%
	100%	100%	100%

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

Gross Profit increased by THB 184 million with the gross margin being 15% in 2015 up 2% from 13% in 2014. This was due to the increase in sales at the IC Division in Ayutthaya and weaker THB/USD. The higher operating leverage enabled Ayutthaya to be profitable from June 2013 and a more favourable product mix in Lamphun also contributed to higher margins.

# Management Discussion and Analysis

## Operating Profit Analysis

The Operating profit margin was similar at 10% in 2015 and 2014. SGA expenses increased by 10% [THB 106 million] due to the opening of new plants in Lamphun (Sahaphat Industrial Park) and Cambodia (Koh Kong).

Net Exceptional items in 2014 of THB 1,350 million was from the final payment of insurance proceeds for business interruption damage.

## Payout Analysis

For the year 2015 the company has paid interim dividends of THB 805 million (THB 1.00/share) in Q4/15.

For the year 2014 the company has paid full dividends of THB 1,610 million (THB 2.00/share). An interim dividend of THB 805 million in Q4/14 and the final dividend of THB 805 million in Q2/15.

For the year 2013 the company has paid full dividends of THB 1,207.50 million (THB 1.50/share). An interim dividend of THB 402.50 million in Q4/13 and the final THB 805 million in Q2/14.

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

## Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31<sup>st</sup> December 2015 were THB 9.1 billion up from 31<sup>st</sup> December 2014 were THB 8.3 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.

(Thousand Baht)

Trade Receivables	2015	2014	2013
Less than 3 months	3,110,049	3,196,839	3,132,604
3 - 6 months	61,075	24,772	13,813
6 - 12 months	2,511	7,732	1,222
More than 12 months	1,306	2,024	3,150
Total accounts receivable - other companies	3,174,941	3,231,367	3,150,789
Less : Allowance for doubtful accounts	(24,245)	(24,410)	(4,269)
	3,150,696	3,206,957	3,146,520

## Inventory

In general, Hana's production is based on clients' order, consequently, the majority of inventory are raw materials, expendable tools and work in process with little finished goods pending for customer delivery.

The group companies normally write-off out-of-date inventory, and make provision for aged inventory and depletion in the value of fixed assets, if material, each quarter.

Inventory days were 69 days in 2015, 61 days in 2014 and 69 days in 2013.

# Management Discussion and Analysis

## Liquidity

The group has THB 9.1 billion in cash and short term investments with no interest bearing debt. Liquidity ratios are high at over 3 times current liabilities. Operating Cashflow (EBITDA) was 3% higher in 2015 due to the higher operating profit at Ayutthaya plant in 2015 and a 5% weaker Thai Baht.

EBITDA at THB 3.3 billion in 2015 and 3.2 billion in 2014 and THB 2.5 billion in 2013.

Cash and short term investments in 2015 increased by THB 0.8 billion to THB 9.1 billion, due to EBITDA 3.3 billion less final dividend THB 0.8 billion 2014 paid in Q215, interim dividend Q415 THB 0.8 billion , capital expenditure THB 1.6 billion, decrease in working capital of THB 0.4 billion, and decrease in fixed deposit THB 0.3 billion.

Cash and short term investments in 2014 increased by THB 1.7 billion to THB 8.3 billion, due to EBITDA 3.2 billion less final dividend THB 0.8 billion, interim dividend Q414 THB 0.8 billion, capital expenditure THB 0.9 billion, insurance proceeds of THB 1.3 billion, and increase in fixed deposit THB 0.3 billion.

Cash and short term investments in 2013 increased by THB 1.2 billion to THB 6.7 billion, due to EBITDA 2.6 billion less final dividend THB 0.8 billion, interim dividend Q413 THB 0.4 billion , capital expenditure THB 1.2 billion, increase in working capital of THB 0.2 billion and insurance proceeds of THB 1.2 billion.

## Capital Expenditure

Net Capital Expenditure was THB 1,583 million in 2015, THB 854 million in 2014 and THB 1,221 million in 2013. Capital Expenditure was higher in 2015 due to the higher capital expenditure from Ayutthaya plant compared to recent years after the impact of the flood in 2011 and completion of the building construction in Cambodia.

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 groups 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 groups 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 200 million 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 140 million 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.

# Management's Discussion and Analysis

## Foreign Exchange Rates

The THB/USD currency movements reflected the economic trends in emerging markets and commodities during period. The average rate for 2015 of THB/USD 34.25 was 5% weaker than the THB/USD 32.48 in 2014 which was 5% weaker than the THB/USD 30.8 in 2013.

## 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 40 million 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.

Further repairs of THB 146 million accounted for in 2012 for repairs and materials damage. In 2012, THB 300 million was received as an interim payment for the Property Insurance claim and THB 400 million was received as an interim payment for the business interruption insurance claim.

THB 742 million recorded in 2013 as exceptional income to complete the THB 1,042 million settlement of the building and machinery property insurance claim in regards to the 2011 flood.

THB 110 million for income tax and fine related to the 1997 income tax case as detailed in Note 18.5 of the Financial Statements for Q313.

In Q413 THB 199 million was received as first and final payment for stock damage property claim settlement.

In 2014 THB 1,350 million was received as final payment for business interruption claim to complete the THB 1,750 million settlement of the Business Interruption Insurance Claim.

There were no Exceptional Items in 2015.

## Subsequent Event

None

# Risk Factors

With due recognition by the board of Directors of Hana Microelectronics Public Company Limited of the various risk factors posing as possible threats to the company's business operations, the board therefore assigned the Risk Management Committee to be responsible for the supervision of the organization's risk management practices in a systematic manner.

The Risk Management Committee has formulated risk management policies as follows:

1. To enable the company to manage any probable risk in an efficient manner, with such management procedures implemented in a sound and systematic manner.
2. To promote preventive risk management procedures to be carried out in a swift, transparent, accurate, and complete manner on a systematic and consistent basis.
3. To encourage and develop all employees and management members at all levels to have thorough understanding and recognition of the significance of risk management procedures, while promoting participation in said risk management system throughout the organization.
4. To facilitate risk management procedures to be implemented in an appropriate manner well conforming to the company's mission and policy.

For such purpose, the Risk Management Committee has engaged in the evaluation and analysis of those risks possibly affecting the organization, covering both internal and external risk factors, setting priorities for the risk management plan, as well as engaging in regular follow-up on the implementation of such plans and informing the board of such plan and potential material risk management issues.

Those risk factors likely to have impacts on the company's operations could be summarized as follows:

## 1. Risk Factors which effect to the Company Group's Business

### a) Business Risk

The largest risk management perceived is 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 affect 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.

To minimize the impact of customer risk the company has a broad spread of customers selling into a spread of end user markets, with the largest major customer contributing not more than 20% of the group's sales revenue.

### b) Production Risk

The production risks are –

- Changes in manufacturing technology making existing equipment obsolete.  
The company minimizes this risk through regular purchases of the latest capital equipment to upgrade the companies' manufacturing capabilities.
- 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.

# Risk Factors

The company mitigates this risk through having multiple production sites in multiple countries. The company further reduces facility risks at each factory with numerous measures to minimize the risk of a facility being damaged by such events. The management regularly reviews and audits the measures taken to minimize fire and flood risk. Furthermore, the company has insurance for property damage and business interruption to further mitigate the risk from facility damage. At the group's major facilities in Thailand the company has additional flood protection to reduce the risk of damage from flood.

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

Each division has an experienced HR staff and has programs to review remuneration levels each year in comparison with the company's competitors. The company also has training programs and staff development programs to increase the employee skill levels.

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

To minimize supply chain interruption, each division as experienced purchasing staff who approved by the customers for each product produced, maintain multiple sources for each raw material.

## 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.

The company minimizes management risk through not having key man issues and sufficient management depth to be able to continue to operate the company in the event of management turnover. The company also has a policy for that all senior management do not travel on the same aircraft where possible.

## 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 200 million per quarter for every 10% change in the average Baht/USD and CNY/ USD rates (i.e.  $(1 - 0.60) \times \text{Sales Revenue} \times 10\%$ ).

To reduce the risk of volatile exchange rate, out of the groups foreign exchange exposure, USD 140 million 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.

## 2. Risk Factor which effect to shareholders' investment

The company doesn't have any significant risks for shareholders' investment. There are no conflicts of interests amongst major shareholders and no other conditions that may affect shareholders outside of normal business as the company. All shareholders have equal rights and the company maintains good financial standing.

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

The Board of Directors is responsible for the preparation of financial statements in accordance with generally accepted accounting principles and the adoption of appropriate accounting policies on a consistent basis including using judgment carefully and reasonably in preparation of financial statement. The important information is adequately disclosed in the notes to financial statement. The necessary clarification and analysis regarding the financial positions and performances of the company and its subsidiaries have been provided for the interests of shareholders and investors.

The maintenance of the internal control system and risk management system are the responsibilities 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 2015 are materially accurate, complete, and reliable.



A handwritten signature in black ink, appearing to read 'Bancha Tamprakorn'.

Mr. Bancha Tamprakorn  
Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read 'Richard David Han'.

