

ANNUAL REPORT 2014

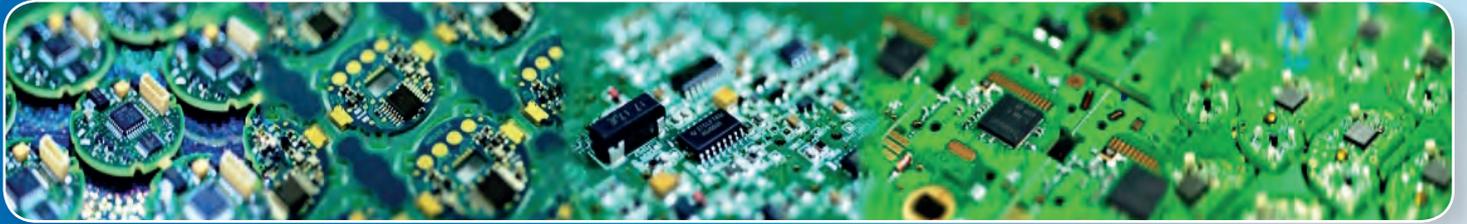
รายงานประจำปี 2557



HANA

Microelectronics Public Company Limited

บริษัท ฮานา ไมโครอิเล็กทรอนิกส์ จำกัด (มหาชน)



Contents

The Group Financial Highlights	1
Chairman's Statement	2
Operation Review	4
Board of Directors	8
Management Team	9
Shareholding of Directors & Management	12
Hana Overview and Nature of Business	19
Management Structure	28
Corporate Governance	39
Internal Control and Risk Management	53
Related Party Transaction	54
Corporate Social Responsibility	56
Audit Committee Report	68
Nomination Committee Report	69
Corporate Governance Committee Report	70
Management's Discussion and Analysis	71
Risk Factors	75
Report of the Board of Directors' Responsibilities for Financial Statements	77
Independent Auditor's Report	78
Financial Statements	79

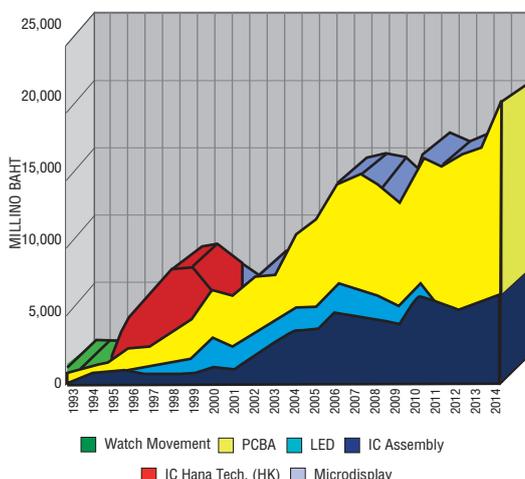


The Group Financial Highlights

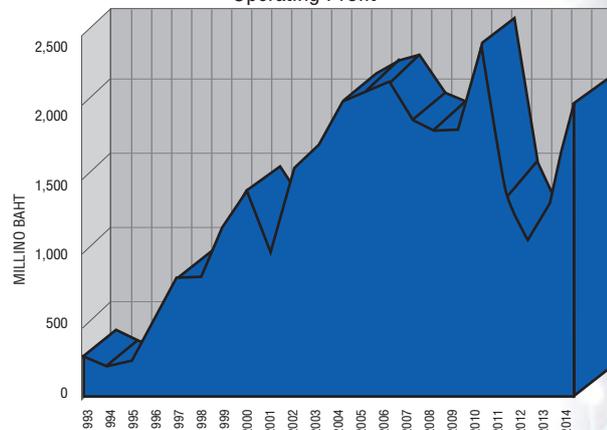
(Baht millions)

	2014	2013 (Restated)	2012 (Restated)	2014/2013 % change
Total Revenue	23,171	19,152	18,388	21%
Sales Revenue	21,227	17,667	17,233	20%
Gross Profit	2,869	1,984	1,683	45%
Operating Profit	2,064	1,340	1,076	54%
Net Profit before Non Recurring Items	1,948	1,530	1,373	27%
Net Profit (Loss) for the year	3,405	2,301	1,610	48%
Recurring EBITDA	3,081	2,465	2,305	25%
Total Assets	22,051	20,157	17,930	9%
Net Fixed Assets	6,406	6,691	6,622	-4%
Total Liabilities	3,688	3,563	3,035	3%
Shareholders Equity	18,364	16,594	14,895	11%
Net (Cash) Debt / Equity	-0.27	-0.19	-0.16	-
Net Profit (after tax) % Sales	16%	13%	9%	23%
Recurring EBITDA Margin	15%	13%	13%	9%
Return on Equity	19%	14%	11%	34%
Dividend per share	2.00	1.50	1.50	33%
Payout ratio (excl. Non Recurring items)	83%	79%	88%	5%
EPS before Non Recurring Items	2.42	1.90	1.70	27%
EPS after Non Recurring Items	4.23	2.86	2.00	48%
Book Value per share (net of treasury shares)	22.82	20.62	18.51	11%
Net Number of shares outstanding (year end)	804.88	804.88	804.88	0%

Sales Revenue



Operating Profit



Chairman's Statement



Dear Shareholder,

I am pleased to report that 2014 was both a strong and eventful year for the Hana Group.

The focus on our IC division in Ayutthaya "HS-AYT" to rebuild post the 2011 floods continued and whilst we have still not been able to get back to our pre-flood highs, we made strong progress towards improving our quality and meeting all our customers' demands. This rewarded us with an increase in revenue at HS-AYT of 16% and a substantial increase in operating profits for 2014. This division has experienced both tailwinds and headwinds. A strengthening US dollar has helped to offset continuous increases in labour costs and the industry remained relatively firm over 2014. That said, very aggressive competition continued to pressure margins and we expect no let up in the overall competitive environment in 2015.

During the year we continued to invest heavily in automation to both improve productivity and most importantly, reduce human dependency to further improve our manufacturing quality. This focus will continue in 2015 as we integrate all of our manufacturing processes with computer controlled software quality systems. Apart from the expectant overall improvement in quality, we are hopeful that this will establish a strong foundation to expand our automotive exposure which is Hana's core focus for the next five years.

Turning to our China operations in Jiaying, 2014 was a much improved year over 2013. Revenues increased by 12% but more notably our operating profits increased significantly due to tight control over costs and a strong focus on improving productivity especially for our higher volume activities. In addition we saw a much improved contribution from the IC division as we focused on higher margin devices. Whilst this meant a minimal increase in the top line, the profit margin was significantly enhanced. In 2015, Jiaying will be focusing on increasing its activity within the automotive lighting segment. Construction on a dedicated 5,200 sq/m building was completed in August to accommodate this project which we believe will see strong growth over the next five years.

For Lamphun, 2014 was a record year with revenues increasing by 27%. We saw particularly strong growth in sensors for the automotive and mobile sectors and a recovery of the laptop sector after the sharp corrections in the early part of 2013. In the fourth quarter of 2014 we completed our expansion in Lamphun (LPN2) at the Saha Group Industrial Park, Lamphun, adding a further 26,000 sq/m which is close to doubling our existing capacity. Operations have already begun there with certain product lines being transferred from the first factory (LPN1) thereby freeing up much needed capacity to expand our automotive lines. We are now well positioned to expand substantially our PCBA and module activity.

Our key financial performances for 2014 compared to 2013 were as follows:

• Revenues up	20%	from THB 17,667 million to THB 21,227 million
• Operating income up	54%	from THB 1,340 million to THB 2,064 million
• EBITDA income up	25%	from THB 2,465 million to THB 3,081 million
• NPAT up	48%	from THB 2,301 million to THB 3,405 million
• Cash reserves up	30%	from THB 6.7 billion to THB 8.7 billion
• Gross dividend payout up	33%	from THB 1.50 /share to THB 2.00 /share

Chairman's Statement



Turning to the future, our new facility in Cambodia, after a number of delays, has now made steady progress and is on schedule for completion by September 2015. This 13,000sq/m factory will target more labour intensive operations in addition to acting as a cost reduction venue for some of our existing production lines. This direction as been well received by many of our customers and should bring some relief to the inexorable rise in labour costs that continues across the Asian Pacific region.

During 2014, Thailand experienced yet again more political upheavals when in May the army took control over Thailand's parliament ending months of fighting and a political stalemate that has been crippling the country. Whilst this had no material effect on any of Hana's operations, there were some concerns from certain clients. These have now all abated and Thailand has been proven to be a safe and secure country to locate and expand our manufacturing base. We believe all of our clients feel very comfortable with Thailand as a manufacturing location.

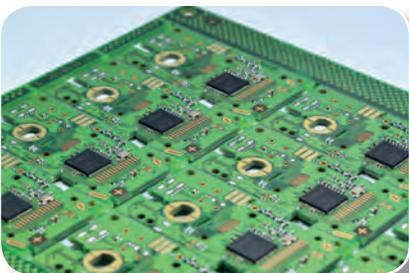
As we enter 2015, there continues to be much to consider. The slump in the oil price will certainly have an effect on global growth, some positive and some negative. The Euro zone continues to worry as deflation looms however the expectation of US monetary tightening has already helped to weaken Asian currencies and this should be a positive for Hana as an exporter.

Whilst the major floods of 2011 seemed a distant memory now, the effects were still influential during 2014. We finally concluded our insurance claims within the first half of the year receiving the final THB 1,350m (for business interruption) bringing the total insurance claim received to THB 2,991m. With the additional cashflow from the insurance claims we are pleased to be able to increase the gross dividend from THB 1.50 to THB 2.00 per share for 2014. I would like to thank our CFO, Terrence Philip Weir, and his team for seeing though these technically difficult and challenging negotiations so successfully with our insurers.

At the beginning of 2014 we relocated to our new head office after 28 years in our previous location. Once again, my thanks to all those who helped with the design, construction and establishment of the new office.

Finally, I wish to extend my heartfelt thanks to all our staff and management and my fellow board of directors for their support and dedication. To all our partners, both customers and suppliers, I thank you for your continued support.

We shall continue to strive for growth and increased shareholder value by focusing on our core competencies – delivering high quality electronic modules and subsystems along with providing first class Electronics Manufacturing Services "EMS" for the automotive, mobile, laptop, medical, industrial and consumer industries. Hana's diversity and financial strength will enable us to navigate an uncertain global growth situation. With additional capacity now in place and finally an answer to rising wages, we believe we are well positioned for the future.

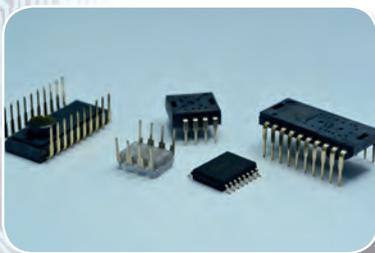
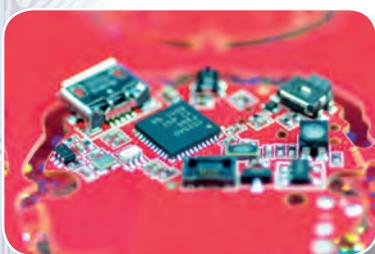


Mr. Bancha Tarnprakorn
Chairman of the Board of Directors

Operation Review



Hana Microelectronics Public Co., Ltd. (Lamphun)



The 2014 was another very good year for Hana Lamphun. We again broke our sales record with 21% growth year-on-year. Many customers increased demand steadily especially in the automotive segment and encouragingly we have a number of new projects that will support our growth in 2015.

In August of 2014, our new plant “Lamphun 2” opened. It has 26,000 sqm of floor space and is located at the Saha Group Industrial Park – Lamphun, a nearby industrial zone located 10km from our existing plant. The new plant is designed for highly automated semiconductor type module production and meets world class standards. The increased capacity of the Lamphun 2 plant will free up space at the Lamphun 1 plant and allow further expansion for Hana Lamphun, driving our growth for the next few years. We have received approval from two of our major customers to transfer the products to the new plant from the first plant “Lamphun 1” (at the Northern Region Industrial Estate) and at the close of 2014 were in the product new plant qualification phase for these products.

We continually strive to improve our processes to meet the zero-defect mindset of our customers, both automotive and non-automotive. We are in the process of buying new equipment, developing new software to reduce human-dependent processes and implementing a comprehensive shop-floor control system. The aim of which is to enhance manufacturing discipline and drive the production quality to zero defects to further improve our competitive position. This is a new era for Hana Lamphun to prepare ourselves and enhance our capability to grow our business.

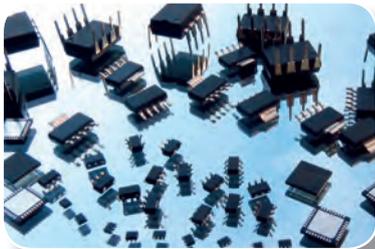
I would like to thank all Hana LPN staff for their dedication to enable us to achieve yet again a record historical sales performance in 2014 and for all their hard work in establishing our new plant.

Mr. Wing Keung Chow
Vice President and General Manager

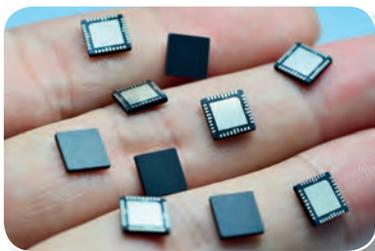
Operation Review



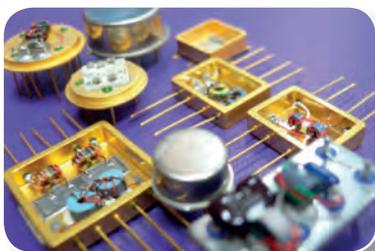
Hana Semiconductor (Ayutthaya) Co., Ltd.



2014 was a year of several milestones for the Hana Semiconductor (Ayutthaya) “Hana-AYT” team. Despite a highly competitive environment, with a strong focus from our management team and the support from our customers, the sales revenues increased by 10% year-on-years in 2014. Good operating results were achieved as a result of the entire team controlling costs and improving productivity, even in the face of dynamic business changes and cost increases.



Our team focused on quality and achieved success with good results in numerous customer audits allowing us to gain greater customer confidence and increase our top line revenues. All our quality metrics showed significant improvement in 2014 when compared to 2013. The team in Hana-AYT believes that Quality and Operational Excellence will be business enablers for us and we will continue to focus on these areas during 2015. During 2014, Hana-AYT invested substantial capital on process and IT automation with the singular goal of minimizing human errors. These investments will lead to more robust processes and products to delight our customers. This drive will continue in 2015.



We expect 2015 to be another year of growth as we continue to win more market share from new and existing customers. Hana-AYT will focus on certain segments of the market which will provide us a quantifiable differentiator from our competitors. We will continue to invest in new capabilities and technologies to provide our customers enhanced manufacturing processes to enable penetration of these markets.

We once again extend our sincere thanks to our customers for believing in the Hana-AYT team and we look towards them for continued support in 2015. The trust of our customers enables Hana-AYT to continue to grow and we commit to our customers that we will continue to always do our best for them.

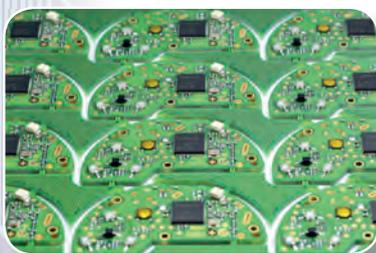
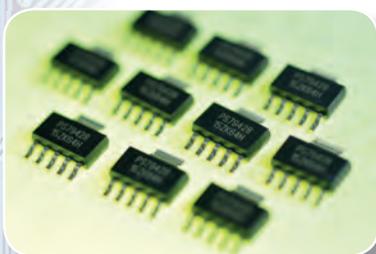
Finally, I would like to extend my sincere thanks and gratitude to the employees of Hana-AYT. It is due to their dedication, loyalty, trust and teamwork that we have been able to achieve so much in 2014. With such a dedicated, loyal and capable team in place, we look forward to continued growth and success in 2015.

Mr. Sanjay Mitra
Vice President and General Manager

Operation Review



Hana Microelectronics (Jiaxing) Co., Ltd.



The sales revenue grew by 6% in 2014 mainly contributed by the PCBA business while the IC business remained flat. More importantly, we saw encouraging improvements in operational Key Performance Indicators “KPI”s as a result of the organizations and the team’s continuous focus on process improvement.

The value added ratios improved in all main aspects through efficiency improvement and enhanced cost management. We had a number of breakthroughs in manufacturing process automation and simplification. Hundreds of CIPs (Continuous Improvement Projects) were launched and carried forward throughout the year. We continued to work with our key customers on cost improvement opportunities of both assembly processes and materials.

While our operations staff were continuing the efforts to reduce the labor dependence, Human Resources staff made good progress in developing new channels for direct labor recruitment to support the customer demand upsides within the required timeframe. It is a key capability that we need to have particularly for supporting the consumer product business.

In 2014, we added a new building which has over 5,000 sqm of the floor space to support the new Light Emitting Diode “LED” business for automotive business. This new building is to accommodate the back end assembly requirements with a production set up that is different from our standard IC packaging and PCBA assembly lines. The new space will be able to support the business expansion plans of our customer for the next few years. Besides the capacity, we have also put in a lot of resources to support the process development for this new product line which is expected to grow to a substantial level within the next few years.

On the IC business side, we worked together with our customers to jointly develop the capability for a number of new special packages and we will continue to work on those projects in 2015. It will help to expand our IC package portfolio in JX Operations.

I would like to thank all our employees for their contribution in 2014. We look forward to continued growth in 2015. We are excited by the new opportunities we have been working on, and believe we are positioned well to support the growth targets set forth by our customers.

Mr. Steven Lee
Vice President and General Manager

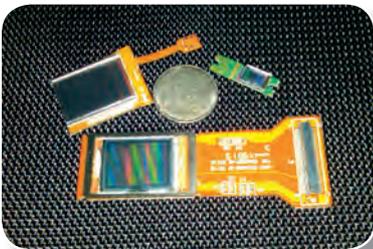
Operation Review



Hana Microdisplay Technologies, Inc.



Y2014 was a growth year for Hana Microdisplay Technologies “HMT”. After a disappointing 2013, HMT was looking to capitalize on its position with its largest customers, as well as grow in new markets with emerging technology. Overall revenue for the year was up 29%, and while positive it fell 14% short of the goal set for the year. Microdisplay (MD) revenue was up 34% from 2013, growing consistently with each quarter throughout the year. Radio-Frequency Identification (RFID) revenue experienced a 20% growth over 2013. RFID business started strongly in the first half of the year, but fell off in the second half.



The Microdisplay related business comprised of a mix of long-term customers and a few new customers. The majority of the growth during the year, and over that of 2013, came from newer telecom device customers. Near-eye devices and miniature projection systems demand continued to be small in 2014, but revenue came from a different mix of customers than in previous years. This gives HMT hope that there is potential for growth in this market in the upcoming years. Optical device assemblies for vision systems and camera modules saw growth in 2014, and more growth is expected in 2015.



Our RFID manufacturing capacity was used very heavily in the first half of the year. One of HMT’s largest customers for this built its entire yearly requirement in the first 8 months of the year, and pushed out any other requirements to 2015. HMT expects to be utilized 100% in 2015, and may consider adding capacity as needed. RFID tire tags business doubled from 2013 to 2014, but even larger growth was expected. HMT expects this market to grow significantly in 2015. HMT is also excited about adding another new major customer for RFID tire tags in 2014.

HMT will continue to look to grow its revenue in 2015, but also improve its financial performance. HMT expects to expand and grow its relationships with its sister companies in Ayutthaya and Lamphun in 2015, to leverage the capabilities and lower costs of Hana’s Asian facilities. We forward to growing with our customers in 2015 and beyond.

Dr. John Erdmann
President and Chief Executive Officer

Board of Directors



1 2 3 4 5 6

1. Mrs. Salakchitt Preedaporn

Independent Director

2. Mr. Winson Moong Chu Hui

President and Chief Operating Officer

3. Mr. Bancha Tarnprakorn

Chairman of the Board and Independent Director

4. Mr. Richard David Han

Executive Vice Chairman and Chief Executive Officer

5. Mr. Terrence Philip Weir

Executive Director and Chief Financial Officer

6. Mr. Yingsak Jenratha

Independent Director

Management Team



Hana Headquarter Management

1 2 3 4 5

1. **Mrs. Puntipa Tanthana**
Senior Corporate Manufacturing Administration and Human Resources Director
2. **Mr. Somchai Chantrachirathumrong**
Senior Cambodia Operations and Management Information System (MIS) Director
3. **Ms. Achara Chaicharncheep**
Senior Accounting Manager
4. **Ms. Jirapa Kongmanee**
Senior Internal Audit Manager
5. **Mr. Peter Wuei Hwang**
Business Development Director



Hana Lamphun Management

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

1. **Mrs. Napassawan Namwongsa**
Senior Quality Management Support Manager
2. **Mr. Reynaldo San Agustin**
Quality Management Director
3. **Mr. Steven G. Spittal**
Business Development Director
4. **Mr. Sathit Umpai**
Operations Director
5. **Mr. Wing Keung Chow**
Vice President & General Manager
6. **Mr. Christian Cron**
Supply Chain Management Director
7. **Mr. Wichai Sukprasertkul**
Operations Director
8. **Mr. Seah Ree Chok**
Sales and Customer Service Director
9. **Ms. Juthamard Trerattanawongse**
Senior Finance Manager
10. **Mr. Anawat Aroonsawat**
Senior Production & Material Control Manager
11. **Mr. Wasan Suthum**
Senior Operations Manager
12. **Mr. Wacharapong Anusatwatin**
Manufacturing Manager
13. **Mr. Chalermpon Narksang**
Senior Traffic Manager
14. **Mr. Thawatchai Kumprasert**
Senior Management Information System (MIS) Manager
15. **Mr. Tosaporn Musikcharoen**
Senior Industrial Engineering & Facility Manager
16. **Mr. Somjai Namwongsa**
Senior Human Resources Department Manager
17. **Mr. Thanawat Pasikthep**
Traffic Manager
18. **Mr. Wong Wan Wah Vincent**
Senior Supply Chain Management Manager

Management Team



Hana Ayutthaya Management

10 11 12 13 14 15 16 17 18 19 20
1 2 3 4 5 6 7 8 9

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



Hana Jiaxing Management

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

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

Management Team



Hana Microdisplay Management

3 4 5
1 2

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



Hana Microelectronics Inc. Management

1 2 3 4 5 6 7

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

Shareholding of Directors & Management

Mr. Bancha Tarnprakorn



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

Age: 80

Appointed date: 7 November 2002

Working Experience: 2002 - present, Independent Director, Hana Microelectronics Public Co., Ltd.
 2007 - present, Chairman of the Board of Directors,
 Hana Microelectronics Public Co., Ltd.

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 Tarnprakorn				Indirect Shareholding	
Number of shares as of 1 January 2014	Movement during the year		Number of shares as of 31 December 2014	Spouse	Minor Child
	Acquisition	Disposition			
100,000	40,000	-	140,000 shares (0.017%)	None	None

Shareholding of Directors & Management

Mr. Richard David Han



Position: Executive Director
Executive Vice Chairman and Chief Executive Officer
Nomination Committee

Age: 58

Appointed date: 26 July 1993

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

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

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

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

Subsidiaries of Hana:

- | | |
|--|--|
| 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 2014	Movement during the year		Number of shares as of 31 December 2014	Spouse	Minor Child
	Acquisition	Disposition			
1,040,000	-	-	1,040,000 shares (0.129%)	None	None

Shareholding of Directors & Management

Mr. Winson Moong Chu Hui



Position: Executive Director
President and Chief Operating Officer

Age: 69

Appointed date: 26 July 1993

Working Experience: 1993 - present, Executive Director

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

IOD Training Background: None

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

Subsidiaries of Hana:

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

Non-listed Company: None

Listed Company: None

Shareholding of Mr. Winson Moong Chu Hui				Indirect Shareholding	
Number of shares as of 1 January 2014	Movement during the year		Number of shares as of 31 December 2014	Spouse	Minor Child
	Acquisition	Disposition			
8,140,000	85,600	1,075,600	7,150,000 shares (0.888%)	None	None

Shareholding of Directors & Management

Mr. Terrence Philip Weir



Position:	Executive Director Vice President and Chief Financial Officer Chairman of Corporate Governance Committee Chairman of Risk Management Committee
Age:	56
Appointed date:	26 July 1993
Working Experience:	1993 - present, Executive Director
Educational Background:	Bachelor of Economics, Macquarie University, CPA, Australia
IOD Training Background:	Director Certification Program (DCP) 6/2001, Diploma

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

Subsidiaries of Hana:

- | | |
|--|--|
| 1. Hana Semiconductor (BKK) Co., Ltd. | 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 2014	Movement during the year		Number of shares as of 31 December 2014	Spouse	Minor Child
	Acquisition	Disposition			
255,000	-	-	255,000 shares (0.032%)	None	None

Shareholding of Directors & Management

Mrs. Salakchitt Preedaporn



Position:	Independent Director Audit Committee Nomination Committee Corporate Governance Committee
Age:	54
Appointed date:	1 December 2013
Working Experience:	2013 – Present, Independent Director, Hana Microelectronic Public Co., Ltd. 2009 – Present, Financial and Accounting Consultant 1992 – 2009, Accounting Manager, S. Napa (Thailand) Co., Ltd. & Group Company
Educational Background:	Bachelor of Accounting, Thammasat University, Thailand
IOD Training Background:	Risk Management for Committee Program (RMP) 2/2013 Director Accreditation Program (DAP) 107/2014
Take the position as the director or management in other companies:	None

Shareholding of Mrs. Salakchitt Preedaporn			Indirect Shareholding		
Number of shares as of 1 January 2014	Movement during the year		Number of shares as of 31 December 2014	Spouse	Minor Child
	Acquisition	Disposition			
177,800	-	-	177,800 shares (0.022%)	None	None

Shareholding of Directors & Management

Mr. Yingsak Jenratha



Position:	Independent Director Audit Committee Chairman of Nomination Committee Corporate Governance Committee
Age:	68
Appointed date:	1 December 2013
Working Experience:	2013 – Present, Independent Director, Hana Microelectronics Public Co., Ltd. 2010 – 2011, Management Advisor, International Precision Product Co., Ltd. 2008 -2009, Vice President and General Manager, Hana Microelectronics Co., Ltd. (Jiaxing), China
Educational Background:	Bachelor of Art in Political Sciences, Chaingmai University, Thailand Mini MBA, Kasetsart University, Thailand Operation Management Certificate from GIBA (Graduated Institute of Business Administration), Chulalongkorn University, Thailand
IOD Training Background:	Anti-Corruption for Executive Program (ACEP) 9/2014 Director Accreditation Program (DAP) 111/2014

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 2014	Movement during the year		Number of shares as of 31 December 2014	Spouse	Minor Child
	Acquisition	Disposition			
90,000	-	35,000	55,000 shares (0.007%)	None	None

Shareholding of Directors & Management

Mr. Wing Keung Chow



Position:	Vice President and General Manager Hana-Lamphun
Age:	56
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 2014	Movement during the year		Number of shares as of 31 December 2014	Spouse	Minor Child
	Acquisition	Disposition			
919,500	70,000	120,000	869,500 shares (0.108%)	None	None

Ms. Achara Chaicharncheep



Position:	Senior Accounting Manager
Age:	46
Appointed date:	14 October 2013
Working Experience:	1996 – present, Senior Accounting Manager, Hana Microelectronics Public Co., Ltd. (Headquarter)
Educational Background:	Bachelor of Accounting, Kasetsart University, Thailand
IOD Training Background:	None

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

Shareholding of Ms. Achara Chaicharncheep				Indirect Shareholding	
Number of shares as of 1 January 2014	Movement during the year		Number of shares as of 31 December 2014	Spouse	Minor Child
	Acquisition	Disposition			
25,000	-	-	25,000 shares (0.003%)	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 headquarter is located in Bangkok and there are 5 manufacturing bases, which are located in Lamphun and Ayutthaya provinces in Thailand, Jiaxing in China and Ohio in U.S.A. The company is expanding by adding another manufacturing facility in Koh Kong, Cambodia which shall be operated in 2015/2016.

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

Vision, Mission and Corporate Objectives

Vision

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

Mission

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

Corporate objectives/Long term goals

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

Major changes and development of the company

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

2012	Hana Semiconductor (Ayutthaya) Co., Ltd., a subsidiary of the company, received the initial compensation payments on its property damages of THB 300 million and the business interruption losses of THB 400 million due to flooding in 2011.
2013	The Board approved the incorporation of a new subsidiary company under the laws of the Kingdom of Cambodia with 100% owned by the company with the initial registered capital of USD 5 million. A new subsidiary namely Hana Microelectronics (Cambodia) Co., Ltd. was completely registered on 2 September 2013. The insurance claims related to the floods of Hana Semiconductor (Ayutthaya) Co., Ltd. had been settled for the property and inventory damage claims totaling THB 1,241 million.

Hana Overview and Nature of Business

2014 The company registered the changing of a new headquarter 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 the 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

Hana Group Structure



Hana Overview and Nature of Business

Business operating policy

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

Manufacturing

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

Holding

Hana Semiconductor (BKK) Co., Ltd.
 Hana Microelectronics International 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 Tel.: 02-551-1297-8 Fax: 02-551-1299	Holding	99,999,994/100,000,000 Baht
Omac Sales Ltd. 16 E, On Fook Industrial Building, 41-45 Kwai Fung Crescent, Kwai Chung, N.T., Hong Kong	Purchasing	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 Tel: (035) 350-803-4, (035) 729-297-301 Fax: (035) 350805-6	Manufacturing and trading of electronic components	69,999,993 / 120,000,000 Baht
Hana Microelectronics (Cambodia) Co., Ltd. Koh Kong Special Economic Zone, Koh Kong, Cambodia	Manufacturing and trading of electronic components	5,000,000/5,000,000 USD

Holding shares by the Company's subsidiaries	Type of business	No. of shares holding by subsidiaries/ Registered of shares (Type of stock - Common stock)
Hana Semiconductor International Ltd. P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands	Trading of electronic components	1,851,283/10,000,000 USD Holding shares by Hana Microelectronics International Co., Ltd.
Hana Semiconductor Holding Ltd. P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands	Holding	709,118/10,000,000 USD Holding shares by Hana Microelectronics International Co., Ltd.
Hana Technologies Investments Ltd. P.O. Box 309, Ugland House, South Church St., George Grand Cayman, Cayman Islands	Holding	100 / 100 USD Holding shares by Hana Technologies Group Ltd.
Hana Microdisplay Technologies, Inc. 2061 Case Parkway South, Unit # 6, Twinsburg, Cleveland, Ohio 44087, U.S.A.	Manufacturing and trading of electronic components	437,752/ 437,752 USD Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Microelectronics, Inc. 3130 De La Cruz Boulevard Unit # 10, Santa Clara, California 95054 U.S.A.	Agent and customer services	1,000/1,000 USD Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Microelectronics Enterprise Co., Ltd. P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands	Holding	2/2 USD Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Macao Commercial Offshore Ltd. Rua De Pequim No. 126 EDF. Commercial I TAK C18 Macao	Customer services	1/1 MOP (Macao Pataca) Holding shares by Hana Microelectronics Investment Co., Ltd.
Hana Microelectronics (Jiaxing) Co., Ltd. No#18, Hengnuo Road, Xingcheng Industries Zone, Ziuzhou district, Jiaxing city, Zhejiang Province, 314000 P.R. China	Manufacturing and trading of electronic components	35,000,000/35,000,000 USD Holding shares by Hana Microelectronics Enterprise Co., Ltd.

Hana Overview and Nature of Business

Holding shares by the Company's subsidiaries	Type of business	No. of shares holding by subsidiaries/ Registered of shares (Type of stock - Common stock)
Hana Semiconductor (Ayutthaya) Co., Ltd. 100 Moo 1, T. Baan Lane, A. Bang Pa-in, Ayutthaya Province 13160 Tel: (035) 350-803-4, (035) 729-297-301 Fax: (035) 350805-6	Manufacturing and trading of electronic components	50,000,001/120,000,000 Baht Holding shares by Hana Semiconductor (BKK) Co., Ltd.

Nature of Business

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

Manufacturing Service	Location	Ultimate Holding
Printed Circuit Board Assembly, Chip on Board Assembly & Test, Lamination	Hana Microelectronics Public Co., Ltd., Lamphun 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., China	100%
Liquid Crystal Microdisplays and Radio Frequency Identification (RFID) Devices	Hana Microdisplay Technologies, Inc., U.S.A.	100%

Revenue structure by product group

(Unit: Million Baht)

Product	Company	% of share holding by the Company	2014		2013		2012	
			Revenue	%	Revenue	%	Revenue	%
IC ASSEMBLY	HS – AYT & HM - JX	100%	6,791	32	5,921	33	5,538	32
CAPTIVE LINES	HS – BKK	100%	0	0	0	0	74	0
PCBA	HM - LPN & HM - JX	100%	14,243	67	11,605	66	11,461	67
MICRODISPLAY	HMT	100%	193	1	141	1	160	1
Total			21,227	100	17,667	100	17,233	100

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

Hana Overview and Nature of Business

Hana Product Group

1. Printed Circuit Board Assembly (PCBA)

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

2. IC Assembly and Test

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

3. Microdisplay

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

Product distribution and raw material

Hana manufactures the products according to the customers' specification and requirement and sells the products directly to the customers. The major raw materials are from direct purchase from suppliers and consignment from customers. The company imports the major raw materials used in production by import directly, through distributors overseas or through their trading company for local purchase. The company has not individual purchased raw materials from one supplier valued at more than 30 percent of the total purchase of raw materials. The company has the planning system to purchase materials in advance of the planned production to match customer orders.

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

Hana Overview and Nature of Business

Production capacity

The production capacity in 2014 is as follows.