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

# Independent Auditor's Report

## To the Shareholders of Hana Microelectronics Public Company Limited

I have audited the accompanying consolidated financial statements of Hana Microelectronics Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, 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

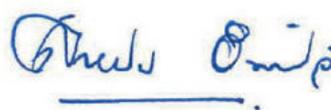
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 2015, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



**Saifon Inkaew**

Certified Public Accountant (Thailand) No. 4434

EY Office Limited

Bangkok: 24 February 2016

# Statement of financial position

Hana Microelectronics Public Company Limited and its subsidiaries

As at 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	6,104,135,405	5,467,222,517	956,167,450	743,165,162
Short-term investments	8,12	3,016,908,149	2,863,279,506	-	-
Trade and other receivables	7, 9	3,317,966,105	3,354,080,283	1,409,354,219	1,441,054,210
Inventories	10	3,366,602,299	3,328,913,995	1,212,158,700	1,286,124,916
Other current assets		202,023,086	118,864,366	30,789,637	36,556,420
<b>Total current assets</b>		<b>16,007,635,044</b>	<b>15,132,360,667</b>	<b>3,608,470,006</b>	<b>3,506,900,708</b>
<b>Non-current assets</b>					
Investments in subsidiary companies	11	-	-	3,583,449,338	3,583,449,338
Investment in fixed deposit with financial institution	12	-	330,689,904	-	-
Property, plant and equipment	13	6,901,339,310	6,405,503,644	2,623,253,348	2,645,684,457
Deposit for land purchase		22,500,000	-	22,500,000	-
Land leasehold rights	14	150,830,535	140,641,024	-	-
Other intangible assets	15	22,354,325	19,685,072	12,016,840	12,661,895
Deferred tax assets	21	12,462,619	16,145,022	3,650,753	8,147,483
Other non-current assets		5,718,152	6,306,674	1,425,750	1,425,750
<b>Total non-current assets</b>		<b>7,115,204,941</b>	<b>6,918,971,340</b>	<b>6,246,296,029</b>	<b>6,251,368,923</b>
<b>Total assets</b>		<b>23,122,839,985</b>	<b>22,051,332,007</b>	<b>9,854,766,035</b>	<b>9,758,269,631</b>

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

# Statement of financial position (continued)

Hana Microelectronics Public Company Limited and its subsidiaries

As at 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade and other payables	7, 16	2,412,957,948	2,477,893,174	1,280,207,010	1,541,969,284
Short-term provisions	17	347,248,129	360,133,931	-	64,109,834
Income tax payable		19,269,407	171,711,756	7,283,584	9,947,271
Other current liabilities		385,349,718	162,119,741	57,312,271	58,288,766
<b>Total current liabilities</b>		<b>3,164,825,202</b>	<b>3,171,858,602</b>	<b>1,344,802,865</b>	<b>1,674,315,155</b>
<b>Non-current liabilities</b>					
Provision for long-term employee benefits	18	534,439,917	515,861,826	279,200,130	259,352,014
<b>Total non-current liabilities</b>		<b>534,439,917</b>	<b>515,861,826</b>	<b>279,200,130</b>	<b>259,352,014</b>
<b>Total liabilities</b>		<b>3,699,265,119</b>	<b>3,687,720,428</b>	<b>1,624,002,995</b>	<b>1,933,667,169</b>
<b>Shareholders' equity</b>					
<b>Share capital</b>					
Registered					
974,403,900 ordinary shares of Baht 1 each		974,403,900	974,403,900	974,403,900	974,403,900
Issued and fully paid-up					
804,878,860 ordinary shares of Baht 1 each		804,878,860	804,878,860	804,878,860	804,878,860
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	19	416,331,205	386,272,214	100,000,000	100,000,000
Unappropriated		15,491,801,719	15,028,832,891	5,602,665,198	5,196,504,620
Other components of shareholders' equity		987,344,100	420,408,632	-	-
<b>Total shareholders' equity</b>		<b>19,423,574,866</b>	<b>18,363,611,579</b>	<b>8,230,763,040</b>	<b>7,824,602,462</b>
<b>Total liabilities and shareholders' equity</b>		<b>23,122,839,985</b>	<b>22,051,332,007</b>	<b>9,854,766,035</b>	<b>9,758,269,631</b>

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

# Income statement

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
<b>Revenues</b>					
Sales		20,521,353,064	21,227,208,701	8,723,468,636	9,974,637,705
Interest income		222,430,622	214,997,969	12,488,826	12,569,353
Dividend income	11, 27	48,375	42,750	840,048,375	1,030,042,750
Gain on exchange		-	107,382,085	77,589,381	70,054,060
Insurance compensation income	22	-	1,350,000,000	-	-
Other income	28.5	245,073,020	271,599,341	52,181,105	60,647,177
<b>Total revenues</b>		<b>20,988,905,081</b>	<b>23,171,230,846</b>	<b>9,705,776,323</b>	<b>11,147,951,045</b>
<b>Expenses</b>					
Cost of sales	20	17,490,907,752	18,381,223,068	7,335,802,337	8,551,073,920
Selling expenses		165,316,790	124,381,914	32,708,366	26,607,159
Administrative expenses		949,295,134	885,092,385	311,033,874	248,339,825
Loss on exchange		261,770,188	-	-	-
<b>Total expenses</b>		<b>18,867,289,864</b>	<b>19,390,697,367</b>	<b>7,679,544,577</b>	<b>8,826,020,904</b>
<b>Profit before finance cost and income tax expenses</b>		<b>2,121,615,217</b>	<b>3,780,533,479</b>	<b>2,026,231,746</b>	<b>2,321,930,141</b>
Finance cost		(7,997,309)	(8,269,759)	(2,007,108)	(2,186,821)
<b>Profit before income tax expenses</b>		<b>2,113,617,908</b>	<b>3,772,263,720</b>	<b>2,024,224,638</b>	<b>2,319,743,320</b>
Income tax expenses	21	(47,247,788)	(366,768,034)	(16,666,508)	(25,080,817)
<b>Profit for the year</b>		<b>2,066,370,120</b>	<b>3,405,495,686</b>	<b>2,007,558,130</b>	<b>2,294,662,503</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		2,066,370,120	3,405,495,686	2,007,558,130	2,294,662,503
<b>Earnings per share</b>					
Basic earnings per share	23				
Profit attributable to equity holders of the Company		2.57	4.23	2.49	2.85
Number of weighted average ordinary shares (shares)		804,878,860	804,878,860	804,878,860	804,878,860

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

# Statement of comprehensive income

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
Profit for the year		2,066,370,120	3,405,495,686	2,007,558,130	2,294,662,503
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Gain (loss) on change in value of available-for-sale investments	8.2	(229,241,716)	40,652,171	-	-
Exchange differences on translation of financial statements in foreign currency, net of income tax	21	796,177,184	(9,202,284)	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of income tax		566,935,468	31,449,887	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial (gain) loss, net of income tax	18, 21	36,415,419	(57,653,830)	8,360,168	(30,559,546)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of income tax		36,415,419	(57,653,830)	8,360,168	(30,559,546)
<b>Other comprehensive income for the year</b>		<b>603,350,887</b>	<b>(26,203,943)</b>	<b>8,360,168</b>	<b>(30,559,546)</b>
<b>Total comprehensive income for the year</b>		<b>2,669,721,007</b>	<b>3,379,291,743</b>	<b>2,015,918,298</b>	<b>2,264,102,957</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		2,669,721,007	3,379,291,743	2,015,918,298	2,264,102,957

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

# Statement of changes in shareholders' equity

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

Note	Consolidated financial statements							Total shareholders' equity	
	Issued and paid up share capital	Share premium	Retained earnings		Other components of shareholders' equity				
			Appropriated - Statutory reserve	Unappropriated	Other comprehensive income		Total other components of shareholders' equity		
					Surplus (deficit) on changes in value of available-for-sale investments	Exchange differences on translation of financial statements in foreign currency			Total shareholders' equity
<b>Balance as at 31 December 2013</b>	804,878,860	1,723,218,982	375,919,402	13,301,101,567	118,217,425	270,741,320	388,958,745	16,594,077,556	
Profit for the year	-	-	-	3,405,495,686	-	-	-	-	3,405,495,686
Other comprehensive income for the year	-	-	-	(57,653,830)	40,652,171	(9,202,284)	31,449,887	(26,203,943)	
Total comprehensive income for the year	-	-	-	3,347,841,856	40,652,171	(9,202,284)	31,449,887	3,379,291,743	
Dividend paid	-	-	-	(1,609,757,720)	-	-	-	(1,609,757,720)	
Unappropriated retained earnings transferred to statutory reserve	-	-	10,352,812	(10,352,812)	-	-	-	-	
<b>Balance as at 31 December 2014</b>	804,878,860	1,723,218,982	386,272,214	15,028,832,891	158,869,596	261,539,036	420,408,632	18,363,611,579	
<b>Balance as at 31 December 2014</b>	804,878,860	1,723,218,982	386,272,214	15,028,832,891	158,869,596	261,539,036	420,408,632	18,363,611,579	
Profit for the year	-	-	-	2,066,370,120	-	-	-	2,066,370,120	
Other comprehensive income for the year	-	-	-	36,415,419	(229,241,716)	796,177,184	566,935,468	603,350,887	
Total comprehensive income for the year	-	-	-	2,102,785,539	(229,241,716)	796,177,184	566,935,468	2,669,721,007	
Dividend paid	-	-	-	(1,609,757,720)	-	-	-	(1,609,757,720)	
Unappropriated retained earnings transferred to statutory reserve	-	-	30,058,991	(30,058,991)	-	-	-	-	
<b>Balance as at 31 December 2015</b>	804,878,860	1,723,218,982	416,331,205	15,491,801,719	(70,372,120)	1,057,716,220	987,344,100	19,423,574,866	