Manufacturing Plants	2014	
	Production Capacity (Unit: 1,000m pieces/ year)	Actual Production (Unit: 1,000m pieces/year)
A) IC		
• Ayutthaya plant	3,749,000	3,249,000
• Jiaxing plant	1,749,000	1,486,000
B) PCBA		
• Lamphun plant	824,000	669,156
• Jiaxing plant	116,000	99,000
C) MICRODISPLAY		
• U.S.A. plant	50,310	31,680

Industry Competitive Condition:

In 2014 the markets were quite stable throughout the year unlike 2012 and 2013 which saw varying strength of markets for each half of the year. Sales in USD terms increased in 2014 from 2013 and 2012, the weaker THB/USD exchange rate.

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 China, India, and Vietnam. Even with the recent wage increase, Thailand still competitive with our neighboring countries for more complex assemblies.
2. Hana (China) also provides a competitive geographic location but with more corporate technical and administrative support to distinguish them from local competitors.
3. Furthermore, Hana is also planning to cope with the labor cost increase. We are establishing a manufacturing plant in Cambodia, to take advantage of the lower labor cost there.
4. Hana provides a wide range of products and processes in various locations to distinguish itself from other competitors, who also have multiple factory sites but a smaller product range.
5. Even with the recent 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 Khong province of Cambodia for future factory expansion. The company is in the process of constructing a 13,000 sq.m facility on the land at a cost of approximately USD 9m to be completed in the third quarter of 2015.

Hana Overview and Nature of Business

Company General Information

Name:	Hana Microelectronics Public Co., Ltd.
Company registration number:	0107536000773
Contact address:	65/98 Soi Vibhavadi-Rangsit 64 Junction 2, Kwang Talad Bangkhen, Khet Laksi, Bangkok 10210, Thailand Tel. 66 (0) 2-551-1297-8, 66 (0)2-521-4935-9 Fax: 66 (0) 2-551-1299, 66 (0) 2-552-4906
Website:	www.hanagroup.com
Nature of business:	Electronics Manufacturing Service “EMS” Producer
Registered share capital:	974,403,900 ordinary share at par value of Baht 1
Paid-up capital:	804,878,860 ordinary share at par value of Baht 1
References:	Auditor: EY Office Limited (formally known as Ernst & Young Office Limited) 33 rd Fl., Lake Rajada Office Complex, 193/136-137 New Rajadapisek Road, Bangkok 10110 Thailand Tel.: 02-264-0777 Fax: 02-264-0790 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 4 th , 7 th -8 th Floor, The Stock Exchange of Thailand Building, 62 Rachadapisek Road, Klongtoey, Bangkok 10110 Thailand Tel.: 02-229-2800 Fax: 02-359-1259

Investors can get more information of the company from 56-1 report that is posted at www.sec.or.th and www.hanagroup.com

Hana Overview and Nature of Business

Major shareholders

Major Shareholders as of the latest closing registration book on 14 March 2014

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	86,102,500	10.70
3.	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	79,702,600	9.90
4.	STATE STREET BANK EUROPE LIMITED	46,427,180	5.77
5.	HSBC (SINGAPORE) NOMINEES PTE LTD .	40,336,610	5.01
6.	BNP PARIBAS SECURITIES SERVICES, LONDON BRANCH	21,842,200	2.71
7.	STATE STREET BANK AND TRUST COMPANY	21,223,727	2.64
8.	THAI NVDR COMPANY LIMITED	19,999,927	2.49
9.	NORTRUST NOMINEES LTD.	16,580,008	2.06
10.	LITTLEDOWN NOMINEES LIMITED 7	8,794,600	1.09

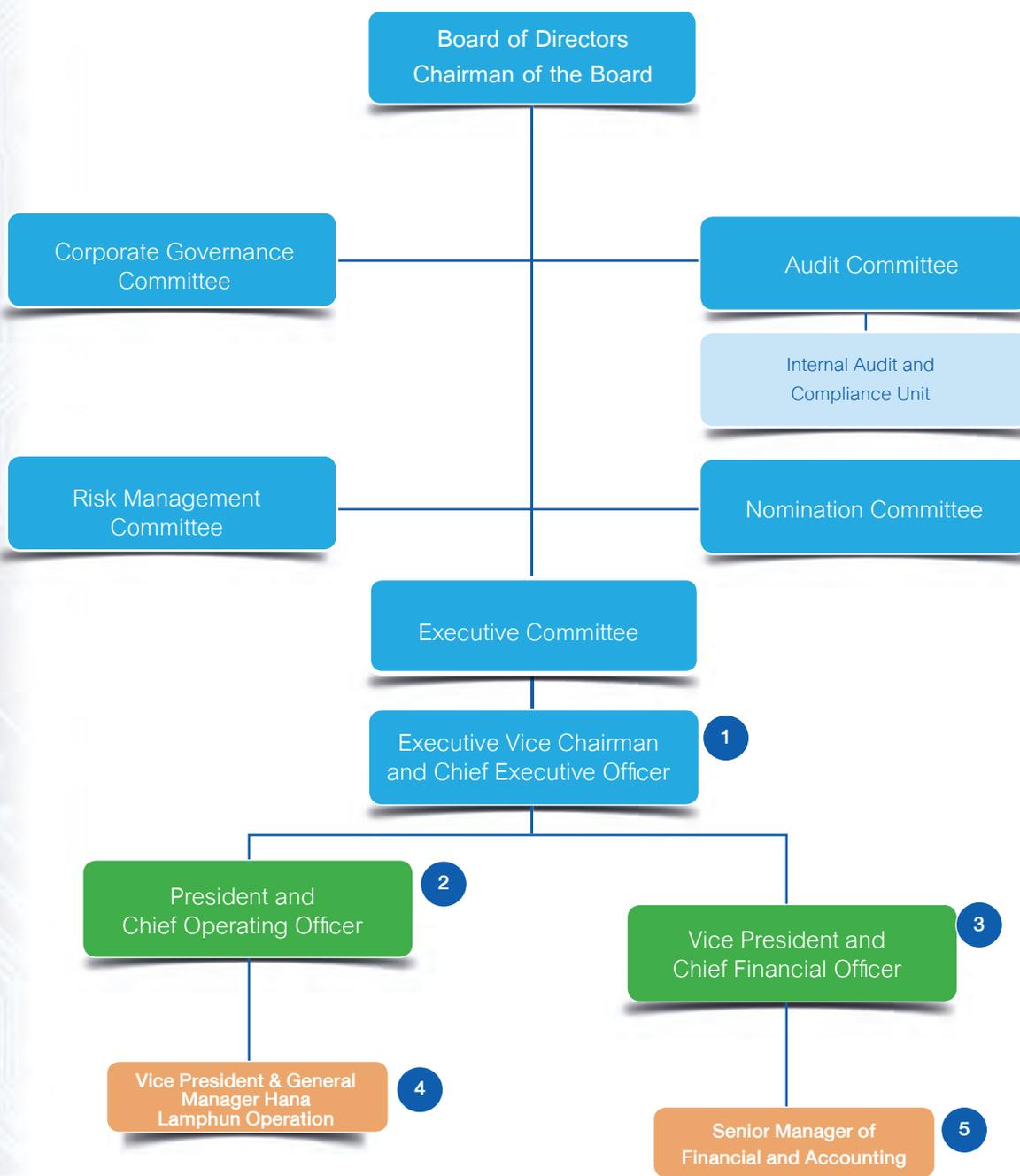
Remark: No. (1) is the related companies under Section 258 of the Securities and Exchange Act (No. 4) B.E. 2551

Dividend Policy

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

Dividend payment detail	2014	2013	2012
Interim dividend (Baht/share)	1.00	0.50	0.50
Annual Dividend (Baht/share)	1.00	1.00	1.00
Total dividend payment (Baht/share)	2.00	1.50	1.50
Total amount paid (Baht)	1,609,757,720	1,207,318,290	1,207,318,290
Percentage of total dividend payment against the net profit	47.27%	52.47%	74.98%

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 2014 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, and monitor the performance against business plan
3. To determine the vision and mission of the company and review at least every 5 years
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 put in place a mechanism for an annual evaluation of the board's own performance
8. 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
9. To attend every board of directors' meeting except special reasonable circumstances

Management Structure

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

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 2014, the executive of the company consists of 5 members as follows.

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

Duties and Responsibilities of Chief Executive Officer:

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

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

Sub-Committees of the Board of Directors

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

Executive Committee:

Structure: The Committee currently comprises of three members.

Term: There is no term limit.

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

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 Tarnprakorn	Chairman
2. Mrs. Salakchitt Preedaporn	Member
3. Mr. Yingsak Jenratha	Member

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

Duties and responsibilities of the Audit Committee:

1. To review the company's financial reporting process to ensure that it is accurate and adequate
2. To review the company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the head of an internal audit department
3. To review the company's compliance with the laws on securities and exchange, the regulations of the SET and other laws relating to the company's business
4. To consider, select and nominate an independent auditor including propose their remuneration, as well as to 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

Management Structure

6. To prepare and disclose in the company's annual report, an Audit Committee's report which shall be signed by the Chairman of Audit Committee and consist of at least the following information:
 - 6.1 an opinion on the accuracy, completeness and creditability of the company's financial report,
 - 6.2 an opinion on the adequacy of the company's internal control system,
 - 6.3 an opinion on the compliance with related laws i.e. the Securities and Exchange Act, the SET regulations, or the laws relating to the company's business,
 - 6.4 an opinion on the suitability of an auditor,
 - 6.5 an opinion on the transactions that may lead to conflicts of interests,
 - 6.6 the number of the Audit Committee meetings, and the attendance of such meetings by each committee member,
 - 6.7 an opinion or overview comment received by the Audit Committee from its performance of duties in accordance with the charter, and
 - 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. Mrs. Salakchitt Preedaporn	Member
3. Mr. Yingsak Jenratha	Member

Duties and responsibilities of the Corporate Governance Committee:

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

Risk Management Committee:

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

Term: No term limit

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

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	Audit Committee	Nomination Committee	Corporate Governance Meeting	Non-executive meeting	Annual General Meeting
Total number of meetings in 2014	6	4	2	1	1	1
Number of meeting attended/participated in 2014						
Independent Directors:						
Mr. Bancha Tarnprakorn	6/6	4/4	N/A	N/A	1/1	1/1
Mrs. Salakchitt Preedaporn	6/6	4/4	2/2	1/1	1/1	1/1
Mr. Yingsak Jenratha	6/6	4/4	2/2	1/1	1/1	1/1
Executive Directors:						
Mr. Richard David Han	6/6	4/4	2/2	N/A	N/A	1/1
Mr. Winson Moong Chu Hui	6/6	N/A	N/A	N/A	N/A	1/1
Mr. Terrence Philip Weir	6/6*	4/4	N/A	1/1	N/A	1/1

* Mr. Terrence Philip Weir held the meeting 1 time through conference call from overseas.

Corporate Secretary to the Board of the Directors

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

Duties and responsibilities of the corporate secretary are as follows.

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

Management Structure

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

Remuneration of the Board of Directors and Executives

Remuneration for Directors:

The company provides the remuneration to the independent directors while the executive directors receive the remuneration as the role of employees of the company. Therefore, the company has not established the Remuneration Committee as the board considers and reviews the remuneration of the independent directors by the whole board. The company provides the remuneration to the independent directors in forms of meeting allowances and bonus of which the rates are up to the responsibilities of the members. 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.

Individual disclosure of remuneration for the board of directors in 2014 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	624,750	89,250	714,000
2. Mrs. Salakchitt Preedaporn	Independent Director Audit Committee Corporate Governance Committee Nomination Committee	341,250	52,500	393,750
3. Mr. Yingsak Jenratha	Independent Director Audit Committee Chairman of Nomination Committee Corporate Governance Committee	341,250	52,500	393,750
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	-	-	-
Total				1,501,500

Management Structure

Remuneration for Executives:

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

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

In 2014, the total remuneration of 5 executive managements is as follows.

Type of remuneration	Amount (Baht)
Salary	14,188,593
Bonus	4,803,352
Provident fund	663,602
Board remuneration	-
Total	19,655,547

Human Resources

As of 31 December 2014, the company and its subsidiaries had a total number of employees of 10,642. For 2014, the total remuneration including salary, overtimes, bonus, provident funds, etc. was Baht 3,120 million. In Thailand, there were 8,144 employees with Baht 2,265 million paid for remuneration.

Number of employees and remuneration in Thailand:

Y2014	Hana Microelectronics Public Co., Ltd.	Hana Semiconductor (Ayutthaya) Co., Ltd.
Production	3,574 employees	2,435 employees
Administration and others	1,003 employees	1,132 employees
Total employees	4,577 employees	3,567 employees
Total remuneration	Baht 1,173 million	Baht 1,092 million

Human Resource Development:

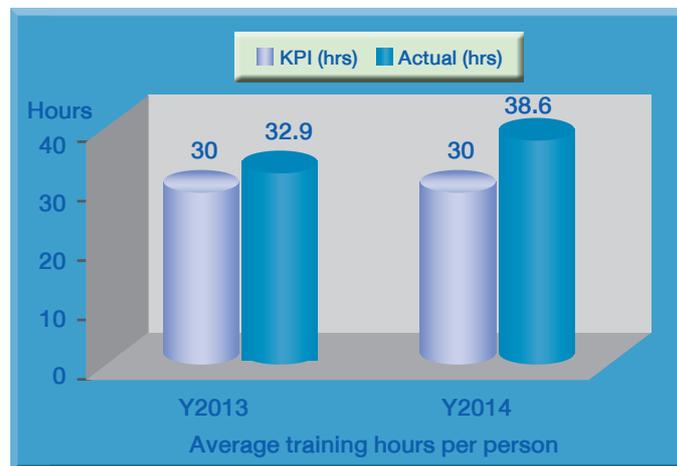
Hana believes in the value and potential of all employees. To attract and retain the employees, the company is dedicated to developing employees through continuous training and development programs. The company offers a wide range of training and development programs to enhance the knowledge, skills 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.

Management Structure

Objectives of employee training programmes 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

In 2014, the company provided employees' development into 6 competencies: Quality Concept, Technical Skill, Computer Skill, Management Skill, Safety-Health-Environment and other skills. Below is the average training hours per person against our KPI in 2014 compared to 2013.



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 2014, 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 actions as follows.

Before the meeting day:

The company holds the Annual General Meeting of Shareholders (AGM) within 4 months after financial year ends. In 2014, the company held the AGM on 30 April 2014 at 14:00 hrs. at its company head office located at 65/98 Soi Vibhavadi-Rangsit 64, Junction 2, Kwang Talad Bangkhen, Khet Laksi, 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 2014 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 2013 with the detailed procedure was available in the company website under section "Investor Relation" title "Corporate Governance." However, in 2014 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 can not 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 2014, 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 2014 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 2014, the company had no actions that violate the right of shareholders, such as not changing or adding agenda items without notifying shareholders in advance or which limit the access to the company's information that is released to public. In addition, the company did not prevent or obstruct any opportunities for shareholders to communicate with each other.

Corporate Governance

2. Equitable Treatment of Shareholders

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

Treat all class equally:

The company ensures fair treatment of shareholders irrespective of the size of each of their share holdings. Foreign shareholders and owners of small stakes (minority shareholders) as well as individual investors or institutional investors are treated equally. All of shareholders, in respect of each class of shares, are entitled to the same dividend payments, and have equal rights in the event of share capital increases. The company's shareholder meetings are open to all shareholders, and all shares of the same class have the same voting rights. Voting at the 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 2014 AGM, shareholders could, during the period from October – December 2013, 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 of directors and executive by a circular letter that those who may gain inside information should avoid trading the company's securities for the period of one month before the company announces its financial statements to the public and at least 24 hours after the information is widely spread out to the public.
- The directors and executives must disclose and report the purchase - sale/the company's shareholding to the corporate secretary to be submitted to the Securities Commission within the period prescribed by law and regulations set forth every time.
- The corporate secretary confirms the shareholding of individual director and executive and report to the board on a monthly basis.

In 2014, 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.

Corporate Governance

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 2014, the company was rated "excellent" in the assessment of the AGM by the Office of the SEC and the Thai Investors Association.

Customers

Hana places the highest value on our customers. The company aims to meet or exceed our customers' expectation for product quality, delivery, reliability, and competitive prices. Hana has 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 defect, 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 2014 the company and our subsidiary, Hana Semiconductor (Ayutthaya) Co., Ltd. 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".

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



Corporate Governance

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. 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.

Business Competitors

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

Creditors

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

Employees

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.

Health and safety in the workplace is the combined efforts of the company and employees 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.

Corporate Governance

The company also provides health and safety trainings for new hire and existing employees including managerial levels to ensure full awareness and how to manage and minimize such risks such as chemical spilt, fire fighting, earthquake evacuation, etc. In addition, safety and accident prevention training has been continuously provided to our partners and subcontractors.



The accident statistic report is posted on the bulletin board by detailing the target and accident statistics and being updated every day. The goal is to reduce accidents year by year. In 2014, the number of workplace accidents decreased from 8 cases from 15 cases in 2013, having no death or no any serious accident. When an accident occurs, a report describing the circumstances is submitted, and steps are taken to identify the cause and implement necessary improvements.

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.

The company believe that respect of human rights is an important part of being a good citizenship. The company has upheld human right in every activity we do and do not tolerate such discrimination in others. Our HR representatives provide advice and counsel to employees and managers to address issues involving human and labour rights. In 2014, the company has not been claimed or reported for any human right violation from employees, business partners, or local communities.

Communities, Society and Environment

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

Corporate Governance

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 2014, various environmental training courses had been provided to employees by both internal and external instructors such as:

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.

Channel of Complaints

Hana provides channels for all groups of 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.

Corporate Governance

Reporting channels for employees:

- 1) Department head or human resource department
- 2) General Manager of each factory
- 3) Complaint, suggestion or red boxes available at each factory
- 4) The “suggestion box” of the Audit Committee available at each of factory
- 5) Email: Complaintmatter@hanabk.th.com

Reporting channels for other stakeholders:

- 1) Mr. Bancha Tarnprakorn
Chairman of the board of Directors and the Audit Committee
Hana Microelectronics Public Co., Ltd.
65/98, Soi Viphavadee-Rangsit 64, Junction 2,
Kwaeng Talad Bangkhen,
Khet Laksi, Bangkok 10210, Thailand
- 2) E-mail: Complaintmatter@hanabk.th.com
- 3) Website: <http://www.hanagroup.com>

Handling of Complaints: For the complaints from employees, the company has a process for handling complaints by considering a matter and type of complaint and the materiality of wrongdoing. The company shall establish a committee to investigate the case and report to the plant general manager and/or executives. For other stakeholders, the Audit Committee shall appoint an internal audit department to conduct investigation. The Audit Committee shall report the major issues and recommendations to the board of directors.

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 2014, the company has not received 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 labor, human rights, and the environment.

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 2014, 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

Corporate Governance

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 2014, the company conducted analyst meetings four times to provide information about the past quarters' performance to the interested persons. Additionally, company visits by interested analysts are also welcome and can be arranged by appointment. All investors can access the company's financial information through the SET's Public disclosure system and at company's website: <http://www.hanagroup.com>, or contact to following person.

Name	Department	E-mail address	Phone number	Fax number
Mr. Terrence Philip Weir	Finance	terry@hanabk.th.com	02-5511297	02-5511299
Ms. Jirapa Kongmanee	Corporate Affairs	jirapak@hanabk.th.com	02-5511297 ext. 117	02-5511299
Ms. Penpimol Kotchabhakdi	Corporate Affairs	penpimol_k@hanabk.th.com	02-5511297 ext. 226	02-5511299

Enforce material interest (Conflict of Interest)

The board of directors has established the policy and procedure for directors and executives to report on conflict of interest to ensure that they are abided by their fiduciary duties in the way that they must not have interest, whether directly or indirectly, in the matter under their decision. Directors and executives are required to disclose any material interest in transactions or matters affecting the corporation through the established form approved by the board of directors, where those directors and executives shall be excluded from decision making involving transactions in which they have interests or are connected. The corporate secretary is responsible for receiving reports from directors and executives who disclose their interests and those of their related parties to the chairman and the chairman of Audit Committee. In 2014, 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.

Board diversify

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

Nomination of director and independent director

The board of directors gives emphasis on the transparency of director nomination. The company has the policy to give the right to 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 2014, 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.

Corporate Governance

Qualification of director

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

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

Qualification of independent director

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

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

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

Corporate Governance

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

Appointment of directors

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

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

Nomination of top executive

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

Supervision of subsidiary and associated companies

The board has its mechanisms to manage and oversight the subsidiary and associated companies. The board has delegated to the Executive Committee to oversee and responsible for the operations of its subsidiaries and associates include appointing the representative to be a director or a controlling person and shall report to the board accordingly. 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

Corporate Governance

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. In 2014, the company had 6 meetings. The chairman of the board and CEO set the agenda of meetings of the board. Any director may suggest agenda items and may raise at meetings other matters that they consider importance of discussion. Information and data for the board's understanding of the business to be discussed at meetings are distributed 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.

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 2014, the independent directors conducted a meeting without attendance of management 1 time. The meeting was conducted with the participation of internal and external auditors.

Orientation for new directors

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

Director development

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

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

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

Service on Other Boards

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

Corporate Governance

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 13 aspects ranging from the board roles, the relationship between the board and management, the board meeting, the availability of information to make decisions, the satisfaction with the implementation of good corporate governance and the external relations. The performance rating has divided into 5 scales: 5 = Excellent; 4 = Good; 3 = Satisfactory; 2 = Need Improvement; 1 = Unacceptable; 0 = No basis for judgement. 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 2014, the overall performance of the board group was assessed at an average 4.55 or “very good” ranking.

The board also has conducted the performance evaluation of each director individually using the self-assessment method with evaluation criteria in various fields: performance of the company, performance of his/her directorship, scope of duties and responsibilities, board meeting, and ethical issues. The performance rating is used the same scales as the board group assessment. In 2014, the company secretary concluded the board individual performance and reported to the board meeting with the average performance was 4.42 or “good” ranking.

Performance assessment of the sub-committees

The board has also conducted the performance evaluation of all sub-committees. The committee evaluates their own assessment and the company secretary reports the result to the board. In 2014, each sub-committee got the average score as “good”.

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 2014, the board assessed the performance of CEO with “very good” with the recommendation from the board that should keep up his personal fitness which is so essential in today’s competitiveness business environment.

Succession Plan

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

Corruption prevention

The company established the anti-corruption policy and has been reviewed and approved by the board yearly. The revised anti-corruption policy in 2014 is as follows.

Anti-corruption policy: 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.

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.

In 2014, the anti-corruption policy and related policies (the corporate code of conduct for employees and the board of directors, gifts and hospitality policy and supplier code of conduct) were revised to cover additional principles of best practice standards initiated by Private Sector Collective Action Coalition Against Corruption Council, or CAC. Those policies have been communicated to all employees. The supplier code of conducts was distributed to suppliers and required them to sign for acknowledgement and compliance.

Risk assessment: In 2014, the Risk Management Committee had arranged to assess the potential corruption risks by conducting the corruption risks separate from other risks and the risk profile was reported to the board. The Compliance Unit had put in the plan to perform compliance audit in mitigated risks with the established policy.

Training and execution plan: Our Audit Committee had attended a training course “Anti-Corruption for Executive Program” organized by the Thailand Institute of Directors (IOD). In 2014, the chairman of Risk Management Committee joined the conference “Tackling Corruption through Public-Private Collaboration” whereas other staff had joined other seminars hosted by CAC. In 2014, the board has approved the anti-corruption program and training plans so the company plans to provide the training to employees or initiate the projects to promote ethical/moral of employees in order to prevent any abuse actions. The company also plans to pass the certification of Private Sector Collective Action Coalition Against Corruption Council: CAC as to support the private sector in the fighting against corruption.

Reporting “Whistle Blowing”: The company provides channels for employees and stakeholders to report anyone acting for or on behalf of the company, engaging in bribery and corruption. In 2014, there was no reporting of incident of corruption/ fraud to the company.

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 2014, no compliant or dispute regarding ethical issue was reported.

Audit fee of external auditors

1. Audit fee

The company paid the audit fee to the audit firm in 2014 amounting to Baht 2,060,000. In addition, 3 subsidiary companies paid to the same audit firm amounting to Baht 1,640,000.

2. Non-audit fee

In 2014, the company and its subsidiaries paid the non-audit fee for BOI audit and inventory destruction fees to the same audit firm amounting to Baht 765,000 and Baht 20,000 will pay in 2015 for a work completed in 2014, totaling non-audit fee Baht 785,000.

Internal Control and Risk Management

The board of directors is responsible for establishing and maintaining the internal control system. In 2014, the board has performed self-assessment to evaluate the internal control system by applying the control assessment criteria from the Stock Exchange of Thailand. There is an Internal Audit Department and Compliance Unit to monitor and oversee the overall company activities in line with established system and applicable laws and regulations. The Risk Management Committee has been appointed to ensure implementation of the risk management policy to be monitored and limited overall risks at an acceptable level.

From the Board of Directors' Meeting No. 6 held on 12 December 2014 with the three independent directors attended the meeting, the board has assessed the company's internal control system by asking information from management as to assess the internal control in 5 principles; organizational control, risk management, management control activities, information and communication and monitoring measurement. The board concludes that the existing internal control systems are achieving their objectives and the company provided adequate staff to comply with the established system effectively including the safeguard of assets against loss or unauthorized use by the director and executive, and the assurance of transactions that may have the conflict of interests.

Internal Audit

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

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

Compliance Unit

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

Related Party Transaction

According to the note on Related Party Transactions of the consolidated financial statements for the year ended 31 December 2014 disclosed relevant details of related party transactions entered into by the company and its subsidiaries, the majority of the related party transactions were entered into in the normal course of business by the company and will not give rise to a conflict of interest.

In 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 ⁽¹⁾ and Han Family is the major shareholder of Omac Limited ⁽²⁾ and a director of the Company is a director of Omac Limited ⁽³⁾	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

Comment on related party transactions by independent directors

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

Related Party Transaction

Procedures to approve of entering to connected transactions

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

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

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

Policy of related transactions in future

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

Corporate Social Responsibility



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

CSR Policy, Vision and Strategy:

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

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

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

Corporate Social Responsibility

Stakeholders Prioritization:

Our key stakeholder groups are identified as follows.

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

Corporate Social Responsibility

Our priorities:

Following are our CSR efforts on areas that are of greatest interest and concern to our stakeholders.

- 1) Ethical business conduct
- 2) Efficient energy usage
- 3) Occupational Health, Safety and Labor
- 4) Environmental policy and management
- 5) Community and social involvement

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

In 2014, the company and its subsidiaries operate our businesses by integrating with CSR principles of the Stock Exchange of Thailand as follows.

1. Fair business conduct

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

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

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

2. Anti-corruption

In compliance with the best practice of good corporate governance and in line with the international standard, the board of directors has established an anti-corruption policy and declared our intent to enter a process of Collective Action by the private sector with the objective to support a Coalition against Corruption since 2013, aiming to counter corruption in any forms. In 2014, the progress of actions are provided in the Corporate Governance section in this annual report.

3. Respect Human Right

Hana respects the basic human rights of individuals. The company has policies to ensure that there shall be no human rights violation, shall treat all employees equally and create a workplace that is free from discrimination. The company has the career path development program for employees to enhance their knowledge and skills and open opportunities for future growth. Employees' remuneration shall be the same standard for employees who are men and women. 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 labor 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.

Corporate Social Responsibility

In 2014, the company had no major issues regarding labor and human right audit from our key customers' in-depth audits, where those audits had focused on anti-discrimination, anti-harassment and abuse, prevention of involuntary labor and underage labor, working hours, compensation, freedom of association, and etc.

4. Fair Labor Treatment

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

In addition, Hana supports projects of the government to protecting the rights of disabled persons to provide them with employment opportunities. The company employs persons who are disabled and arranges the appropriate job to their capability. The company also improved workplace environment to enable employees with disabilities easier access to the company's facilities. Furthermore, Hana also arranges a place for disabled persons to open the shops in the factory at no cost, which gain the good support from employees. In 2014, 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 that has been improved from 2013 which was awarded for "The Top Twenty Best Employers in Thailand".

2013: The Top 20
Best Employers in Thailand



2014: The Top 10
Best Employers in Thailand



Corporate Social Responsibility

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

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



The company provided pregnancy care support for pregnant employees by providing trainings regarding midwifery and newborn care, gift sets and pregnancy allowance per month. In 2014, 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 TIS18001 which is an international and Thai's occupational health and safety management system since 2005 to date. The company is committed to developing environmental and safety, health of employees and those involved, as well as uphold social responsibility and labor, along with operating the business and making continuous improvement as follows.

1. Resource conservation and use energy efficiently in order to prevent pollution and control the discharge of waste to minimize environmental impact. In 2014, the company investigated the leak of raw materials and chemical in the high risk areas regularly. Preparation of safety data for chemicals handling and post for awareness on the bulletin board, including training to employees to better understand the principles of safety and environment.
2. Provide the workplace with proper equipment to ensure safety and prevent accidents or incidence according to NFPA standards or international standards. The company also provides a first aid and nursing care in the factory 24 hours a day and ensures emergency planning and fire drills at least once a year. In 2014, the company has recorded accidents 8 times (accounted for 0.17% of total employees) reduced from 15 times (accounted for 0.31% of total employees) in 2013, which were investigated for the cause and made continuous improvement.

Corporate Social Responsibility

3. Compliance with applicable labor-related laws as well as to support the specific requirements of the customers regarding to health, safety, environment and social responsibility and labor including Electronic Industry Citizenship Coalition (EICC) Code of Conduct.

Employees at all levels of the organization have been trained with the policy of safety, health, environment, social responsibility and labor including the company code of conduct and EICC. In addition, the policies of occupational health, safety environmental and CSR have been released to the public through the factory bulletin board and to business partners.

5. Customer Responsiveness

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

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

It is the policy of Hana 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, Kaizen suggestion, and small group activities for daily paid employees who are accounted for 90% of overall staffs. The company continuously made development and we received good support by both internal and external organizations. From participating in group activity of Thailand Quality Prize organized by Technology Promotion Association (Thailand-Japan) over the past years, Hana Microelectronics Public Co., Ltd. received various awards continuously since 2009 - 2014. In 2014, the company received 6 golden awards of Manufacturing, Junior and Support QCC Prizes whereas Hana Semiconductor (Ayutthaya) Co., Ltd. received a golden award of Support QCC Prize so this is another quality management tool that allows Hana to develop its organization steadily.



Corporate Social Responsibility

6. Environmental care

As Hana has its manufacturing sites located in industrial estates, there are a number of control and management systems and standards to prevent pollution and impact to the environment and community. The company also has been certified for environmental management system ISO14001 continuously since 1999. In 2014, the company implemented the use of resources, reduce and prevent pollution to the environment and the community as follows:

Electricity: Hana invested in various projects to reduce energy consumption i.e., replacing fluorescent tubes of 36 watt each with LED 20 watt tubes, covering both in Lamphun and Ayutthaya factories. We installed equipment to reduce speed (Variable Speed Drive) and make improvement of motor and air cooling (AHU) according to energy conservation methods. Further, Hana also improved energy efficiency in air conditioning systems and compressed air systems and the control electrical energy during the holidays and at shift change.

1st Prize of Water Conservation in 2014
Department of Industrial Works



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 41%.

In 2014, Hana Semiconductor (Ayutthaya) Co., Ltd. received an excellent award from the Department of Industrial Works in regard to the water saving project with the 3 concepts of reduce, recycle and re-use of the waste water generated from the production lines. As such, Hana Ayutthaya has reducing the use of city water supplied to its production by 80% resulting in reducing the waste water discharge out of the factory 1,390 cubic meters per month or saving the cost of 717,240 baht per year.

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

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

Illumination Measurement: Dangers of light is affecting working employees. 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 periodically basis as to decide whether improvement measures are needed to protect employees.

Heat stress measurement: The company take a yearly measurement 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: Hana has implemented the separation of waste into three categories: general waste, recycle waste and hazardous waste. The waste disposition



Corporate Social Responsibility



is managed according to legal standards of the Department of Industrial Works properly.

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

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



Other efficient resource usage: Hana at each location has been implementing the resource usage efficiently such as store document as e-filing to minimize the number

of hard copies and save storage space, use double-side of paper, reuse old filings, reuse old carbon paper, reuse envelope for regular intra-office correspondence, use computer-fax software to reduce the use of paper, manage the toilet paper usage and etc. In 2014, Hana Ayutthaya received an excellent award from The Chaipattana Foundation by reducing the paper usage 25% from its KPI at 10% resulting in saving 420 trees per year.

Complaint Procedures: The company assigned environmental supervisors and operators, who received training and registration as required by law, to communicate information with the community and residents living around. The company also has the procedure for complaints and resolving complaints arising from the operation of the company. In 2014, the company has no major environmental complaints from the employees or the community.

In summary, Hana Microelectronics Public Co., Ltd. consumed lower energy in 2014 as follows.

Key energy measurement	2013	2014	Reference
CO2 Emission/Revenue	2,875.18 Kg CO2e/MB	2,157.68 Kg CO2e/MB	Total CO2 emissions divided by million Baht of revenue
Total CO2 Reduction/Revenue	572.99Kg CO2e/MB	697.32Kg CO2e/MB	Total CO2 reduction divided by million Baht of revenue
% Total CO2 Reduction/Revenue	20%	32%	
Electricity Consumption/Revenue	5,386.81 kWh/MB	4,071.10 kWh/MB	Total electricity consumption divided by million Baht of revenue
Total Electricity reduction/Revenue	1,081.11 kWh/MB	1,315.71 kWh/MB	Total electricity reduction divided by million Baht of revenue
% Total Electricity Reduction/Revenue	20%	32%	
Recycled Water Consumption	41%	41%	
Environmental Issues	None	None	

Corporate Social Responsibility

7. Social and community development

The company recognizes the participation with the community to support social stability and to be a good corporate citizen of society through following projects.