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

# Statement of changes in shareholders' equity (continued)

Hana Microelectronics Public Company Limited and its subsidiaries  
For the year ended 31 December 2015

(Unit: Baht)

Issued and Note	Separate financial statements					Total shareholders' equity
	Issued and paid up share capital	Share premium	Retained earnings		Unappropriated	
			Appropriated Statutory reserve	Unappropriated		
<b>Balance as at 31 December 2013</b>	804,878,860	1,723,218,982	100,000,000	4,542,159,383		7,170,257,225
Profit for the year	-	-	-	2,294,662,503		2,294,662,503
Other comprehensive income for the year	-	-	-	(30,559,546)		(30,559,546)
Total comprehensive income for the year	-	-	-	2,264,102,957		2,264,102,957
Dividend paid	-	-	-	(1,609,757,720)		(1,609,757,720)
<b>Balance as at 31 December 2014</b>	804,878,860	1,723,218,982	100,000,000	5,196,504,620		7,824,602,462
<b>Balance as at 31 December 2014</b>	804,878,860	1,723,218,982	100,000,000	5,196,504,620		7,824,602,462
Profit for the year	-	-	-	2,007,558,130		2,007,558,130
Other comprehensive income for the year	-	-	-	8,360,168		8,360,168
Total comprehensive income for the year	-	-	-	2,015,918,298		2,015,918,298
Dividend paid	-	-	-	(1,609,757,720)		(1,609,757,720)
<b>Balance as at 31 December 2015</b>	804,878,860	1,723,218,982	100,000,000	5,602,665,198		8,230,763,040

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

# Statement of cash flows

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Cash flows from operating activities</b>				
Profit before tax	2,113,617,908	3,772,263,720	2,024,224,638	2,319,743,320
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation	1,160,789,356	1,121,656,471	331,423,944	271,568,394
Amortisation expenses	7,364,596	3,424,386	1,815,914	1,429,632
Allowance for doubtful accounts (reversal)	(164,902)	20,140,943	-	-
Reduction of inventories to net realisable value (reversal)	11,661,450	(45,651,599)	6,085,286	(39,787,938)
Dividend income from subsidiary companies	-	-	(840,000,000)	(1,030,000,000)
Dividend income from other company	(48,375)	(42,750)	(48,375)	(42,750)
Loss (gain) on disposals/write-off equipment and intangible assets	6,262,935	31,023,613	(2,617,821)	(162,600)
Allowance for impairment loss on assets (reversal)	(1,665,273)	(23,581,138)	319,835	(2,890,238)
Provision for product warranty	24,093,026	22,762,027	-	-
Provision for vacation	1,050,266	764,316	756,715	48,002
Provision for long-term employee benefits	62,504,744	72,464,227	32,880,963	38,022,721
Reversal of provision for loss on tax assessments	(10,991,552)	(16,407,143)	(10,991,552)	(16,407,143)
Gain on sales/redemption of short-term investments	(8,411,369)	(11,599,669)	-	-
Revaluation loss (gain) on investments in securities held for trading	(569,333)	352,936	-	-
Unrealised loss on exchange	6,957,766	17,691,342	29,265,333	15,172,704
Unrealised loss on forward contracts	205,690,958	57,902,147	-	-
Interest income from short-term investments	(145,160,108)	(140,285,647)	-	-
Interest expenses	-	408,114	-	-
Profit from operating activities before changes in operating assets and liabilities	3,432,982,093	4,883,286,296	1,573,114,880	1,556,694,104

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

# Statement of cash flows (continued)

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Operating assets (increase) decrease				
Trade and other receivables	81,795,788	(174,094,127)	34,929,261	(26,957,105)
Insurance claim receivable	-	11,963,350	-	-
Inventories	(49,349,754)	(111,281,050)	67,880,930	22,523,554
Other current assets	(80,337,251)	24,242,965	6,801,336	16,853,782
Other non-current assets	(1,672,510)	(3,674)	-	-
Operating liabilities increase (decrease)				
Trade and other payables	(188,025,812)	(36,591,582)	(269,781,812)	83,648,887
Other current liabilities	17,002,115	(111,098,388)	(1,733,212)	(34,051,019)
Cash from operating activities	3,212,394,669	4,486,423,790	1,411,211,383	1,618,712,203
Cash paid for long-term employee benefits	(7,467,721)	(521,227)	(4,629,165)	-
Cash paid for tax assessments	(53,118,282)	(67,004,750)	(53,118,282)	(67,004,750)
Cash paid for corporate income tax	(196,205,539)	(234,738,869)	(14,876,978)	(26,232,669)
<b>Net cash from operating activities</b>	<b>2,955,603,127</b>	<b>4,184,158,944</b>	<b>1,338,586,958</b>	<b>1,525,474,784</b>
<b>Cash flows from investing activities</b>				
Increase in fixed deposit with financial institution	-	(330,689,904)	-	-
Increase in short-term investments	(306,379,766)	(664,046,354)	-	-
Interest income from short-term investments	144,950,214	141,071,227	-	-
Proceeds from sales/redemption of short-term investments	278,408,470	376,976,197	-	-
Dividend income from subsidiary companies	-	-	840,000,000	1,030,000,000
Dividend income from other company	48,375	42,750	48,375	42,750
Acquisitions of property, plant and equipment and other intangible assets	(1,629,427,638)	(813,343,347)	(343,377,887)	(531,163,964)
Proceeds from disposals of equipment	27,981,717	25,281,119	10,002,562	7,506,829
Decrease (increase) in other non-current assets	(20,238,968)	(2,876,670)	(22,500,000)	1,030,928
<b>Net cash from (used in) investing activities</b>	<b>(1,504,657,596)</b>	<b>(1,267,584,982)</b>	<b>484,173,050</b>	<b>507,416,543</b>

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

# Statement of cash flows (continued)

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Cash flows from financing activities</b>				
Decrease in short-term loans from financial institution	-	(15,946,294)	-	-
Cash paid for interest expenses	-	(408,114)	-	-
Dividend paid	(1,609,757,720)	(1,609,757,720)	(1,609,757,720)	(1,609,757,720)
<b>Net cash used in financing activities</b>	<b>(1,609,757,720)</b>	<b>(1,626,112,128)</b>	<b>(1,609,757,720)</b>	<b>(1,609,757,720)</b>
Increase (decrease) in cash and cash equivalents	(158,812,189)	1,290,461,834	213,002,288	423,133,607
Translation adjustment	795,725,077	(8,938,557)	-	-
<b>Net increase in cash and cash equivalents</b>	<b>636,912,888</b>	<b>1,281,523,277</b>	<b>213,002,288</b>	<b>423,133,607</b>
Cash and cash equivalents at beginning of year	5,467,222,517	4,185,699,240	743,165,162	320,031,555
<b>Cash and cash equivalents at end of year (Note 6)</b>	<b>6,104,135,405</b>	<b>5,467,222,517</b>	<b>956,167,450</b>	<b>743,165,162</b>
<b>Supplemental cash flow information</b>				
<b>Non-cash related transactions from investing activities</b>				
Net increase (decrease) in accounts payable for purchase of plant and equipment	80,000,123	53,250,390	(25,509,617)	36,755,805
Revaluation gain (loss) from changes in fair value of investments in available-for-sale securities	(229,241,716)	40,652,171	-	-
Translation adjustment for deferred tax assets	(452,107)	263,727	-	-

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 2015

## 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 65/98, Soi Vibhavadi-Rangsit 64, Junction 2, Kwang Talad Bangkhen, Khet Laksi, Bangkok.

## 2. Basis of preparation

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

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

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

2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2015	2014
			Percent	Percent
<b>Held by the Company</b>				
Hana Semiconductor (BKK) Company Limited	Holding company	Thailand	100	100
Omac Sales Limited	Purchasing of electronic components and equipment	Hong Kong	100	100
Hana Microelectronics International Company Limited	Holding company	British Virgin Islands	100	100
Hana Microelectronics Investments Company Limited	Holding company	British Virgin Islands	100	100
Hana Technologies Group Limited	Holding company	Cayman Islands	100	100
Hana Microelectronics (Cambodia) Company Limited	Manufacture and trading of electronic components	Cambodia	100	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 2015

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) 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.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) 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.
- f) 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 present investments in subsidiaries under the cost method.

## 3. New financial reporting standards

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

### (a) Financial reporting standards that became effective in the current year

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, some of these standards involve changes to key principles, which are summarised below:

#### TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the former standard allowed the entity to recognise such gains and losses immediately in either profit or loss or other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognise actuarial gains and losses immediately in other comprehensive income.

#### TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the content of TAS 27 Consolidated and Separate Financial Statements dealing with consolidated financial statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over investees and determining which entities have to be included in preparation of the consolidated financial statements.

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

This standard does not have any impact on the Company's and its subsidiaries' financial statements.

## TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact on the financial statements of the Company and its subsidiaries.

## TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effects of the adoption of this standard are to be recognised prospectively.

This standard does not have any significant impact on the Company's and its subsidiaries' financial statements.

## (b) Financial reporting standards that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Company's management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when it is initially applied.

## 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.

#### *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.

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 4.4 Inventories

Raw materials, work in process, and finished goods are valued at the lower of cost (under weighted average method) and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost. Cost of finished goods and work in process include 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

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

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

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

In the event the Company and its subsidiaries 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.

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 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.

The useful lives of the intangible assets is 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

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

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.

## 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.

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.

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## *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 other comprehensive income.

## *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.

## 4.12 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.

## 4.13 Income tax

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

### **Current tax**

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

### **Deferred tax**

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

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

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

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

## 4.14 Derivatives

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

# Notes to consolidated financial statements

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For the year ended 31 December 2015

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.

## 4.15 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## 5. Significant accounting judgements and estimates

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

### 5.1 Allowance for doubtful accounts

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

### 5.2 Allowance for diminution in inventory value

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

### 5.3 Impairment of equity investments

The Company and its subsidiaries treat available-for-sale equity 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 judgement of the management.

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 5.4 Property plant and equipment and depreciation

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

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

## 5.5 Deferred tax assets

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

## 5.6 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.

## 5.7 Litigation

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

## 5.8 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

## 6. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2015 and 2014 as reflected in the statements of financial position and cash flows consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Cash	1,270	1,006	318	163
Bank deposits	2,533,890	2,279,399	205,849	243,002
Fixed deposits with maturity not over 3 months	3,074,563	3,186,818	750,000	500,000
Bills of exchange	494,412	-	-	-
Cash and cash equivalents	6,104,135	5,467,223	956,167	743,165

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

As at 31 December 2015, bank deposits in savings accounts, fixed deposits and bills of exchange carried interests between 0.001 and 4.550 percent per annum (2014: 0.001 and 2.860 percent per annum).

## 7. Related party transactions

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

(Unit: Million Baht)

	Separate financial statements		Transfer pricing policy
	2015	2014	
Transactions with subsidiary companies (eliminated from the consolidated financial statements)			
Sales of goods	33	22	Prices agreed between the parties due to the uniqueness of products sold to each customer
Dividend income	840	1,030	Declared rate
Purchase of materials	130	205	Cost plus mark up
Purchase of fixed assets	3	14	Cost plus mark up
Service fee expenses	6	2	Rates stipulated in the agreement

As at 31 December 2015 and 2014, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Trade and other receivables (Note 9)				
Trade receivables - related parties				
Subsidiary companies	-	-	41,106	23,006
Total trade receivables - related parties	-	-	41,106	23,006
Other receivables - related parties				
Subsidiary companies	-	-	-	26
Related company (by way of common directors)	32	32	-	-
Total other receivables - related parties	32	32	-	26
Total trade and other receivables	32	32	41,106	23,032
Trade and other payables (Note 16)				
Trade payables - related parties				
Subsidiary companies	-	-	528,583	528,174
Total trade payables - related parties	-	-	528,583	528,174
Total trade and other payables	-	-	528,583	528,174

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## Directors and management's benefits

During the years ended 31 December 2015 and 2014, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Short-term employee benefits	82	77	15	13
Post-employment benefits	1	1	1	1
Total	83	78	16	14

## 8. Short-term Investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2015		31 December 2014	
	Cost/ Carrying value	Fair value	Cost/ Carrying value	Fair value
<b>Securities held for trading (Note 8.1)</b>				
Overseas marketable equity securities	108,266	121,427	98,889	111,298
Unsecured subordinated notes	24,882	26,002	25,543	26,846
Total	133,148	147,429	124,432	138,144
Add: Gain on changes in fair value of investments	14,281	-	13,712	-
Investments in securities held for trading	147,429	147,429	138,144	138,144
<b>Available-for-sale securities (Note 8.2)</b>				
Overseas marketable corporate bonds	1,543,479	1,544,111	1,536,812	1,651,313
Local quoted bonds	36,092	37,081	32,966	33,749
Overseas quoted bonds	1,007,144	935,151	989,860	1,033,445
Total	2,586,715	2,516,343	2,559,638	2,718,507
Add: Revaluation surplus (deficit) on changes in fair value of investments	(70,372)	-	158,869	-
Investments in available-for-sale securities	2,516,343	2,516,343	2,718,507	2,718,507
<b>Fixed deposit with financial institutions</b>				
Investment in fixed deposit with financial institution (Note 12)	345,918	345,918	-	-
Fixed deposit within 1 year	7,218	7,218	6,629	6,629
Fixed deposit with financial institution	353,136	353,136	6,629	6,629
<b>Total short-term investments</b>	<b>3,016,908</b>	<b>3,016,908</b>	<b>2,863,280</b>	<b>2,863,280</b>

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 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, bond investment trust of an overseas bank, and during 2012 additionally invested in interest bearing unsecured subordinated notes of a company listed on the Stock Exchange of Australia. The subsidiary classified these investments as held for trading purpose.

As at 31 December 2015, the subsidiary had assessed the fair value of the equity securities for mutual fund, the bond investment trust from an overseas bank and the interest bearing unsecured subordinated notes by referring to the latest bid price as quoted on the Stock Exchanges, in which the fair value had increased equivalent to approximately Baht 0.57 million (2014: decreased by approximately Baht 0.35 million). The changes in the fair value of these investments were recognised in the income statement.

## 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 local and overseas 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 the overseas listed corporate bonds and the overseas quoted bonds, disposed and redeemed some of the corporate bonds and overseas quoted bonds, resulting in net gain of USD 0.23 million or equivalent to approximately Baht 8.41 million (2014: net gain of USD 0.36 million or equivalent to approximately Baht 11.60 million).

As at 31 December 2015, the subsidiary had assessed the fair value of the bonds by referring to the value quoted by the banks in which there was a revaluation deficit on the fair value of USD 1.95 million or equivalent to approximately Baht 70.37 million (2014: surplus on the fair value of USD 4.82 million or equivalent to approximately Baht 158.87 million). The subsidiary recognised loss on change in fair value of such bonds approximately Baht 229.24 million as shown as a separate item in the statement of comprehensive income (2014: recognised gain on change in fair value of such bonds Baht 40.65 million).

## 9. Trade and other receivables

(Unit: Thousand Baht)

Age of receivable	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Trade receivables - subsidiary companies				
Not yet due	-	-	2,164	1,139
Past due				
Up to 3 months	-	-	9,116	5,876
3 - 6 months	-	-	6,310	10,940
6 - 12 months	-	-	4,147	1,983
Over 12 months	-	-	19,369	3,068
Total trade receivables - subsidiary companies (Note 7)	-	-	41,106	23,006

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Thousand Baht)

Age of receivable	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Trade receivables - unrelated parties				
Not yet due	2,173,560	2,472,117	1,075,491	1,121,790
Past due				
Up to 3 months	936,489	724,722	281,100	288,383
3 - 6 months	61,075	24,772	6,426	5,513
6 - 12 months	2,511	7,732	291	420
Over 12 months	1,306	2,024	4	4
Total trade receivables - unrelated parties	3,174,941	3,231,367	1,363,312	1,416,110
Less: Allowance for doubtful accounts	(24,245)	(24,410)	-	-
Total trade receivables - unrelated parties - net	3,150,696	3,206,957	1,363,312	1,416,110
Total trade receivables - net	3,150,696	3,206,957	1,404,418	1,439,116
Other receivables - related parties (Note 7)	32	32	-	26
Other receivables - unrelated parties	167,238	147,091	4,936	1,912
Total other receivables	167,270	147,123	4,936	1,938
Trade and other receivables - net	3,317,966	3,354,080	1,409,354	1,441,054

## 10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2015	2014	2015	2014	2015	2014
Finished goods	908,218	956,384	(140,618)	(147,767)	767,600	808,617
Work in process	469,089	386,520	-	-	469,089	386,520
Raw materials	2,226,484	2,089,791	(127,266)	(108,454)	2,099,218	1,981,337
Goods in transit	30,695	152,440	-	-	30,695	152,440
Total	3,634,486	3,585,135	(267,884)	(256,221)	3,366,602	3,328,914

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2015	2014	2015	2014	2015	2014
Finished goods	382,235	342,158	(140,604)	(147,755)	241,631	194,403
Work in process	174,835	233,655	-	-	174,835	233,655
Raw materials	884,896	893,794	(92,753)	(79,517)	792,143	814,277
Goods in transit	3,550	43,790	-	-	3,550	43,790
Total	1,445,516	1,513,397	(233,357)	(227,272)	1,212,159	1,286,125

Reduce cost to net realisable value

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Balance at the beginning of the year	(256,221)	(301,873)	(227,272)	(267,060)
Add: Reduce cost during the year	(249,988)	(199,084)	(194,942)	(153,473)
Less: Reverse during the year	238,325	244,736	188,857	193,261
Balance at the ending of the year	(267,884)	(256,221)	(233,357)	(227,272)

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 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	
	2015	2014	2015	2014	2015	2014	2015	2014
			Percent	Percent				
Hana Semiconductor (Ayutthaya) Company Limited	1,200,000	1,200,000	58	58	2,142,910	2,142,910	840,000	630,000
Hana Semiconductor (BKK) Company Limited	1,000,000	1,000,000	100	100	1,011,100	1,011,100	-	400,000
Omac Sales Limited	325	325	100	100	273,492	273,492	-	-
Hana Microelectronics (Cambodia) Company Limited	155,947	155,947	100	100	155,947	155,947	-	-
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					3,583,449	3,583,449	840,000	1,030,000

## 12. Investment in fixed deposit with financial institution

During the second quarter of 2014, an overseas subsidiary has invested in a structured deposit with financial institution amounting to CNY 62.4 million for a period of 2 years, with the maturity date on 28 April 2016. The parties mutually agreed that the subsidiary will receive interest income approximately CNY 6.6 million at the maturity date under the condition that CNYmat (the mid spot exchange rate for USDCNH) is less than or equal to CNY 6.0528 per USD on any agreed determination date otherwise, zero. As at 31 December 2015, the investment in fixed deposit was approximately Baht 345.9 million (2014: Baht 330.7 million), which was presented as short-term investments.