Promoting the participation of the community in governance of the factories/enterprises located at the Industrial Estate Authority of Thailand (Project: White Flag - Green Star) whereby the company recently received a satisfaction rating of "excellent" performance.

Rating criteria:



Committee:



Objectives of the project are to foster good relationship between the enterprises and surrounding communities, support the enterprises in the industrial estate to implement the good governance of the environment and corporate social responsibility (CSR) in their business, enhance the understanding and promote the trust of the community toward the enterprises for environmental management and encourage cooperation between the enterprise, community and society.

The benefits received from this project are as follows.

Industrial Estate	Enterprise	Community
<ol style="list-style-type: none"> Oversee the enterprise comply with the environmental and safety regulatory and standards Build confidence to local communities, inside/outside parties for the supervision of the Industrial Estates. Integrate the management with the principles of good governance and disclose the environmental performance to the public transparency and accountability Provide knowledge to employees of the Industrial Estate, enterprises and communities Create the cooperation among all sectors toward social responsibilities 	<ol style="list-style-type: none"> Build the understanding and trust of the community towards environmental management and reduce complaints nearby communities Promote the activities of the enterprise through the community directly Understand the implications of doing business in a socially responsible Build a good relationship between the enterprises within the Industrial Estate and the surrounding community 	<p>Change the type of correspondence of the community from receiving donations to participate in activities that lead to job creation, skills development, contribute to the sustainable development of the country</p>

Corporate Social Responsibility

Other projects support local communities:

Hana Lamphun signed MOU with Kawila-anukul school to support the mentally disabled children in Chiangmai for skill development program (student apprentice). In addition, the company supported the knowledge sharing program with Mae Fha Luang University in Chiangrai to support students and teachers of Business Administration faculty to learn about Production Planning and Quality Control Management.



Hana Microelectronics Co., Ltd. (Jiaxing) helped local Panxi Primary school to setup their Youth Sports Club, which is the only major sport club opened to public in Xincheng Town where our factory is located. This increased our staff's interaction with local residents through sports activities.

Hana Jiaxing city government launched a promotion project called "Water Pollution Control and Clearing". Hana Jiaxing has participated as a pioneer contributor to help kick-start the project aiming to improve water quality solutions in the community.

Corporate Social Responsibility

CSR-After-Process (Charity and Community Support)

Hana has the corporate social activities that go beyond normal business operations. The company has provided such activities for a long time. In 2014, our CSR-after-process is as follows:



Activities to raise funds for advanced medical machines: Princess Maha Chakri Sirindhorn received the donation of THB 8m from Mr. Richard David Han, Executive Vice Chairman and CEO of Hana Microelectronics Public Co., Ltd., on behalf of the Fundraising Project Team to obtain for "Next Generation Sequencing (NGS)" technology for Chula Neuroscience Department, King Chulalongkorn Memorial Hospital, The Thai Red Cross Society on September 30, 2014.

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

To help society against threats and promote the good health, Hana joined Lamphun Warrior football clinic to teach 60 students nearby including provided scholarships and sports equipment to schools in order to promote their health and prevent drug problems.

Hana Lamphun and FAPTA Club arranged School Farming for 70 hill tribe students for "earn a living campaign" by teaching them to build mushroom farm, duck farm etc.



Activities to bring hope to the less fortunate: Hana at each location made the donations to local charities where those charities have been reviewed to be reliable foundations as to ensure that our donation benefits the people and organizations we want to help.



Corporate Social Responsibility

Activities to help victims of natural disaster: Hana Jiaxing provided much-needed financial aid to our employees to alleviate the sufferings of their families who were affected by the “Ludian Earthquake” which occurred in August 2014. The magnitude of the earthquake was recorded as 6.5 Richter.



Social activities by employees

Blood donation: Employees of Hana Lamphun and Ayutthya joined with the Red Cross for blood donation. In 2014, employees donated blood on a quarterly basis giving 480,000 milliliters of blood.

Aluminum donation: From employees' participation, Hana Ayutthaya donated 22 kilograms of aluminum can parts to Prostheses Foundation for development of a Continuous Passive Motion Device for knee/leg components.



Audit Committee Report

The Audit Committee of Hana Microelectronics Public Company Limited is composed of three independent directors. Members of the Committee meet the qualification and the scope of work is in accordance with the rules and regulations of the Stock Exchange of Thailand.

In performing its oversight responsibilities, the Committee held 4 meetings during 2014. The meeting attendance of each committee is as follows.

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

In 2014, 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 2014 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 system which is 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 2014, 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 2015, the Audit Committee recommended to appoint Mrs. Saifon Inkaew and/or Ms. Siriwan and/or Mr. Wichart Lokatekrawee of EY Office Limited as the auditors of Hana Microelectronics Public Co., Ltd. for a total remuneration of Baht 2,170,000.

The Audit Committee concludes its satisfaction with the accuracy, completeness and creditability of 2014 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 Tamprakorn
Chairman of Audit Committee

Nomination Committee Report

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

In 2014, the company had 2 meetings and all Committee members attended the meeting. The Committee reviewed the candidates who have the qualifications to match with the company's requirement. In respect of the candidate nominations for new director appointments in 2014, the company invited to the shareholders to propose candidates for election to the board. The policies and procedures to allow shareholders to propose candidates for the election of the board are posted on the company's website. However, there were no proposed candidates to the Committee from the shareholders in previous year. Therefore, the Nomination Committee reviewed those directors whose term expired by rotation in accordance with the company's Articles of Association. The Committee has considered that those directors can continue to make further contribution to the board and the company.

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



Mr. Yingsak Jenratha
Chairman of Nomination Committee

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 2014, the company had 1 meeting and all Committee members attended the meeting. The Committee reviewed the corporate governance policy 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 first year on “Top Corporate Governance Report Awards” for 2014. The company was also assessed with “very good” level on quality on arrangement of Annual General Meeting of Shareholders in 2014 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.

A handwritten signature in blue ink, appearing to be 'T. Weir'.

Mr. Terrence Philip Weir

Chairman of Corporate Governance Committee

Management's Discussion and Analysis

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 20% year on year, to THB 21.2 billion in year 2014 from THB 17.7 billion in year 2013. Sales Revenue in USD terms increased by 14% to USD 653m in 2014 from USD 574m in 2013. Operating profits increased 54% to THB 2,064m in 2014 from THB 1,340m in 2013. Operating profits increased 46% in USD terms to USD 63m in 2014 from USD 43m in 2013.

Net Profit increased by 48% to THB 3,405m in 2014 from THB 2,301m in 2013. The subsidiary, Hana Semiconductor (Ayutthaya) Co., Ltd., continued to recover from the impact of the flood in 2011 and has been operationally profitable from mid 2013. Net Exceptional items were THB 519m higher in 2014 than 2013. Net Exceptional items in 2013 of THB 831m is THB 941m for the final payments of insurance proceeds for property damage less THB 110m for income tax and fine related to the 1997 income tax case as detailed in Note 18.5 of the financial statements for Q313.

Past Performance Analysis

Revenue Analysis

Group Sales were higher by 20% in 2014 at THB 21,227m from THB 17,667m in 2013 with markets being strong throughout 2014 unlike 2013 and 2012 which had distinctly strong and weak halves for each of those years. USD sales were 14% higher in 2014 at USD 653m from USD 574m in 2013 as the average THB/USD exchange rate in 2013 weakened 5% to THB/USD 32.48 in 2014 from THB/USD 30.80 in 2013.

The Microelectronics divisions' sales revenue increased 16% [+23% THB] in 2014 over 2013. The microelectronics operation in Lamphun sales increased 21% [+27% in THB terms] and Jiaying increased by 4% [+13% in THB terms] in 2014. In 2014 IC assembly sales overall increased by 9% in USD terms [+15% in THB terms]. Specifically, IC Ayutthaya sales increased 10% [+16% in THB terms], and IC Jiaying increased 2% [+8% in THB terms].

Hana Microdisplay Technologies "HMT", sales increased 29% [+37% THB] for the year.

The annual sales split was:

	2014	2013	2012
PCBA (Thailand)	47%	44%	42%
PCBA (China)	20%	22%	25%
CPG - (Bangkok)	0%	0%	0%
IC (AYT)	26%	27%	25%
IC (China)	6%	6%	7%
HMT (USA)	1%	1%	1%
	100%	100%	100%

Management's Discussion and Analysis

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

Gross Profit increased by THB 885m with the gross margin being 14% in 2014 up 3% from 11% in 2013. This was due to the increase in sales at all operations. 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.

Operating Profit Analysis

The Operating profit margin increased 2% in 2014 to 10% from 8% in 2013 due to the higher Gross Profit margin. SGA expenses increased by 10% [THB 88m] due to increased salaries in 2014.

Payout Analysis

THB 805m dividend of THB 1.00 per share was paid during the quarter as an interim dividend from the profits of 2014.

In Q214 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2013.

THB 402m dividend of THB 0.50 per share was paid during the quarter as an interim dividend from the profits of 2013.

In Q213 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2012.

In Q412, THB 402m dividend of THB 0.50 per share was paid during the quarter as an interim dividend from the profits of 2012.

In Q212 THB 805m dividend of THB 1.00 per share was paid during the quarter as final dividend from the profits of 2011.

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

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st December, 2014 were THB 8.7 billion up from 31st December, 2013 of THB 6.7 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.

Trade Receivables	2014	2013	2012
Less than 3 months	3,196,839	3,132,604	2,653,880
3 - 6 months	24,772	13,813	23,758
6 - 12 months	7,732	1,222	16,349
More than 12 months	2,024	3,150	3,173
Total accounts receivable - other companies	3,231,367	3,150,789	2,697,160
Less : Allowance for doubtful accounts	(24,410)	(4,269)	(6,904)
	3,206,957	3,146,520	2,690,256

Management's Discussion and Analysis

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 61 days in 2014, 69 days in 2013 and 64 days in 2012.

Liquidity

The group has THB 8.7 billion in cash and short term investments with no interest bearing debt. Liquidity ratios are high at approximately 3 times current liabilities. Operating Cashflow (EBITDA) was 11% higher in 2013 due to the higher sales at the Thai operations and operating profit at Ayutthaya plant in 2013 as opposed to its operating loss in 2012.

EBITDA at THB 3.2 billion in 2014 and 2.6 billion in 2013 and THB 2.3 billion in 2012.

Cash and short term investments in 2014 increased by THB 1.9 billion to THB 8.7 billion, due to EBITDA 3.2 billion less final dividend THB 0.8b, interim dividend Q414 THB 0.8b , capital expenditure THB 0.8b, increase in working capital of THB 0.2b and insurance proceeds of THB 1.3b.

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

Cash and short term investments in 2012 decreased by THB 0.3 billion to THB 5.5 billion, due to EBITDA 2.3 billion less final dividend THB 0.8b, interim dividend Q412 THB 0.4b , capital expenditure THB 1.4 billion.

Capital Expenditure

Net Capital Expenditure was THB 854m in 2014, THB 1,221m in 2013 and THB 1,372m in 2012. Capital Expenditure was lower in 2014 due to the lower sales from Ayutthaya plant compared to before the flood in 2011.

Generally, capital expenditure for production equipment will follow the increase in sales, particularly in the IC division. However, there is a 3 to 6 month time lag due to the ordering lead time. Plant expansion will depend on the current building utilisation and lead time to construct new plant or expand in an existing plant.

Source of Financial Capital

As the group has no interest bearing debt and operating working capital is positive the group's funding is from the shareholders' equity.

Major Factors which could have an Impact on the Company's Performance

The company business is that of an electronics manufacturing service company. The company manufactures products on behalf of its customers for shipment to them or their customers. Therefore, the company's performance is mostly affected by its ability to win and retain business from the existing and new customers.

In turn, customer demand is affected by world economic growth and the customer's sales growth. The group's sales revenue are in foreign currency (primarily USD) and USD currency costs are approximately 60% percent of sales revenues. The Group operating profit sensitivity to change in the Thai Baht/USD and Chinese CNY/USD exchange rates is currently about Baht 200m per quarter for every 10% change in the average Baht/USD and CNY/USD rates (i.e. $(1 - 0.60) \times \text{Sales Revenue} \times 10\%$).

Management's Discussion and Analysis

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

Whilst the book value of the offshore companies are represented in foreign currency, the effect of the change in the exchange rate is shown by the movement of the foreign currency 'Translation Adjustment' in the shareholders funds section of the balance sheet. There is no cash affect concerning its movement.

For Hana being an export group of companies the currency movements cause volatility in earnings due to effects on the operating margins and also inventory valuations (which the management report each quarter when there is a material effect on the profits) and margins.

Foreign Exchange Rates

The THB/USD currency movements reflected the economic trends in emerging markets and commodities during period. The average rate for 2014 of THB/USD 32.48 was 5% weaker than the THB/USD 30.80 in 2013 which was 1% stronger than the THB/USD 31.03 in 2012.

Exceptional Items

The plant of Hana Semiconductor (Ayutthaya) Co., LTD, a 100% owned subsidiary of the company, which is located in Hitech Industrial Estate in Ayutthaya province, was inundated in early October 2011 as a result of the extensive flooding in Thailand during the fourth quarter of 2011. The plant, equipment and business of the subsidiary suffered major damage with approximately USD 40m of property damage and significant business interruption losses. In the 2011 Financial Statements the subsidiary made full provision for the book value of the damaged property which is to be replaced. The subsidiary has also expensed repairs incurred during the fourth quarter in the 2011 accounts.

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

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

THB 110m for income tax and fine related to the 1997 income tax case as detailed in Note 18.5 of the financial statements for Q313.

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

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

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 perceive are significant changes within our major client base which may be brought about due to any number of external factors such as a change in their ownership, or a change in their product program. Whilst Hana's key strategy is to maintain a diverse base of customers with different industry exposures; significant changes from any one of our major clients can effect the group's performance. Market conditions resulting from changes in economic growth rates of economies will also affect prices and demand for the company's services.

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 minimise 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 minimises 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 200m 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 110m is hedged, Foreign exchange contracts are used to buy THB and Sell USD on a rolling 3 or 6 months basis.

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

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.

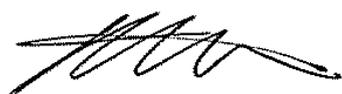
Report of the Board of Directors' Responsibilities for Financial Statements

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.

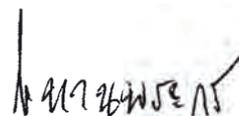
The maintenance of the internal control system and risk management system are the responsibilities of the Board to reasonably assure that assets are safeguarded from unauthorized use or disposition and that the accounting records are sufficiently reliable to permit the preparation of financial statements 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 2014 are materially accurate, complete, and reliable.



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



Mr. Bancha Tamprakorn
Chairman of the Board of Directors

Independent Auditor's Report

To the Shareholders of Hana Microelectronics Public Company Limited

I have audited the accompanying consolidated financial statements of Hana Microelectronics Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, 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

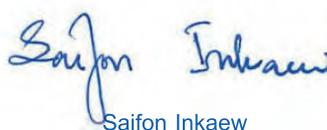
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 2014, 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 2015

Statements of Financial Position

Hana Microelectronics Public Company Limited and its subsidiaries

As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Assets					
Current assets					
Cash and cash equivalents	7	5,467,222,517	4,185,699,240	743,165,162	320,031,555
Short-term investments	9	2,863,279,506	2,524,310,445	-	-
Trade and other receivables	8, 10	3,354,080,283	3,241,169,331	1,441,054,210	1,447,222,745
Insurance claim receivable	24	-	11,963,350	-	-
Inventories	11	3,328,913,995	3,171,981,346	1,286,124,916	1,268,860,532
Other current assets		118,864,366	142,622,842	36,556,420	53,082,799
Total current assets		15,132,360,667	13,277,746,554	3,506,900,708	3,089,197,631
Non-current assets					
Investments in subsidiary companies	12	-	-	3,583,449,338	3,583,449,338
Investments in fixed deposit with financial institution	13	330,689,904	-	-	-
Property, plant and equipment	14	6,405,503,644	6,691,459,482	2,645,684,457	2,363,294,921
Land leasehold rights	15	140,641,024	153,418,018	-	-
Other intangible assets	16	19,685,072	12,162,954	12,661,895	4,583,679
Deferred tax assets	23	16,145,022	18,923,900	8,147,483	8,070,241
Other non-current assets		6,306,674	3,426,330	1,425,750	2,456,678
Total non-current assets		6,918,971,340	6,879,390,684	6,251,368,923	5,961,854,857
Total assets		22,051,332,007	20,157,137,238	9,758,269,631	9,051,052,488

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

Statements of Financial Position (continued)

Hana Microelectronics Public Company Limited and its subsidiaries

As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Liabilities and shareholders' equity					
Current liabilities					
Short-term loan from financial institution	17	-	15,946,294	-	-
Trade and other payables	8, 18	2,477,893,174	2,484,859,386	1,541,969,284	1,439,190,834
Short-term provisions	19	360,133,931	419,335,350	64,109,834	147,521,727
Income tax payable		171,711,756	17,606,250	9,947,271	11,488,200
Other current liabilities		162,119,741	239,513,726	58,288,766	92,291,075
Total current liabilities		3,171,858,602	3,177,261,006	1,674,315,155	1,690,491,836
Non-current liabilities					
Provision for long-term employee benefits	20	515,861,826	385,798,676	259,352,014	190,303,427
Total non-current liabilities		515,861,826	385,798,676	259,352,014	190,303,427
Total liabilities		3,687,720,428	3,563,059,682	1,933,667,169	1,880,795,263
Shareholders' equity					
Share capital					
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
Retained earnings					
Appropriated - statutory reserve	21	386,272,214	375,919,402	100,000,000	100,000,000
Unappropriated		15,028,832,891	13,301,101,567	5,196,504,620	4,542,159,383
Other components of shareholders' equity		420,408,632	388,958,745	-	-
Total shareholders' equity		18,363,611,579	16,594,077,556	7,824,602,462	7,170,257,225
Total liabilities and shareholders' equity		22,051,332,007	20,157,137,238	9,758,269,631	9,051,052,488

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

Income Statements

Hana Microelectronics Public Company Limited and its subsidiaries
For the year ended 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013 (Restated)	2014	2013 (Restated)
Revenues					
Sales		21,227,208,701	17,667,000,224	9,974,637,705	7,820,471,366
Interest income		214,997,969	165,169,401	12,569,353	4,985,319
Dividend income	12, 29	42,750	42,750	1,030,042,750	1,190,042,750
Gain on exchange		107,382,085	-	70,054,060	70,263,313
Insurance compensation income	24	1,350,000,000	941,604,182	-	-
Other income	30.5	271,599,341	377,836,118	60,647,177	87,440,852
Total revenues		23,171,230,846	19,151,652,675	11,147,951,045	9,173,203,600
Expenses					
Cost of sales	22	18,358,461,041	15,682,895,650	8,551,073,920	6,701,734,797
Selling expenses		124,381,914	126,550,120	26,607,159	27,794,315
Administrative expenses		868,791,714	778,358,672	248,339,825	201,357,381
Loss on exchange		-	60,328,888	-	-
Other expenses	30.5	39,062,698	132,002,485	-	110,401,571
Total expenses		19,390,697,367	16,780,135,815	8,826,020,904	7,041,288,064
Profit before finance cost and income tax expenses					
Finance cost		(8,269,759)	(8,642,769)	(2,186,821)	(3,251,308)
Profit before income tax expenses		3,772,263,720	2,362,874,091	2,319,743,320	2,128,664,228
Income tax expenses	23	(366,768,034)	(61,956,391)	(25,080,817)	(24,785,310)
Profit for the year		3,405,495,686	2,300,917,700	2,294,662,503	2,103,878,918
Profit attributable to:					
Equity holders of the Company		3,405,495,686	2,300,917,700	2,294,662,503	2,103,878,918
Earnings per share					
Basic earnings per share	25				
Profit attributable to equity holders of the Company		4.23	2.86	2.85	2.61
Number of weighted average ordinary shares (shares)		804,878,860	804,878,860	804,878,860	804,878,860

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

Statements of Comprehensive Income

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013 (Restated)	2014	2013 (Restated)
Profit for the year		3,405,495,686	2,300,917,700	2,294,662,503	2,103,878,918
Other comprehensive income:					
Actuarial (gains) losses, net of income tax	4, 20, 23	(57,653,830)	36,280,860	(30,559,546)	2,560,125
Gain (loss) on change in value of available-for-sale investments	9.2	40,652,171	(91,864,993)	-	-
Exchange differences on translation of financial statements in foreign currency, net of income tax	23	(9,202,284)	661,540,245	-	-
Other comprehensive income for the year		(26,203,943)	605,956,112	(30,559,546)	2,560,125
Total comprehensive income for the year		3,379,291,743	2,906,873,812	2,264,102,957	2,106,439,043
Total comprehensive income attributable to:					
Equity holders of the Company		3,379,291,743	2,906,873,812	2,264,102,957	2,106,439,043

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

Statements of changes in shareholders' equity

Hana Microelectronics Public Company Limited and its subsidiaries
For the year ended 31 December 2014

(Unit: Baht)

	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	Surplus (deficit) on changes in value of available-for-sale investments	Exchange differences on translation of financial statements in foreign currency	Total other components of shareholders' equity	
Balance as at 31 December 2012	804,878,860	1,723,218,982	352,497,188	12,194,643,511	210,082,418	(390,798,925)	(180,716,507)	14,894,522,034
Profit for the year (restated)	-	-	-	2,300,917,700	-	-	-	2,300,917,700
Other comprehensive income for the year (restated)	-	-	-	36,280,860	(91,864,993)	661,540,245	569,675,252	605,956,112
Total comprehensive income for the year	-	-	-	2,337,198,560	(91,864,993)	661,540,245	569,675,252	2,906,873,812
Dividend paid	-	-	-	(1,207,318,290)	-	-	-	(1,207,318,290)
Unappropriated retained earnings transferred to statutory reserve	-	-	23,422,214	(23,422,214)	-	-	-	-
Balance as at 31 December 2013	804,878,860	1,723,218,982	375,919,402	13,301,101,567	118,217,425	270,741,320	388,958,745	16,594,077,556
Balance as at 31 December 2013	804,878,860	1,723,218,982	375,919,402	13,301,101,567	118,217,425	270,741,320	388,958,745	16,594,077,556
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)	-	-	-	-
Balance as at 31 December 2014	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

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

Statements of changes in shareholders' equity (continue)

Hana Microelectronics Public Company Limited and its subsidiaries
For the year ended 31 December 2014

(Unit: Baht)

	Note	Separate financial statements					Total shareholders' equity
		Issued and paid up share capital	Share premium	Retained earnings		Unappropriated	
				Appropriated Statutory reserve	Unappropriated		
Balance as at 31 December 2012		804,878,860	1,723,218,982	100,000,000	3,643,038,630	6,271,136,472	
Profit for the year (restated)		-	-	-	2,103,878,918	2,103,878,918	
Other comprehensive income for the year (restated)		-	-	-	2,560,125	2,560,125	
Total comprehensive income for the year		-	-	-	2,106,439,043	2,106,439,043	
Dividend paid	29	-	-	-	(1,207,318,290)	(1,207,318,290)	
Balance as at 31 December 2013		804,878,860	1,723,218,982	100,000,000	4,542,159,383	7,170,257,225	
Balance as at 31 December 2013		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	29	-	-	-	(1,609,757,720)	(1,609,757,720)	
Balance as at 31 December 2014		804,878,860	1,723,218,982	100,000,000	5,196,504,620	7,824,602,462	

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

Statements of Cash Flows

Hana Microelectronics Public Company Limited and its subsidiaries
For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013 (Restated)	2014	2013 (Restated)
Cash flows from operating activities				
Profit before tax	3,772,263,720	2,362,874,091	2,319,743,320	2,128,664,228
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation	1,121,656,471	1,184,471,801	271,568,394	280,818,892
Amortisation expenses	3,424,386	3,918,024	1,429,632	706,542
Allowance for doubtful accounts (reversal)	20,140,943	(2,634,228)	-	-
Reversal of reduction of inventories to net realisable value	(45,651,599)	(97,411,894)	(39,787,938)	(17,089,759)
Dividend income from subsidiary companies	-	-	(1,030,000,000)	(1,190,000,000)
Dividend income from other company	(42,750)	(42,750)	(42,750)	(42,750)
Loss (gain) on disposals/write-off equipment and intangible assets	31,023,613	(3,487,767)	(162,600)	1,175,963
Allowance for impairment loss on assets (reversal)	(23,581,138)	6,919,622	(2,890,238)	-
Provision for product warranty	22,762,027	17,926,398	-	-
Provision for vacation	764,316	571,140	48,002	465,083
Provision for long-term employee benefits	72,464,227	53,598,350	38,022,721	27,704,293
Provision for loss on tax assessments (reversal)	(16,407,143)	85,323,961	(16,407,143)	85,323,961
Gain on sales/redemption of short-term investments	(11,599,669)	(33,802,404)	-	-
Revaluation loss (gain) on investments in securities held for trading	352,936	(4,557,544)	-	-
Unrealised loss (gain) on exchange	17,691,342	(3,030,141)	15,172,704	(4,252,457)
Unrealised loss on forward contracts	57,902,147	117,452,036	-	-
Interest income from short-term investments	(140,285,647)	(111,925,264)	-	-
Interest expenses	408,114	1,420,630	-	755,890
Profit from operating activities before changes in operating assets and liabilities	4,883,286,296	3,577,584,061	1,556,694,104	1,314,229,886

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

Statements of cash flows (continued)

Hana Microelectronics Public Company Limited and its subsidiaries
For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013 (Restated)	2014	2013 (Restated)
Operating assets (increase) decrease				
Trade and other receivables	(174,094,127)	(369,691,411)	(26,957,105)	(115,539,100)
Insurance claim receivable	11,963,350	(11,963,350)	-	-
Inventories	(111,281,050)	(226,801,137)	22,523,554	(336,709,057)
Other current assets	24,242,965	20,898,043	16,853,782	(3,716,563)
Other non-current assets	(3,674)	(53,679)	-	-
Operating liabilities increase (decrease)				
Trade and other payables	(36,591,582)	431,383,386	83,648,887	588,557,085
Other current liabilities	(111,098,388)	83,614,150	(34,051,019)	68,678,035
Cash from operating activities	4,486,423,790	3,504,970,063	1,618,712,203	1,515,500,286
Cash paid for long-term employee benefits	(521,227)	(7,836,852)	-	(1,872,408)
Cash paid for redemption of swap contract	-	(195,077)	-	-
Cash paid for tax assessments	(67,004,750)	(152,377,732)	(67,004,750)	(152,377,732)
Cash paid for corporate income tax	(234,738,869)	(107,566,688)	(26,232,669)	(24,598,541)
Interest paid	-	(756,266)	-	(755,890)
Net cash from operating activities	4,184,158,944	3,236,237,448	1,525,474,784	1,335,895,715
Cash flows from investing activities				
Increase in fixed deposit with financial institution	(330,689,904)	-	-	-
Increase in short-term investments	(664,046,354)	(607,875,913)	-	-
Interest income from short-term investments	141,071,227	104,919,131	-	-
Proceeds from sales/redemption of short-term investments	376,976,197	400,150,608	-	-
Increase in investment in subsidiary company	-	-	-	(155,947,500)
Dividend income from subsidiary companies	-	-	1,030,000,000	1,190,000,000
Dividend income from other company	42,750	42,750	42,750	42,750
Acquisitions of property, plant and equipment and other intangible assets	(813,343,347)	(1,427,262,613)	(531,163,964)	(936,054,165)
Proceeds from disposals of equipment	25,281,119	60,086,649	7,506,829	298,407
Cash paid for land leasehold rights	-	(153,418,018)	-	-
Decrease (increase) in other non-current assets	(2,876,670)	17,448,206	1,030,928	(1,030,928)
Net cash from (used in) investing activities	(1,267,584,982)	(1,605,909,200)	507,416,543	97,308,564

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

Statements of cash flows (continued)

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013 (Restated)	2014	2013 (Restated)
Cash flows from financing activities				
Decrease in short-term loans from financial institution	(15,946,294)	(8,489,177)	-	-
Cash paid for interest expenses	(408,114)	(664,364)	-	-
Dividend paid	(1,609,757,720)	(1,207,318,290)	(1,609,757,720)	(1,207,318,290)
Net cash used in financing activities	(1,626,112,128)	(1,216,471,831)	(1,609,757,720)	(1,207,318,290)
Increase in cash and cash equivalents	1,290,461,834	413,856,417	423,133,607	225,885,989
Translation adjustment	(8,938,557)	660,661,919	-	-
Net increase in cash and cash equivalents	1,281,523,277	1,074,518,336	423,133,607	225,885,989
Cash and cash equivalents at beginning of year	4,185,699,240	3,111,180,904	320,031,555	94,145,566
Cash and cash equivalents at end of year (Note 7)	5,467,222,517	4,185,699,240	743,165,162	320,031,555
Supplemental cash flow information				
Non-cash related transactions from investing activities				
Net increase (decrease) in accounts payable for purchase of plant and equipment	53,250,390	(109,389,855)	36,755,805	9,470,848
Revaluation gain (loss) from changes in fair value of investments in available-for-sale securities	40,652,171	(91,864,993)	-	-
Translation adjustment for deferred tax assets	263,727	(878,326)	-	-

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 2014

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	
			2014	2013
			Percent	Percent
Held by the Company				
Hana Semiconductor (BKK) Company Limited	Holding company	Thailand	100	100
Omac Sales Limited	Purchasing of electronic components and equipment	Hong Kong	100	100
Hana Microelectronics International Company Limited	Holding company	British Virgin Islands	100	100
Hana Microelectronics Investments Company Limited	Holding company	British Virgin Islands	100	100
Hana Technologies Group Limited	Holding company	Cayman Islands	100	100
Hana Microelectronics (Cambodia) Company Limited	Manufacture and trading of electronic components	Cambodia	100	100
Hana Semiconductor (Ayutthaya) Company Limited	Manufacture and trading of electronic components	Thailand	58	58
Held through the subsidiary companies				
Hana Semiconductor International Limited	Trading of electronic components	British Virgin Islands	100	100
Hana Semiconductor Holdings Limited	Holding company	British Virgin Islands	100	100
Hana Technologies Investments Limited	Holding company	Cayman Islands	100	100
Hana Microdisplay Technologies, Inc.	Manufacture and trading of electronic components	USA	100	100
Hana Microelectronics, Inc.	Agent and customer services	USA	100	100
Hana Microelectronics Enterprises Company Limited	Holding company	British Virgin Islands	100	100
Hana Macao Commercial Offshore Limited	Customer services	Macao	100	100
Hana Microelectronics (Jiaxing) Company Limited	Manufacture and trading of electronic components	China	100	100
Hana Semiconductor (Ayutthaya) Company Limited	Manufacture and trading of electronic components	Thailand	42	42

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

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

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

3. New 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 accounting year

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

b. Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that 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 accounting standards. The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed 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 existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

The Company and its subsidiaries have changed this accounting policy in this current year and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised actuarial gains and losses in other comprehensive income. The cumulative effect of this change in the accounting policy has been presented in Note 4 to the financial statements.

TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate 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 the investees and determine which entities have to be included for 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 2014

The management of the Company and its subsidiaries believes that the standards will not have any significant impact on the Company 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 to 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 measurements. 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 effect of the change from the adoption of this standard is to be recognised prospectively.

At present, the management of the Company and its subsidiaries is evaluating the impact to the financial statements in the year when this standard is adopted.

4. Cumulative effect of changes in accounting policy due to the adoption of new financial reporting standard

During the current year, the Company and its subsidiaries made the changes described in Note 3 to the financial statements to its accounting policies, as a result of the adoption of TAS 19 (revised 2014) Employee Benefits. There is no impact to provision for long-term employee benefit liabilities and retained earnings in the financial statements.

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

(Unit: Thousand Baht)

	For the year ended 31 December 2014		For the year ended 31 December 2013	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Income statements				
Increase (decrease) in cost of sales	(31,010)	(16,738)	17,561	6,312
Increase (decrease) in administrative expenses	(27,110)	(14,288)	18,762	(3,709)
Increase (decrease) in income tax expenses	466	466	(42)	(42)
Increase (decrease) in profit for the year	57,654	30,560	(36,281)	(2,560)
Increase (decrease) in basic earnings per share (Baht)	0.072	0.038	(0.045)	(0.003)
Statements of comprehensive income:				
Increase (decrease) in actuarial gains and losses, net of income tax	(57,654)	(30,560)	36,281	2,560

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

5. Significant accounting policies

5.1 Revenue recognition

Sales of goods

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

Interest income

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

Dividends

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

Rental income

Rental income is recognised on an accrual basis.

5.2 Cash and cash equivalents

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

5.3 Trade accounts receivable

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

5.4 Inventories

Raw materials, work in process, and finished goods are valued at the lower of 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.

5.5 Investments

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

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

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

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

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.

5.6 Property, plant and equipment and depreciation

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

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

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

Depreciation is included in determining income.

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

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

5.7 Intangible assets

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

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

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

5.8 Related party transactions

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

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

5.9 Foreign currencies

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

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

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

Gains and losses on exchange are included in determining income.

5.10 Impairment of assets

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

An impairment loss is recognised in profit or loss.

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

5.11 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

5.12 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.

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

5.13 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.

5.14 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.

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

6. Significant accounting 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:

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

6.1 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.

6.2 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.

6.3 Fair value of financial instruments

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

6.4 Impairment of equity investments

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

6.5 Property plant and equipment and depreciation

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

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

6.6 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management 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.