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 13. 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 2014	354,234	2,285,999	176,965	770,905	11,578,836	575,844	52,858	891,350	16,686,991
Additions	-	1,699	2,053	22,343	138,138	20,500	39	724,554	909,326
Disposals	-	-	(90,470)	(51,195)	(366,412)	(88,321)	(9,614)	-	(606,012)
Transfer in (out)	2,014	229,158	2,396	3,846	297,999	21,156	2,080	(558,649)	-
Translation adjustment	-	(12,874)	(980)	-	(49,927)	(1,038)	(434)	257	(64,996)
As at 31 December 2014	356,248	2,503,982	89,964	745,899	11,598,634	528,141	44,929	1,057,512	16,925,309
Additions	-	2,201	7,795	12,043	558,699	34,322	8,089	959,796	1,582,945
Disposals	-	-	-	(1,374)	(433,442)	(8,637)	(8,704)	-	(452,157)
Transfer in (out)	-	1,082,970	515	67,742	424,260	7,305	3,165	(1,585,957)	-
Translation adjustment	-	51,096	5,911	-	152,558	3,977	683	6,608	220,833
As at 31 December 2015	356,248	3,640,249	104,185	824,310	12,300,709	565,108	48,162	437,959	18,276,930
<b>Accumulated depreciation</b>									
As at 1 January 2014	-	958,617	138,746	541,008	7,759,777	464,774	33,830	-	9,896,752
Depreciation for the year	-	116,358	13,112	47,872	892,036	46,733	5,545	-	1,121,656
Accumulated depreciation for disposed assets	-	-	(90,344)	(42,971)	(326,744)	(82,680)	(8,142)	-	(550,881)
Translation adjustment	-	(4,617)	(220)	-	(21,331)	(714)	(317)	-	(27,199)
As at 31 December 2014	-	1,070,358	61,294	545,909	8,303,738	428,113	30,916	-	10,440,328
Depreciation for the year	-	165,521	9,197	41,765	891,617	46,644	6,045	-	1,160,789
Accumulated depreciation for disposed assets	-	-	-	(1,139)	(402,008)	(8,276)	(6,490)	-	(417,913)
Translation adjustment	-	13,570	4,398	-	88,483	3,309	379	-	110,139
As at 31 December 2015	-	1,249,449	74,889	586,535	8,881,830	469,790	30,850	-	11,293,343
<b>Allowance for impairment loss</b>									
As at 1 January 2014	-	-	125	8,987	86,323	3,345	-	-	98,780
Reversal allowance for impairment during the year	-	-	(125)	(8,224)	(7,838)	(3,328)	-	-	(19,515)
Translation adjustment	-	-	-	-	212	-	-	-	212
As at 31 December 2014	-	-	-	763	78,697	17	-	-	79,477
Increase during the year	-	-	-	-	319	-	-	-	319
Reversal allowance for impairment during the year	-	-	-	-	(1,984)	-	-	-	(1,984)
Translation adjustment	-	-	-	-	4,436	-	-	-	4,436
As at 31 December 2015	-	-	-	763	81,468	17	-	-	82,248
<b>Net book value</b>									
As at 31 December 2014	356,248	1,433,624	28,670	199,227	3,216,199	100,011	14,013	1,057,512	6,405,504
As at 31 December 2015	356,248	2,390,800	29,296	237,012	3,337,411	95,301	17,312	437,959	6,901,339
<b>Depreciation for the year</b>									
2014 (Baht 980 million included in manufacturing cost, and the balance in administrative expenses)									1,121,656
2015 (Baht 970 million included in manufacturing cost, and the balance in administrative expenses)									1,160,789

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Thousand Baht)

	Separate financial statements								Total
	Land	Buildings	Leasehold improvement	Installation	Machinery and equipment	Office furniture and equipment	Vehicles	Construction in progress and machinery under installation	
<b>Cost</b>									
As at 1 January 2014	247,851	909,746	85,641	237,170	2,467,248	141,267	16,282	822,679	4,927,884
Additions	-	1,698	-	18,921	44,823	11,191	-	484,669	561,302
Disposals	-	-	(85,641)	(176)	(84,073)	(530)	-	-	(170,420)
Transfer in (out)	2,014	164,263	-	1,522	181,388	16,371	-	(365,558)	-
As at 31 December 2014	249,865	1,075,707	-	257,437	2,609,386	168,299	16,282	941,790	5,318,766
Additions	-	95	-	20,159	41,923	13,593	2,838	238,088	316,696
Disposals	-	-	-	(1,215)	(110,506)	(2,345)	(710)	-	(114,776)
Transfer in (out)	-	739,628	-	67,742	276,340	3,320	-	(1,087,030)	-
As at 31 December 2015	249,865	1,815,430	-	344,123	2,817,143	182,867	18,410	92,848	5,520,686
<b>Accumulated depreciation</b>									
As at 1 January 2014	-	404,715	85,641	124,957	1,813,994	115,479	11,955	-	2,556,741
Depreciation for the year	-	48,204	-	19,857	188,981	13,206	1,321	-	271,569
Accumulated depreciation for disposed assets	-	-	(85,641)	(176)	(73,847)	(522)	-	-	(160,186)
As at 31 December 2014	-	452,919	-	144,638	1,929,128	128,163	13,276	-	2,668,124
Depreciation for the year	-	85,934	-	26,959	201,681	15,286	1,564	-	331,424
Accumulated depreciation for disposed assets	-	-	-	(1,031)	(103,376)	(2,275)	(710)	-	(107,392)
As at 31 December 2015	-	538,853	-	170,566	2,027,433	141,174	14,130	-	2,892,156
<b>Allowance for impairment loss</b>									
As at 1 January 2014	-	-	-	613	7,235	-	-	-	7,848
Reversal allowance for impairment during the year	-	-	-	-	(2,890)	-	-	-	(2,890)
As at 31 December 2014	-	-	-	613	4,345	-	-	-	4,958
Increase during the year	-	-	-	-	319	-	-	-	319
As at 31 December 2015	-	-	-	613	4,664	-	-	-	5,277
<b>Net book value</b>									
As at 31 December 2014	249,865	622,788	-	112,186	675,913	40,136	3,006	941,790	2,645,684
As at 31 December 2015	249,865	1,276,577	-	172,944	785,046	41,693	4,280	92,848	2,623,253
<b>Depreciation for the year</b>									
2014 (Baht 189 million included in manufacturing cost, and the balance in administrative expenses)									271,569
2015 (Baht 199 million included in manufacturing cost, and the balance in administrative expenses)									331,424

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

As at 31 December 2015, certain property and equipment items have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation and allowance for impairment loss, of those assets amounted to approximately Baht 6,660 million (2014: Baht 6,113 million) and for the Company amounted to approximately Baht 1,674 million (2014: Baht 1,594 million).

## 14. Land leasehold rights

During the year 2013, an overseas subsidiary entered into land leasehold agreements for building of factory and dormitory for its employees for the period of 50 years.