6.7 Post-employment benefits under defined benefit plans

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

6.8 Litigation

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

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

7. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2014 and 2013 as reflected in the statements of financial position and cash flows consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cash	1,006	697	163	160
Bank deposits	2,279,399	2,820,647	243,002	319,872
Fixed deposits with maturity not over 3 months	3,186,818	1,364,355	500,000	-
Cash and cash equivalents	5,467,223	4,185,699	743,165	320,032

As at 31 December 2014, bank deposits in savings accounts and fixed deposits carried interests between 0.001 and 2.860 percent per annum (2013: 0.001 and 2.860 percent per annum).

8. Related party transactions

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

(Unit: Million Baht)

	Separate financial statements		Transfer pricing policy
	2014	2013	
Transactions with subsidiary companies (eliminated from the consolidated financial statements)			
Sales of goods	22	7	Prices agreed between the parties due to the uniqueness of products sold to each customer
Dividend income	1,030	1,190	Declared rate
Rental income	-	3	Contract price
Purchase of materials	205	209	Cost plus mark up
Purchase of fixed assets	14	24	Cost plus mark up
Service fee expenses	2	3	Rates stipulated in the agreement

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

As at 31 December 2014 and 2013, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade and other receivables (Note 10)				
Trade receivables - related parties				
Subsidiary companies	-	-	23,006	5,695
Total trade receivables - related parties	-	-	23,006	5,695
Other receivables - related parties				
Subsidiary companies	-	-	26	91
Related company (by way of common directors)	32	32	-	-
Total other receivables - related parties	32	32	26	91
Total trade and other receivables	32	32	23,032	5,786

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade and other payables (Note 18)				
Trade payables - related parties				
Subsidiary companies	-	-	528,174	387,092
Total trade payables - related parties	-	-	528,174	387,092
Other payables - related party				
Subsidiary company	-	-	-	601
Total other payables - related party	-	-	-	601
Total trade and other payables	-	-	528,174	387,693

Directors and management's benefits

During the years ended 31 December 2014 and 2013, 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	
	2014	2013	2014	2013
Short-term employee benefits	77	75	13	14
Post-employment benefits	1	2	1	1
Total	78	77	14	15

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

9. Short-term Investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2014		31 December 2013	
	Cost/ Carrying value	Fair value	Cost/ Carrying value	Fair value
Securities held for trading (Note 9.1)				
Overseas marketable equity securities	98,889	111,298	98,441	110,899
Unsecured subordinated notes	25,543	26,846	27,710	29,317
Total	124,432	138,144	126,151	140,216
Add: Gain on changes in fair value of investments	13,712	-	14,065	-
Investments in securities held for trading	138,144	138,144	140,216	140,216
Available-for-sale securities (Note 9.2)				
Overseas marketable corporate bonds	1,536,812	1,651,313	1,452,805	1,527,480
Local quoted bonds	32,966	33,749	32,817	30,833
Overseas quoted bonds	989,860	1,033,445	780,256	825,782
Total	2,559,638	2,718,507	2,265,878	2,384,095
Add: Revaluation surplus on changes in fair value of investments	158,869	-	118,217	-
Investments in available-for-sale securities	2,718,507	2,718,507	2,384,095	2,384,095
Fixed deposit with financial institution				
Fixed deposit within 1 year	6,629	6,629	-	-
Investment in fixed deposit with financial institution	6,629	6,629	-	-
Total short-term investments	2,863,280	2,863,280	2,524,311	2,524,311

9.1 Securities held for trading

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

As at 31 December 2014, 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 decreased by USD 0.01 million or equivalent to approximately Baht 0.35 million (2013: increased by USD 0.12 million or equivalent to approximately Baht 4.56 million). The changes in the fair value of these investments were recognised in the income statement.

9.2 Available-for-sale securities

In addition, this subsidiary has invested in private corporate bonds issued by various companies listed on the overseas Stock Exchanges and 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 0.36 million or equivalent to approximately Baht 11.60 million (2013: net gain of USD 1.10 million or equivalent to approximately Baht 33.80 million).

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

As at 31 December 2014, the subsidiary had assessed the fair value of the bonds by referring to the value quoted by the banks in which there was a revaluation surplus on the fair value of USD 4.82 million or equivalent to approximately Baht 158.87 million (2013: USD 3.60 million or equivalent to approximately Baht 118.22 million). The subsidiary recognised gain on change in fair value of such bonds approximately Baht 40.65 million as shown as a separate item in the statement of comprehensive income (2013: recognised loss on change in fair value of such bonds Baht 91.86 million).

10. Trade and other receivables

(Unit: Thousand Baht)

Age of receivable	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade receivables - subsidiary companies				
Not yet due	-	-	1,139	-
Past due				
Up to 3 months	-	-	5,876	1,029
3 - 6 months	-	-	10,940	1,934
6 - 12 months	-	-	1,983	29
Over 12 months	-	-	3,068	2,703
Total trade receivables - subsidiary companies (Note 8)	-	-	23,006	5,695
Trade receivables - unrelated parties				
Not yet due	2,472,117	2,410,361	1,121,790	1,140,571
Past due				
Up to 3 months	724,722	722,243	288,383	296,123
3 - 6 months	24,772	13,813	5,513	247
6 - 12 months	7,732	1,222	420	-
Over 12 months	2,024	3,150	4	4
Total trade receivables - unrelated parties	3,231,367	3,150,789	1,416,110	1,436,945
Less: Allowance for doubtful accounts	(24,410)	(4,269)	-	-
Total trade receivables - unrelated parties - net	3,206,957	3,146,520	1,416,110	1,436,945
Total trade receivables - net	3,206,957	3,146,520	1,439,116	1,442,640
Other receivables - related parties (Note 8)	32	32	26	91
Other receivables - unrelated parties	147,091	94,617	1,912	4,492
Total other receivables	147,123	94,649	1,938	4,583
Trade and other receivables - net	3,354,080	3,241,169	1,441,054	1,447,223

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	956,384	1,068,092	(147,767)	(185,006)	808,617	883,086
Work in process	386,520	248,267	-	-	386,520	248,267
Raw materials	2,089,791	2,115,495	(108,454)	(116,867)	1,981,337	1,998,628
Goods in transit	152,440	42,000	-	-	152,440	42,000
Total	3,585,135	3,473,854	(256,221)	(301,873)	3,328,914	3,171,981

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	342,158	551,050	(147,755)	(184,995)	194,403	366,055
Work in process	233,655	123,399	-	-	233,655	123,399
Raw materials	893,794	847,654	(79,517)	(82,065)	814,277	765,589
Goods in transit	43,790	13,817	-	-	43,790	13,817
Total	1,513,397	1,535,920	(227,272)	(267,060)	1,286,125	1,268,860

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 199 million (2013: Baht 333 million) (The Company only: Baht 153 million (2013: Baht 200 million)), to reflect the net realisable value. This was included in cost of sales. In addition, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 245 million (2013: Baht 430 million) (The Company only: Baht 193 million (2013: Baht 217 million)), and reduced the amount of inventories recognised as expenses during the year.

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries
For the year ended 31 December 2014

12. Investments in subsidiary companies

(Unit: Thousand Baht)

Company's name	Separate financial statements							
	Paid up capital		Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	2014	2013	2014 Percent	2013 Percent	2014	2013	2014	2013
Hana Semiconductor (Ayutthaya) Company Limited	1,200,000	1,200,000	58	58	2,142,910	2,142,910	630,000	665,000
Hana Semiconductor (BKK) Company Limited	1,000,000	1,000,000	100	100	1,011,100	1,011,100	400,000	525,000
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					<u>3,583,449</u>	<u>3,583,449</u>	<u>1,030,000</u>	<u>1,190,000</u>

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

During the year 2013, the Company paid in 100 percent of Hana Microelectronics (Cambodia) Company Limited's registered share capital, amounting to USD 5 million or equivalent to approximately Baht 156 million.

13. 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 2014, the investment in fixed deposit was approximately Baht 330.7 million.

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

14. 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
Cost									
As at 1 January 2013	354,234	2,224,681	169,786	747,164	11,217,581	570,875	43,714	213,964	15,541,999
Additions	-	132	-	13,066	177,675	12,236	6,233	923,803	1,133,145
Disposals	-	(22)	-	(1,519)	(296,646)	(19,553)	(2,519)	-	(320,259)
Transfer in (out)	-	100	-	12,194	226,892	6,321	3,600	(249,107)	-
Translation adjustment	-	61,108	7,179	-	253,334	5,965	1,830	2,690	332,106
As at 31 December 2013	354,234	2,285,999	176,965	770,905	11,578,836	575,844	52,858	891,350	16,686,991
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
Accumulated depreciation									
As at 1 January 2013	-	825,009	123,310	491,306	6,930,458	429,799	28,555	-	8,828,437
Depreciation for the year	-	112,249	11,973	51,221	954,729	48,631	5,669	-	1,184,472
Accumulated depreciation for disposed assets	-	-	-	(1,519)	(242,384)	(18,074)	(1,664)	-	(263,641)
Translation adjustment	-	21,359	3,463	-	116,974	4,418	1,270	-	147,484
As at 31 December 2013	-	958,617	138,746	541,008	7,759,777	464,774	33,830	-	9,896,752
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
Allowance for impairment loss									
As at 1 January 2013	-	-	-	4,010	85,088	2,763	-	-	91,861
Increase during the year	-	-	125	4,977	-	582	-	-	5,684
Decrease during the year	-	-	-	-	(1,862)	-	-	-	(1,862)
Translation adjustment	-	-	-	-	3,097	-	-	-	3,097
As at 31 December 2013	-	-	125	8,987	86,323	3,345	-	-	98,780
Decrease 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
Net book value									
As at 31 December 2013	354,234	1,327,382	38,094	220,910	3,732,736	107,725	19,028	891,350	6,691,459
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
Depreciation for the year									
2013 (Baht 1,091 million included in manufacturing cost, and the balance in administrative expenses)									1,184,472
2014 (Baht 980 million included in manufacturing cost, and the balance in administrative expenses)									1,121,656

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(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	
Cost									
As at 1 January 2013	247,851	909,514	85,641	219,813	2,311,861	134,178	13,775	77,526	4,000,159
Additions	-	132	-	8,484	30,791	7,149	-	897,610	944,166
Disposals	-	-	-	-	(14,335)	(1,013)	(1,093)	-	(16,441)
Transfer in (out)	-	100	-	8,873	138,931	953	3,600	(152,457)	-
As at 31 December 2013	247,851	909,746	85,641	237,170	2,467,248	141,267	16,282	822,679	4,927,884
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
Accumulated depreciation									
As at 1 January 2013	-	359,229	85,641	106,168	1,622,557	105,798	11,653	-	2,291,046
Depreciation for the year	-	45,486	-	18,789	204,985	10,164	1,395	-	280,819
Accumulated depreciation for disposed assets	-	-	-	-	(13,548)	(483)	(1,093)	-	(15,124)
As at 31 December 2013	-	404,715	85,641	124,957	1,813,994	115,479	11,955	-	2,556,741
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
Allowance for impairment loss									
As at 1 January 2013	-	-	-	613	7,235	-	-	-	7,848
As at 31 December 2013	-	-	-	613	7,235	-	-	-	7,848
Reversal allowance for impairment during period	-	-	-	-	(2,890)	-	-	-	(2,890)
As at 31 December 2014	-	-	-	613	4,345	-	-	-	4,958
Net book value									
As at 31 December 2013	247,851	505,031	-	111,600	646,019	25,788	4,327	822,679	2,363,295
As at 31 December 2014	249,865	622,788	-	112,186	675,913	40,136	3,006	941,790	2,645,684
Depreciation for the year									
201 (Baht 205 million included in manufacturing cost, and the balance in administrative expenses)									280,819
2014 (Baht 189 million included in manufacturing cost, and the balance in administrative expenses)									271,569

As at 31 December 2014, 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 6,113 million (2013: Baht 5,625 million) and for the Company amounted to approximately Baht 1,594 million (2013: Baht 1,391 million).

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

15. 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.

Movements in land leasehold rights account during the year ended 31 December 2014 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements
Net book value as at 31 December 2013	153,418
Translation adjustment	(12,777)
Net book value as at 31 December 2014	140,641

16. Intangible assets

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

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cost		
As at 1 January 2013	48,324	7,418
Additions	3,948	1,202
Translation adjustment	1,351	-
As at 31 December 2013	53,623	8,620
Additions	11,000	9,508
Disposals	(10,866)	-
Translation adjustment	(298)	-
As at 31 December 2014	53,459	18,128
Accumulated amortisation		
As at 1 January 2013	32,367	3,330
Amortisation for the year	3,918	706
Translation adjustment	1,109	-
As at 31 December 2013	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
Allowance for impairment		
As at 1 January 2013	-	-
Increase during the year	4,066	-
As at 31 December 2013	4,066	-
Decrease during the year	(4,066)	-
As at 31 December 2014	-	-
Net book value		
As at 31 December 2013	12,163	4,584
As at 31 December 2014	19,685	12,662
Amortisation for the year		
2013	3,918	706
2014	3,424	1,430

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

17. Short-term loan from financial institution

The balances of short-term loan from financial institution of an overseas subsidiary as at 31 December 2013 is shown below.

	2013
	Million AUD
Principal loan balance	0.55
Interest rate (percent per annum)	3.03 - 3.64

18. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade payables - subsidiary companies (Note 8)	-	-	528,174	387,092
Trade payables - unrelated parties	1,934,247	2,015,112	890,011	958,523
Advance received from customers	188,085	154,542	26,593	24,654
Other payables for purchase of machinery	135,562	82,312	69,050	32,294
Other payable - related party (Note 8)	-	-	-	601
Accrued expenses	219,999	232,893	28,141	36,027
Total trade and other payables	2,477,893	2,484,859	1,541,969	1,439,191

19. Short-term provisions

(Unit: Thousand Baht)

	Consolidated financial statements		
	Loss on tax assessments	Product warranty	Total
As at 1 January 2013	214,576	233,774	448,350
Increase during the year	83,412	38,039	121,451
Decrease from actual paid	(125,388)	-	(125,388)
Reversal of provision	(25,078)	-	(25,078)
As at 31 December 2013	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

(Unit: Thousand Baht)

	Separate financial statements	
	Loss on tax assessments	Total
As at 1 January 2013	214,576	214,576
Increase during the year	83,412	83,412
Decrease from actual paid	(125,388)	(125,388)
Reversal of provision	(25,078)	(25,078)
As at 31 December 2013	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

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

Provision for loss on tax assessment

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

Provision for product warranty

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

20. Provision for long-term employee benefits

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Defined benefit obligation at beginning of year	385,799	376,361	190,303	167,074
Current service cost	57,902	40,049	30,839	21,215
Interest cost	14,562	13,549	7,184	6,489
Benefits paid during the year	(521)	(7,837)	-	(1,872)
Actuarial (gains) losses	58,120	(36,323)	31,026	(2,603)
Defined benefit obligation at end of year	515,862	385,799	259,352	190,303

Long-term employee benefit expenses included in the profit or loss consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current service cost	57,902	40,049	30,839	21,215
Interest cost	14,562	13,549	7,184	6,489
Total expense recognised in profit or loss	72,464	53,598	38,023	27,704
Line items in profit or loss under which such expenses are included				
Cost of sales	28,443	17,252	15,815	9,626
Selling and administrative expenses	44,021	36,346	22,208	18,078

As at 31 December 2014, cumulative actuarial losses, which were recognised in other comprehensive income of the Company and its subsidiaries, amounted to Baht 37 million (2013: gains of Baht 20 million) (The Company only: losses of Baht 43 million and 2013: losses of Baht 13 million).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.2%	4.3%	3.2%	4.3%
Future salary increase rate (depending on age)	5.0% - 5.1%	4.0% - 5.3%	5.0% - 5.1%	4.0% - 5.3%
Staff turnover rate	7.0% - 25.1%	4.9% - 26.3%	7.0% - 25.1%	4.9% - 26.3%

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

The amounts of defined benefit obligations and experience adjustments for the current year and the past four years are as follows:

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2014	515,862	259,352	(40,466)	(18,682)
Year 2013	385,799	190,303	(51,992)	(11,731)
Year 2012	376,361	167,074	(32,439)	(14,656)
Year 2011	352,900	154,851	(41,632)	(8,498)
Year 2010	271,128	109,944	-	-

21. 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.

22. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Raw materials and consumables used	13,414,992	11,077,074	6,778,974	5,274,999
Changes in inventories of finished goods and work in process	(63,784)	(157,123)	61,396	(200,311)
Salaries and wages and other employee benefits	3,120,448	2,998,548	1,229,335	1,172,970
Management benefit expenses	78,380	76,834	13,802	14,544
Depreciation and amortisation expenses	1,125,080	1,188,390	272,999	281,526
Loss from tax assessments	-	110,402	-	110,402
Loss on exchange	-	60,329	-	-

23. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current income tax:				
Current income tax charge	363,652	64,728	24,557	27,866
Adjustment in respect of income tax of previous year	135	350	135	350
Deferred tax:				
Relating to origination and reversal of temporary differences	2,981	(3,122)	389	(3,431)
Income tax expense reported in the statement of income	366,768	61,956	25,081	24,785

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
		(Restated)		(Restated)
Deferred tax relating to (gain) loss on actuarial gains and losses	(466)	42	(466)	42
Deferred tax relating to exchange differences on translation of financial statements in foreign currency	264	(878)	-	-
	(202)	(836)	(466)	42

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Accounting profit before tax	3,772,264	2,362,874	2,319,743	2,128,664
Applicable tax rate	0 - 34%	0 - 34%	20%	20%
Accounting profit before tax multiplied by income tax rate	684,428	440,534	463,949	425,733
Adjustment in respect of income tax of previous year	135	350	135	350
Effects of:				
Promotional privileges (Note 26)	(326,768)	(202,047)	(236,130)	(177,601)
Dividend income not subject to tax	(9)	(9)	(206,009)	(238,009)
Income not subject to tax	(3,282)	(193,339)	(3,281)	(5,016)
Unused temporary differences and tax losses	6,329	5,534	-	-
Utilised tax losses carry forward	(1,688)	(1,583)	-	-
Non-deductible expenses	7,636	23,912	233	22,248
Additional expense deductions allowed	(7,634)	(8,263)	(416)	(983)
Others	7,621	(3,133)	6,600	(1,937)
Total	(317,795)	(378,928)	(439,003)	(401,298)
Income tax expenses reported in the statement of income	366,768	61,956	25,081	24,785

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

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 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Deferred tax assets				
Allowance for diminution in value of inventories	3,416	4,359	3,416	4,359
Allowance for asset impairment	74	128	74	128
Provision for long-term employee benefits	3,898	3,105	3,898	3,105
Provision for vacation	173	187	173	187
Accrued expenses	7,998	10,854	-	-
Consignment inventory	586	291	586	291
Total	16,145	18,924	8,147	8,070

24. Insurance claim from flood event

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

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

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

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

In addition, during the first quarter and second quarter of 2014, the subsidiary received the remaining compensation payments on its business interruption losses amounting to Baht 1,269 million and Baht 81 million, respectively. The subsidiary recognised the insurance compensation income on its business interruption losses totaling Baht 1,350 million in the income statement for the year ended 31 December 2014.

25. Earnings per share

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

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

26. Promotional privileges

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

Particulars	The Company											
	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
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												
3.1 Exemption from corporate income tax on net income derived from the promoted operation and exemption from income tax on dividends paid from the promoted operations which are tax exempted throughout the period in which the corporate income tax is exempted.	8 years (expired)	8 years (expired)	8 years (expired)	8 years (expired)	8 years (expired) (tax exempted according with investment)	8 years (expired) (tax exempted according with investment)	8 years (expired) (tax exempted according with investment)	8 years (tax exempted according with investment)	8 years	8 years	8 years	8 years (tax exempted according with investment)
3.2 5% allowance of the increment in export income over the preceding years.	10 years (expired)	10 years (expired)	-	-	-	-	-	-	-	-	-	-
3.3 50% reduction of the normal corporate income tax rate for net income derived after the expiry date in 3.1	5 years (expired)	5 years	5 years	5 years (expired)	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
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 (NRI) 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	Has not yet started utilising the privileges

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

Particulars	Subsidiary						
	Hana Semiconductor (Ayutthaya) Company Limited						
1. Certificate No.	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)	Production of Integrated Circuit (IC)	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)	Production of Integrated Circuit OPTO (IC OPTO)	Production of Integrated Circuit (IC) and Integrated Module	Production of Semiconductor
3. The significant privilege are	8 years	8 years	7 years	8 years	8 years	4 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.	Granted	Granted	Granted	Granted	Granted	Granted	Granted
3.2 Exemption from import duty on machinery as approved by the Board.	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.
4. Date of first earning operating income							

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

During the year 2013, the subsidiaries were approved by the Board of investment to terminate the promotional certificates no. 1133(4)/2548.

The Company has operating revenues for the years ended 31 December 2014 and 2013, divided between promoted and non-promoted operations, are summarised below.

(Unit: Thousand Baht)

	Separate financial statements					
	Promoted operations		Non-promoted operations		Total	
	2014	2013	2014	2013	2014	2013
Sales						
Domestic sales	72	-	17,706	11,771	17,778	11,771
Export sales	9,938,191	7,807,506	18,669	1,194	9,956,860	7,808,700
Total sales	9,938,263	7,807,506	36,375	12,965	9,974,638	7,820,471

27. Segment information

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

For management purposes, the Company and its subsidiaries are organised into business units based on their products and 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 2014 and 2013, respectively.

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(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)	-
Total revenue	18,229	8,048	1,747	28,024	(6,797)	21,227
Segment profit	2,119	717	33	2,869	-	2,869
Interest revenue						215
Insurance compensation income						1,350
Gain on exchange						107
Other income						271
Selling expenses						(124)
Administrative expenses						(869)
Other expenses						(39)
Finance cost						(8)
Income tax expenses						(367)
Profit for the year						3,405
Segment total assets						
Additions to property, plant and equipment, and land leasehold rights	802	244	4	1,050	-	1,050

(Unit: Million Baht)

Year ended 31 December 2013	Printed Circuit Board Assembly (PCBA)	Integrated Circuit (IC)	Other	Total reportable segments	Eliminations	Total
Revenue from external customers	11,604	5,922	141	17,667	-	17,667
Inter-segment revenue	3,701	1,056	1,268	6,025	(6,025)	-
Total revenue	15,305	6,978	1,409	23,692	(6,025)	17,667
Segment profit	1,580	371	33	1,984	-	1,984
Interest revenue						165
Insurance compensation income						942
Other income						378
Selling expenses						(127)
Administrative expenses						(778)
Loss on exchange						(60)
Other expenses						(132)
Finance cost						(9)
Income tax expenses						(62)
Profit for the year						2,301
Segment total assets						
Additions to property, plant and equipment, and land leasehold rights	1,148	135	4	1,287	-	1,287

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

Geographic information

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

(Unit: Thousand Baht)

	2014	2013
Revenue from external customers		
Malaysia	6,115,127	5,336,104
China	3,518,188	1,704,177
United States of America	2,250,363	2,180,201
Hong Kong	1,775,908	2,732,427
Singapore	1,699,677	1,705,270
Others	5,867,946	4,008,821
Total	21,227,209	17,667,000
Non-current assets (other than deferred tax assets)		
Thailand	4,594,999	4,761,491
China	1,746,399	1,901,950
Cambodia	194,674	153,418
United States of America	25,462	32,336
Others	341,292	11,272
Total	6,902,826	6,860,467

Major customers

For the year 2014, the Company and its subsidiaries have revenue from 5 major customers in amount of Baht 9,741 million, arising from sales by the Printed Circuit Board Assembly (PCBA) segment and the Integrated Circuit (IC) segment, (2013: Baht 8,800 million derived from 5 major customers, arising from sales by the Printed Circuit Board Assembly (PCBA) segment and the Integrated Circuit (IC) segment).

28. Provident fund

The Company, the subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company or the subsidiaries contribute to the fund monthly at the rates of 3.0 - 7.5 percent of basic salary. The fund, which is managed by SCB Asset Management Company Limited, will be paid to employees upon terminating in accordance with the fund rules. During the year 2014, total amount of approximately of Baht 63 million (2013: Baht 61 million) had been contributed to the fund by the Company and its subsidiaries, and Baht 34 million had been contributed by the Company (2013: Baht 31 million).

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

29. Dividend paid

During the years 2014 and 2013, the Company and its subsidiaries had dividend payments as follows:

	Approved by	Total dividends	Dividend per share
		(Million Baht)	(Baht)
The Company			
Final dividends for 2012	Annual General Meeting of the shareholders on 30 April 2013	805	1.00
Interim dividends for 2013	Board of Directors' Meeting on 13 November 2013	402	0.50
Total for the year 2013		1,207	1.50
Final dividends for 2013	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
Subsidiary companies			
Hana Semiconductor (Ayutthaya) Company Limited			
Final dividends for 2012	Annual General Meeting of the shareholders on 29 April 2013	720	6.00
Interim dividend in respect of the income for the period from 1 January 2013 to 30 June 2013	Board of Directors' meeting on 16 August 2013	420	3.50
Total for the year 2013		1,140	9.50
Final dividends for 2013	Annual General Meeting of the shareholders on 17 April 2014	1,080	9.00
Total for the year 2014		1,080	9.00
Hana Semiconductor (BKK) Company Limited			
Final dividends for 2012	Annual General Meeting of the shareholders on 30 April 2013	50	0.50
Interim dividend in respect of the income for the period from 1 January 2013 to 30 April 2013	Board of Directors' meeting on 3 May 2013	300	3.00
Interim dividend in respect of the income for the period from 1 January 2013 to 31 August 2013	Board of Directors' meeting on 26 August 2013	175	1.75
Total for the year 2013		525	5.25
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

30. Commitments and contingent liabilities

30.1 Capital commitments

As at 31 December 2014, the Company and its subsidiaries had capital commitments relating to acquisitions of machinery of approximately USD 2.8 million or equivalent to a total of Baht 92 million. (2013: USD 2 million or equivalent to Baht 66.2 million) and the Company only of approximately Baht 70.4 million (2013: Baht 62.6 million).

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

In addition, as at 31 December 2014 an overseas subsidiary had capital commitments relating to building of the manufacturing plants and an office building of approximately USD 7.5 million or equivalent to Baht 249 million.

During the year 2013, the Company entered into a construction agreement with an unrelated company to build a new manufacturing plant located in Saha Pathana Industrial Estate in Lumphun Province during the period. The agreement was for the period from 2 January 2013 to 31 March 2014 which the Company had to make payments of approximately Baht 47 million each month and as at 31 December 2013, the Company had commitments of Baht 170 million. In addition, the Company had capital commitments relating to an office building of approximately Baht 5 million as at 31 December 2013.

30.2 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.

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

30.3 Marketing supportive service agreement

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

30.4 Guarantees

As at 31 December 2014, there were outstanding bank guarantees of approximately Baht 118 million (2013: Baht 132 million) and the Company only: Baht 88 million (2013: Baht 92 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 amounting to Baht 64 million (2013: Baht 77 million) to be security for the tax assessments of the Company made by the Revenue Department (as discussed in Note 30.5) and Baht 54 million to guarantee electricity uses, among others (2013: Baht 55 million) and the Company only: Baht 24 million (2013: Baht 15 million).

30.5 Tax assessments

During the year 2003, the Company received a notification of a corporate income tax assessment for the year 1997 from the Revenue Department for not allocating interest expenses and loss on exchange rate of loans to the promoted operations, causing the under recording of corporate income tax for the year 1997, which together with related penalty and surcharge amounted to Baht 150 million. The Company did not agree with the assessment and appealed it to the Tax Tribunal. In November 2007, the Tax Tribunal rejected the appeal. The Company did not agree with the Tax Tribunal and therefore appealed to the Supreme Court. In September 2013, the Supreme Court ordered the Company to pay the tax assessment for the year 1997 in accordance with the ruling of the Central Tax Court, except to deduct 50 percent of the penalty. Thus, the tax liabilities together with related penalty and surcharge were approximately Baht 125 million. The Company had previously recorded full provision for loss on tax assessment of Baht 150 million and therefore recorded the reversal of penalty of Baht 25 million as other income in the income statement for the year ended 31 December 2013. The Company paid the tax assessment to the Revenue Department in October 2013.

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

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

In addition, during the third quarter of 2013, the Company received a notification of corporate income tax assessment for the year 2003 from the Revenue Department for over allocation of administrative expenses, interest expenses and loss on exchange rate to the promoted operations, and over utilisation of losses carried forward, causing the under recording of corporate income tax for the year 2003, which together with related penalty and surcharge amounted to approximately Baht 40 million. The Company recorded such loss on tax assessment in the income statement for the year ended 31 December 2013. The Company paid the assessed tax and related surcharge totaling Baht 27 million on 24 September 2013, and appealed the remaining penalty of Baht 13 million to the Board of Appeals, in order to reduce the penalty. 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. On 28 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 above tax assessment for the year 1997, for prudent reason the Company assessed its tax liabilities as a result of over utilisation of losses carried forward in its tax computation for the year 2004, and recorded provisions for tax assessment for the year 2004 amounting to Baht 70 million included in other expenses in the income statement for the year ended 31 December 2013. 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 on 10 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 (2013: Baht 148 million) and has placed bank guarantees as security against the assessments.

31. Financial instruments

31.1 Financial risk management

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

Credit risk

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

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

Interest rate risk

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

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

	Consolidated financial statements as at 31 December 2014					Effective interest rate (% p.a.)
	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	
	Within 1 year	1 - 5 years				
	(Million Baht)					
Financial assets						
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 13
	5,912	331	1,998	3,774	12,015	
Financial liabilities						
Trade and other payables	-	-	-	2,478	2,478	-
	-	-	-	2,478	2,478	

	Consolidated financial statements as at 31 December 2013					Effective interest rate (% p.a.)
	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	
	Within 1 year	1 - 5 years				
	(Million Baht)					
Financial assets						
Cash and cash equivalents	1,371	-	2,464	351	4,186	0.001 - 2.860
Short-term investments	2,366	-	47	111	2,524	2.95 - 9.75
Trade and other receivables	-	-	-	3,241	3,241	-
Insurance claim receivable	-	-	-	12	12	-
	3,737	-	2,511	3,715	9,963	
Financial liabilities						
Short-term loan from financial institution	-	-	16	-	16	3.03 - 3.64
Trade and other payables	-	-	-	2,485	2,485	-
	-	-	16	2,485	2,501	

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

	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.)
Financial assets					
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	
Financial liabilities					
Trade and other payables	-	-	1,542	1,542	-
	-	-	1,542	1,542	

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

Foreign currency risk

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

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2014 and 2013 are summarised below.

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2014	2013	2014	2013	2014	2013
	(Million)	(Million)	(Million)	(Million)	(Baht per foreign currency unit)	
China Yuan	262	288	76	85	5.2998	5.4087
US Dollar	205	201	37	12	32.9630	32.8136
Japan Yen	150	90	73	5	0.2738	0.3130
Indian Rupee	43	43	-	-	0.5159	0.5289
Euro	4	7	-	-	40.0530	45.0217
Hong Kong dollar	8	4	1	-	4.2516	4.2316
Pound Sterling	3	3	-	-	51.1497	53.9162
Australia dollar	1	2	-	1	26.8068	29.1776

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2014	2013	2014	2013	2014	2013
	(Million)	(Million)	(Million)	(Million)	(Baht per foreign currency unit)	
Singapore Dollar	2	2	-	-	24.8959	25.8826
Brazilian real	2	2	-	-	12.1000	13.7700

As at 31 December 2014 and 2013, the two overseas subsidiary companies had outstanding forward exchange contracts, of which details are presented below.

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

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

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries
For the year ended 31 December 2014

31.2 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 2014		As at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	5,467	5,467	4,186	4,186
Short-term investments	2,691	2,863	2,392	2,524
Trade and other receivables	3,354	3,354	3,241	3,241
Investments in fixed deposit with financial institutions	331	319	-	-
Financial liabilities				
Short-term loan from financial institution	-	-	16	16
Trade and other payables	2,478	2,478	2,485	2,485

(Unit: Million Baht)

	Separate financial statements			
	As at 31 December 2014		As at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	743	743	320	320
Trade and other receivables	1,441	1,441	1,447	1,447
Financial liabilities				
Trade and other payables	1,542	1,542	1,439	1,439

The estimated fair value of the derivatives is as follows:

(Unit: Million Baht)

	As at	As at
	31 December 2014	31 December 2013
	Fair value	Fair value
	loss	loss
Derivatives		
Forward exchange contracts	(57.9)	(117.5)

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, accounts payable and short-term loan from financial institution, their carrying amounts in the statement of financial position approximate their fair value.

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

For the year ended 31 December 2014

- b) 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.
- c) For long-term 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.
- d) For derivatives, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

32. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2014, the Group's debt-to-equity ratio was 0.20:1 (2013: 0.21:1) and the Company's was 0.25:1 (2013: 0.26:1).

33. Event after the reporting period

On 24 February 2015, the meeting of the Board of Directors of the Company No. 1/2015 passed the resolution approving the final dividend payment for the year 2014 to the Company's shareholders at Baht 1 per share. The dividend will be paid to the shareholders on 12 May 2015.

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

34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2015.



Microelectronics Public Company Limited

บริษัท ฮานา ไมโครอิเล็กทรอนิกส์ จำกัด (มหาชน)

65/98 Soi Vibhavadi-Rangsit 64 Junction 2, Kwang Talad Bangkhen,
Khet Laksi, Bangkok 10210, Thailand

Tel. 66 (0) 2551-1297, 66 (0) 2521-4935-9 Fax: 66 (0) 2551-1299, 66 (0) 2552-4906

65/98 ซอยวิภาวดี-รังสิต 64 แยก 2 แขวงตลาดบางเขน เขตหลักสี่ กรุงเทพฯ 10210 ประเทศไทย
โทรศัพท์: 66 (0) 2551-1297, 66 (0) 2521-4935-9 โทรสาร: 66 (0) 2551-1299, 66 (0) 2552-4906