(Unit: Thousand Baht)

	Consolidated financial statements	
	2015	2014
Cost	153,418	153,418
Less: Accumulated amortisation	(3,126)	-
Translation adjustment	539	(12,777)
Net book value	150,831	140,641

## 15. Intangible assets

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

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
As at 1 January 2014	53,623	8,620
Additions	11,000	9,508
Disposals	(10,866)	-
Translation adjustment	(298)	-
As at 31 December 2014	53,459	18,128
Additions	6,773	1,171
Disposals	-	-
Translation adjustment	733	-
As at 31 December 2015	60,965	19,299
<b>Accumulated amortisation</b>		
As at 1 January 2014	37,394	4,036
Amortisation for the year	3,424	1,430
Accumulated amortisation for disposed assets	(6,800)	-
Translation adjustment	(244)	-
As at 31 December 2014	33,774	5,466
Amortisation for the year	4,238	1,816
Accumulated amortisation for disposed assets	-	-
Translation adjustment	599	-
As at 31 December 2015	38,611	7,282

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

	Consolidated financial statements	Separate financial statements
<b>Allowance for impairment</b>		
As at 1 January 2014	4,066	-
Increase during the year	(4,066)	-
As at 31 December 2014	-	-
As at 31 December 2015	-	-
<b>Net book value</b>		
As at 31 December 2014	19,685	12,662
As at 31 December 2015	22,354	12,017
<b>Amortisation for the year</b>		
2014	3,424	1,430
2015	4,238	1,816

## 16. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Trade payables - subsidiary companies (Note 7)	-	-	528,583	528,174
Trade payables - unrelated parties	1,739,328	1,934,247	647,053	890,011
Advance received from customers	205,941	188,085	34,053	26,593
Other payables for purchase of machinery	215,563	135,562	43,540	69,050
Accrued expenses	252,126	219,999	26,978	28,141
<b>Total trade and other payables</b>	<b>2,412,958</b>	<b>2,477,893</b>	<b>1,280,207</b>	<b>1,541,969</b>

## 17. Short-term provisions

(Unit: Thousand Baht)

	Consolidated financial statements		
	Loss on tax assessments	Product warranty	Total
As at 1 January 2014	147,522	271,813	419,335
Increase during the year	-	24,211	24,211
Decrease from actual paid	(67,005)	-	(67,005)
Reversal of provision	(16,407)	-	(16,407)
As at 31 December 2014	64,110	296,024	360,134
Increase during the year	-	51,224	51,224
Decrease from actual paid	(53,118)	-	(53,118)
Reversal of provision	(10,992)	-	(10,992)
As at 31 December 2015	-	347,248	347,248

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Thousand Baht)

	Separate financial statements	
	Loss on tax assessments	Total
As at 1 January 2014	147,522	147,522
Decrease from actual paid	(67,005)	(67,005)
Reversal of provision	(16,407)	(16,407)
As at 31 December 2014	64,110	64,110
Decrease from actual paid	(53,118)	(53,118)
Reversal of provision	(10,992)	(10,992)
As at 31 December 2015	-	-

## Provision for loss on tax assessments

The Company had recorded provision for loss on tax assessment, as described in Note 28.5.

## Provision for product warranty

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

## 18. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Provision for long-term employee benefits at beginning of year	515,862	385,799	259,352	190,303
Included in profit or loss:				
Current service cost	47,677	57,902	25,435	30,839
Interest cost	14,828	14,562	7,446	7,184
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	(43,826)	-	(19,634)	-
Financial assumptions changes	23,203	90,044	15,137	45,476
Experience adjustments	(15,836)	(32,124)	(3,907)	(14,450)
Benefits paid during the year	(7,468)	(321)	(4,629)	-
Provision for long-term employee benefits at end of year	534,440	515,862	279,200	259,352

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Cost of sales	13,701	28,443	8,400	15,815
Selling and administrative expenses	48,804	44,021	24,481	22,208
Total expenses recognised in profit or loss	62,505	72,464	32,881	38,023

As at 31 December 2015, cumulative actuarial losses, which were recognised in other comprehensive income of the Company and its subsidiaries, amounted to Baht 71 million (2014: losses of Baht 37 million) (The Company only: losses of Baht 35 million and 2014: losses of Baht 43 million).

The Company and its subsidiaries expect to pay Baht 11.0 million of long-term employee benefits during the next year (Separate financial statements: Baht 9.4 million) (2014: Baht 6.8 million, separate financial statements: Baht 5.2 million).

As at 31 December 2015, the weighted average duration of the liabilities for long-term employee benefit is 19 years (Separate financial statements: 20 years) (2014: 21 years, separate financial statements: 22 years).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.8%	3.2%	2.8%	3.2%
Future salary increase rate (depending on age)	5.0%	5.0% - 5.1%	5.0%	5.0% - 5.1%
Staff turnover rate	8.5% - 39.9%	7.0% - 25.1%	8.5% - 26.8%	7.0% - 25.1%

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2015 are summarised below:

(Unit: million Baht)

	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(78)	102	(41)	58
Salary increase rate	100	(78)	57	(42)
	Increase* 2.1% and 12.5%	Decrease* 2.1% and 12.5%	Increase* 2.1% and 12.5%	Decrease* 2.1% and 12.5%
Turnover rate	(24)	32	(12)	21

\*(2.1% for monthly and 12.5% for daily staff)

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 19. 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.

## 20. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Raw materials and consumables used	12,257,549	13,414,992	5,553,521	6,778,974
Changes in inventories of finished goods and work in process	(41,552)	(63,784)	11,592	61,396
Salaries and wages and other employee benefits	3,241,550	3,120,448	1,234,227	1,229,335
Management benefit expenses	83,050	78,380	15,654	13,802
Depreciation and amortisation expenses	1,168,153	1,125,080	333,240	272,999
Loss on exchange	261,770	-	-	-

## 21. Income tax

Income tax expenses for the years ended 31 December 2015 and 2014 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Current income tax:</b>				
Current income tax charge	44,168	363,652	13,224	24,557
Adjustment in respect of income tax of previous year	(1,011)	135	(1,011)	135
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	4,091	2,981	4,453	389
<b>Income tax expense reported in the statement of income</b>	<b>47,248</b>	<b>366,768</b>	<b>16,666</b>	<b>25,081</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2015 and 2014 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Deferred tax relating to (gain) loss on actuarial gains and losses	44	(466)	44	(466)
Deferred tax relating to exchange differences on translation of financial statements in foreign currency	(452)	264	-	-
	<b>(408)</b>	<b>(202)</b>	<b>44</b>	<b>(466)</b>

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

The reconciliation between accounting profit and income tax expenses is shown below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Accounting profit before tax	2,113,618	3,772,264	2,024,225	2,319,743
Applicable tax rate	0 - 34%	0 - 34%	20%	20%
Accounting profit before tax multiplied by income tax rate	436,323	684,428	404,845	463,949
Adjustment in respect of income tax of previous year	(1,011)	135	(1,011)	135
Effects of:				
Promotional privileges (Note 24)	(379,815)	(326,768)	(217,680)	(236,130)
Dividend income not subject to tax	(9)	(9)	(168,010)	(206,009)
Income not subject to tax	(2,237)	(3,282)	(2,198)	(3,281)
Unused temporary differences and tax losses	5,998	6,329	-	-
Utilised tax losses carry forward	(8,222)	(1,688)	-	-
Non-deductible expenses	3,056	7,636	130	233
Additional expense deductions allowed	(8,329)	(7,634)	(555)	(416)
Others	1,494	7,621	1,145	6,600
Total	(388,064)	(317,795)	(387,168)	(439,003)
Income tax expenses reported in the statement of income	47,248	366,768	16,666	25,081

The components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
<b>Deferred tax assets</b>				
Allowance for diminution in value of inventories	1,208	3,416	1,208	3,416
Allowance for asset impairment	27	74	27	74
Provision for long-term employee benefits	1,446	3,898	1,446	3,898
Provision for vacation	64	173	64	173
Accrued expenses	10,472	7,998	-	-
Consignment inventory	906	586	906	586
Total	14,123	16,145	3,651	8,147
<b>Deferred tax liabilities</b>				
Accumulated depreciation - plant and equipment	(1,660)	-	-	-
Total	(1,660)	-	-	-
Deferred tax assets - net	12,463	16,145	3,651	8,147

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 22. Insurance claim from flood event

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

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

During the year 2012, 2013 and 2014, the subsidiary received the compensation payments on its business interruption losses and its remaining property damage totaling Baht 400 million, Baht 942 million, and Baht 1,350 million respectively, and recognised these compensations as other income in the income statements for the respective periods.

## 23. 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.

## 24. 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:

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

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	1234(1) /2555	2620(1) /2555	2199(2) /2557
2. Promotional privileges for	Production of PCBA	Production of Fiber Optic Device, Air Pressure and Temperature Control and Wireless Radio Frequency	Production of Wireless Sensor	Production of smart card and module for smart card	Production of Wireless Sensor	Production of Flexible Circuit Board Assembly and electronic components for Interface Device	Production of PCBA, RFID, TAG reader	Production of PCBA	Production of Semi-conductor i.e. Wireless Sensor	Production of Integrated circuit (IC)	Production of Electronic control unit	Production of PCBA
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 (expired) (tax exempted according with investment)	8 years (expired) (tax exempted according with investment)	8 years (expired) (tax exempted according with investment)	8 years	8 years	8 years	8 years (tax exempted according with investment)
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 (expired)	5 years (expired)	5 years (expired)	5 years	5 years	5 years	5 years	5 years	5 years	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												

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

Particulars	The Company											
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	1234(1) /2555	2620(1) /2555	2199(2) /2557
3.4 Exemption from import duty on machinery as approved by the Board.	Granted	Granted	Granted	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 (expired)	10 years (expired)	10 years (expired)	10 years (expired)	10 years (expired)	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	Has not yet started utilising the privileges	3 January 2014	3 April 2015

Particulars	Subsidiary											
	Hana Semiconductor (Ayutthaya) Company Limited											
1. Certificate No.	1133(4)/2548	2176(4)/2548	1458(1)/2553	1817(2)/2550	1034(2)/2552	2371(1)/2553	5003(4)/2556	2687(1)/2556				
2. Promotional privileges for	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)	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)	Production of Integrated Circuit (IC)	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)	Production of Integrated Circuit (IC)	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)
3. The significant privilege are	8 years (expired)	8 years (expired)	8 years	7 years	8 years	8 years	4 years	8 years	8 years	4 years	8 years	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.												
3.2 Exemption from import duty on machinery as approved by the Board.	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted
4. Date of first earning operating income	3 January 2005	10 January 2006	10 May 2010	1 September 2010	2 January 2013	28 November 2014	3 January 2013	Had not yet started utilising the privileges.				

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

The Company has operating revenues for the years ended 31 December 2015 and 2014, divided between promoted and non-promoted operations, are summarised below.

(Unit: Thousand Baht)

	Separate financial statements					
	Promoted operations		Non-promoted operations		Total	
	2015	2014	2015	2014	2015	2014
<b>Sales</b>						
Domestic sales	10,310	72	12,957	17,706	23,267	17,778
Export sales	8,699,965	9,938,191	236	18,669	8,700,201	9,956,860
Total sales	8,710,275	9,938,263	13,193	36,375	8,723,468	9,974,638

## 25. Segment information

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

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

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

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

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

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

The following tables present revenue, profit and total assets information regarding the Company and its subsidiaries' operating segments for the year ended 31 December 2015 and 2014, respectively.

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Million Baht)

Year ended 31 December 2015	Printed Circuit Board Assembly (PCBA)	Integrated Circuit (IC)	Other	Total reportable segments	Eliminations	Total
Revenue from external customers	12,636	7,556	329	20,521	-	20,521
Inter-segment revenue	3,728	1,087	1,372	6,187	(6,187)	-
<b>Total revenue</b>	<b>16,364</b>	<b>8,643</b>	<b>1,701</b>	<b>26,708</b>	<b>(6,187)</b>	<b>20,521</b>
<b>Segment profit</b>	<b>1,887</b>	<b>1,108</b>	<b>35</b>	<b>3,030</b>	<b>-</b>	<b>3,030</b>
Interest revenue						222
Other income						245
Selling expenses						(165)
Administrative expenses						(949)
Loss on exchange						(262)
Finance cost						(8)
Income tax expenses						(47)
<b>Profit for the year</b>						<b>2,066</b>
<b>Segment total assets</b>						
Additions to property, plant and equipment	1,058	496	29	1,583	-	1,583

(Unit: Million Baht)

Year ended 31 December 2014	Printed Circuit Board Assembly (PCBA)	Integrated Circuit (IC)	Other	Total reportable segments	Eliminations	Total
Revenue from external customers	14,092	6,942	193	21,227	-	21,227
Inter-segment revenue	4,137	1,106	1,554	6,797	(6,797)	-
<b>Total revenue</b>	<b>18,229</b>	<b>8,048</b>	<b>1,747</b>	<b>28,024</b>	<b>(6,797)</b>	<b>21,227</b>
<b>Segment profit</b>	<b>2,119</b>	<b>717</b>	<b>10</b>	<b>2,846</b>	<b>-</b>	<b>2,846</b>
Interest revenue						215
Insurance compensation income						1,350
Gain on exchange						107
Other income						271
Selling expenses						(124)
Administrative expenses						(885)
Finance cost						(8)
Income tax expenses						(367)
<b>Profit for the year</b>						<b>3,405</b>
<b>Segment total assets</b>						
Additions to property, plant and equipment, and land leasehold rights	802	244	4	1,050	-	1,050

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## Geographic information

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

(Unit: Thousand Baht)

	2015	2014
Revenue from external customers		
Malaysia	6,384,487	6,115,127
China	3,663,682	3,518,188
Singapore	2,114,433	1,699,677
United States of America	1,692,236	2,250,363
Hong Kong	1,288,185	1,775,908
Others	5,378,330	5,867,946
Total	20,521,353	21,227,209
Non-current assets (other than deferred tax assets)		
Thailand	4,551,695	4,594,999
China	1,980,156	1,746,399
Cambodia	507,554	194,674
United States of America	52,764	25,462
Others	10,573	341,292
Total	7,102,742	6,902,826

## Major customers

For the year 2015, the Company and its subsidiaries have revenue from 5 major customers in amount of Baht 9,147 million, arising from sales by the Printed Circuit Board Assembly (PCBA) segment and the Integrated Circuit (IC) segment, (2014: Baht 9,741 million derived from 5 major customers, arising from sales by the Printed Circuit Board Assembly (PCBA) segment and the Integrated Circuit (IC) segment).

## 26. 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. The contributions for the year 2015 amounting to approximately 66 million (Separate financial statements: Baht 35 million) (2014: Baht 63 million, Separate financial statements: Baht 34 million) were recognised as expenses.

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

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## 27. Dividend paid

During the years 2015 and 2014, the Company and its subsidiaries had dividend payments as follows:

	Approved by	Total dividends	Dividend per share
		(Million Baht)	(Baht)
<b>The Company</b>			
Dividends on the 2013 unappropriated retained earnings	Annual General Meeting of the shareholders on 30 April 2014	805	1.00
Interim dividends in respect of the income for the period from 1 January 2014 to 30 September 2014	Board of Directors' Meeting on 12 November 2014	805	1.00
Total for the year 2014		1,610	2.00
Dividends on the 2014 unappropriated retained earnings	Annual General Meeting of the shareholders on 30 April 2015	805	1.00
Interim dividends in respect of the income for the period from 1 January 2015 to 30 September 2015	Board of Directors' Meeting on 13 November 2015	805	1.00
Total for the year 2015		1,610	2.00
<b>Subsidiary companies</b>			
<b>Hana Semiconductor (Ayutthaya) Company Limited</b>			
Dividends on the 2013 unappropriated retained earnings	Annual General Meeting of the shareholders on 17 April 2014	1,080	9.00
Total for the year 2014		1,080	9.00
Dividends on the 2014 unappropriated retained earnings	Annual General Meeting of the shareholders on 9 April 2015	960	8.00
Interim dividends in respect of the income for the period from 1 January 2015 to 30 September 2015	Board of Directors' Meeting on 11 November 2015	480	4.00
Total for the year 2015		1,440	12.00
<b>Hana Semiconductor (BKK) Company Limited</b>			
Interim dividend in respect of the income for the period from 1 January 2014 to 30 April 2014	Board of Directors' meeting on 6 May 2014	400	4.00
Total for the year 2014		400	4.00

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## 28. Commitments and contingent liabilities

### 28.1 Capital commitments

As at 31 December 2015, the Company and its subsidiaries had capital commitments relating to acquisitions of machinery totaling USD 3.6 million or equivalent to Baht 130 million (2014: USD 2.8 million or equivalent to a total of Baht 92 million) and the Company only of approximately Baht 104 million (2014: Baht 70.4 million).

In addition, the Company had capital commitments relating to the purchase and sale agreement of land of approximately Baht 52.5 million.

### 28.2 Operating lease commitments

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. In January 2016, the subsidiary extended the lease agreement to January 2017 with the annual lease payment of approximately RMB 1.0 million.

### 28.3 Marketing supportive service agreement

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

### 28.4 Guarantees

As at 31 December 2015, there were outstanding bank guarantees of approximately Baht 54 million (2014: Baht 118 million) and the Company only: Baht 24 million (2014: Baht 88 million) issued by the 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 as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Type of guarantee				
- Security for the tax assessments of the Company made by the Revenue Department (Note 28.5)	-	64	-	64
- Guarantee electricity uses, among others	54	54	24	24
Total	54	118	24	88

### 28.5 Tax assessments

During the second quarter and the third quarter of 2012, the Company received the notifications of corporate income tax assessments for the years 2001 and 2002 from the Revenue Department for over allocation of administrative expenses, interest expenses and loss on exchange rate to the promoted operations, and over utilisation of losses carried forward, causing the under recording of corporate income tax for the years 2001 and 2002, which together

# Notes to consolidated financial statements

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with related penalty and surcharge amounted to approximately Baht 20 million and Baht 44 million, respectively. The Company recorded the loss on tax assessments totaling Baht 64 million in the income statement for the year ended 31 December 2012. The Company did not agree with the assessments and appealed to the Board of Appeals. Subsequently, in August 2015, the Board of Appeals ordered to reduce 50 percent of the penalty of the corporate income tax for the years 2001 and 2002 and some of surcharge to be approximately Baht 17 million and Baht 36 million, respectively. In August 2015, the Company paid the assessed tax, penalty and related surcharge totaling Baht 53 million and recognised reversal of loss on tax assessments of approximately Baht 11 million as other income in the income statements for the year ended 31 December 2015.

In addition, during the third quarter of 2013, the Company received a notification of corporate income tax assessment for the year 2003 from the Revenue Department for over allocation of administrative expenses, interest expenses and loss on exchange rate to the promoted operations, and over utilisation of losses carried forward, causing the under recording of corporate income tax for the year 2003, which together with related penalty and surcharge amounted to approximately Baht 40 million. The Company recorded such loss on tax assessment as other expenses in the income statement for the year ended 31 December 2013. The Company paid the assessed tax and related surcharge totaling Baht 27 million in September 2013, and appealed the remaining penalty of Baht 13 million to the Board of Appeals, in order to reduce the penalty. Subsequently, during the fourth quarter of 2014, the Board of Appeals ordered to reduce the penalty of the corporate income tax for the year 2003 to be Baht 6.5 million. In November 2014, the Company paid the penalty of Baht 6.5 million, and recognised reversal of loss on tax assessment of Baht 6.5 million as other income in the income statement for the year ended 31 December 2014.

As a result of the Supreme Court's decision regarding the tax assessment for the year 1997, for prudent reason the Company assessed its tax liabilities as a result of over utilisation of losses carried forward in its tax computation for the year 2004, and recorded provisions for tax assessment for the year 2004 amounting to Baht 70 million included in other expenses in the income statement for the year ended 31 December 2013. Subsequently, during the third quarter of 2014, the Company received the notifications of corporate income tax assessment for the year 2004 from the Revenue Department for over allocation of selling and administrative expenses to the promoted operations, and over utilisation of losses carried forward, causing the under recording of corporate income tax for the year 2004, which together with related penalty and surcharge amounted to approximately Baht 60 million. The Company paid the assessed tax, penalty and related surcharge totaling approximately Baht 60 million in September 2014, and recognised reversal of loss on tax assessment of approximately Baht 10 million as other income in the income statements for the year ended 31 December 2014.

As at 31 December 2014, the Company has recorded provision for loss on tax assessments totaling approximately Baht 64 million, included in short-term provisions, and placed bank guarantees as security against the assessments (31 December 2015: Nil).

# Notes to consolidated financial statements

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## 29. Fair value hierarchy

As at 31 December 2015, the subsidiaries had the following assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated Financial Statements		
	Level 1	Level 2	Total
<b>Financial assets measured at fair value</b>			
Held for trade investments			
Equity instruments	121,427	-	121,427
Unsecured debt instruments	26,002	-	26,002
Available-for-sale investments			
Marketable corporate bonds	1,544,111	-	1,544,111
Quoted bonds	972,232	-	972,232
<b>Financial liabilities measured at fair value</b>			
Derivatives			
Foreign currency forward contracts	-	263,165	263,165

## 30. Financial instruments

### 30.1 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 and trade and other payables. 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. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statement of financial position.

#### *Interest rate risk*

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

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

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Hana Microelectronics Public Company Limited and its subsidiaries

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	Consolidated financial statements as at 31 December 2015					
	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	Effective interest rate
	Within 1 year	1 - 5 years				
	(Million Baht)					(% p.a.)
<b>Financial assets</b>						
Cash and cash equivalents	3,569	-	2,257	278	6,104	0.001 - 4.550
Short-term investments	2,870	-	26	121	3,017	0.15 - 9.75 and Note 12
Trade and other receivables	-	-	-	3,318	3,318	-
	6,439	-	2,283	3,717	12,439	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	2,413	2,413	
	-	-	-	2,413	2,413	

	Consolidated financial statements as at 31 December 2014					
	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	Effective interest rate
	Within 1 year	1 - 5 years				
	(Million Baht)					(% p.a.)
<b>Financial assets</b>						
Cash and cash equivalents	3,187	-	1,971	309	5,467	0.001 - 2.860
Short-term investments	2,725	-	27	111	2,863	0.15 - 9.75
Trade and other receivables	-	-	-	3,354	3,354	-
Investment in fixed deposit with financial institution	-	331	-	-	331	Note 12
	5,912	331	1,998	3,774	12,015	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	2,478	2,478	-
	-	-	-	2,478	2,478	

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Hana Microelectronics Public Company Limited and its subsidiaries

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	Separate financial statements as at 31 December 2015				
	Fixed interest rate within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
	(Million Baht)				(% p.a.)
<b>Financial assets</b>					
Cash and cash equivalents	750	204	2	956	0.05 - 1.55
Trade and other receivables	-	-	1,409	1,409	-
	750	204	1,411	2,365	
<b>Financial liabilities</b>					
Trade and other payables	-	-	1,280	1,280	-
	-	-	1,280	1,280	

	Separate financial statements as at 31 December 2014				
	Fixed interest rate within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
	(Million Baht)				(% p.a.)
<b>Financial assets</b>					
Cash and cash equivalents	500	240	3	743	0.25 – 2.00
Trade and other receivables	-	-	1,441	1,441	-
	500	240	1,444	2,184	
<b>Financial liabilities</b>					
Trade and other payables	-	-	1,542	1,542	-
	-	-	1,542	1,542	

## 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.

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

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The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2015 and 2014 are summarised below.

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2015	2014	2015	2014	2015	2014
	(Million)	(Million)	(Million)	(Million)	(Baht per foreign currency unit)	
China Yuan	240	262	69	76	5.5458	5.2998
US Dollar	208	205	32	37	36.0886	32.9630
Japan Yen	188	150	53	73	0.2996	0.2738
Indian Rupee	1	43	-	-	0.5429	0.5159
Euro	5	4	4	-	39.4388	40.0530
Hong Kong dollar	9	8	1	1	4.6579	4.2516
Pound Sterling	5	3	-	-	53.5035	51.1497
Australia dollar	1	1	-	-	26.2836	26.8068
Singapore Dollar	2	2	-	-	25.5195	24.8959
Brazilian real	1	2	-	-	9.1900	12.1000

As at 31 December 2015 and 2014, the two overseas subsidiary companies had outstanding forward exchange contracts, of which details are presented below.

As at 31 December 2015		
Sold amount	Contractual maturity date	Contractual exchange rate for amount sold
(Million USD)		(Baht per USD)
10	11 March 2016	33.60
10	11 March 2016	33.60
10	11 March 2016	33.84
10	16 March 2016	33.80
10	18 March 2016	33.92
10	21 March 2016	36.41
10	27 April 2016	33.38
10	13 May 2016	34.17
10	13 May 2016	34.17
10	31 May 2016	34.30
10	31 May 2016	34.51
20	20 June 2016	34.36
10	24 August 2016	37.02

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(Million USD)			(CNY per USD)
10	13 June	2016	6.215

As at 31 December 2015			
Sold amount	Contractual maturity date		Contractual exchange rate for amount sold
(Million CNY)			(CNY per USD)
62.40	25 April	2016	6.477

As at 31 December 2014			
Sold amount	Contractual maturity date		Contractual exchange rate for amount sold
(Million USD)			(Baht per USD)
10	7 January	2015	32.60
10	7 January	2015	32.60
10	20 January	2015	33.12
10	27 February	2015	33.01
10	27 February	2015	32.17
20	16 March	2015	32.43
20	17 March	2015	32.56
20	27 August	2015	32.38
(Million USD)			(CNY per USD)
10	10 September	2015	6.15
(Million Euro)			(USD per Euro)
3	26 May	2015	1.25

## 30.2 Fair value of financial instruments

The estimated fair value of financial instruments, in comparison with the related amount carried in the statement of financial position, is as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	As at 31 December 2015		As at 31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	6,104	6,104	5,467	5,467
Short-term investments	3,073	3,012	2,691	2,863
Trade and other receivables	3,318	3,318	3,354	3,354
Investments in fixed deposit with financial institutions	-	-	331	319
<b>Financial liabilities</b>				
Trade and other payables	2,413	2,413	2,478	2,478

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

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(Unit: Million Baht)

	Separate financial statements			
	As at 31 December 2015		As at 31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	956	956	743	743
Trade and other receivables	1,409	1,409	1,441	1,441
<b>Financial liabilities</b>				
Trade and other payables	1,280	1,280	1,542	1,542

The estimated fair value of the derivatives is as follows:

(Unit: Million Baht)

	Consolidated financial statements	
	As at 31 December 2015	As at 31 December 2014
	Fair value	Fair value
	loss	loss
<b>Derivatives</b>		
Forward exchange contracts	(263.2)	(57.9)

The methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable and accounts payable, their carrying amounts in the statement of financial position approximate their fair value.
- For debts and equity securities, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- For fixed deposit with financial institution carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximate their fair value.
- For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The subsidiaries had considered to counterparty credit risk when determining the fair value of derivatives

During the current period, there were no transfers within the fair value hierarchy.

## 31. 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 2014, the Group's debt-to-equity ratio was 0.19:1 (2014: 0.20:1) and the Company's was 0.20:1 (2014: 0.25:1).

# Notes to consolidated financial statements

Hana Microelectronics Public Company Limited and its subsidiaries

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## 32. Event after the reporting period

On 24 February 2016, the meeting of the Board of Directors of the Company No. 1/2016 passed the resolution approving the final dividend payment for the year 2015 to the Company's shareholders at Baht 1 per share. The dividend will be paid to the shareholders on 13 May 2016.

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

## 33. Reclassification

The Company reclassified the following amounts in the consolidated financial statements for the year ended 31 December 2014 to conform with current year's classification as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	As at 31 December 2014	
	As reclassified	As previously reported
Cost of sales	18,381,223,068	18,358,461,041
Administrative expenses	885,092,385	868,791,714
Other expenses	-	39,062,698

The reclassifications had no effect to previously reported profit or shareholders' equity.

## 34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2016.