



HANA

Microelectronics Public Company Limited

บริษัท ฮานา ไมโครอิเล็กทรอนิกส์ จำกัด (มหาชน)



Annual Report 2011



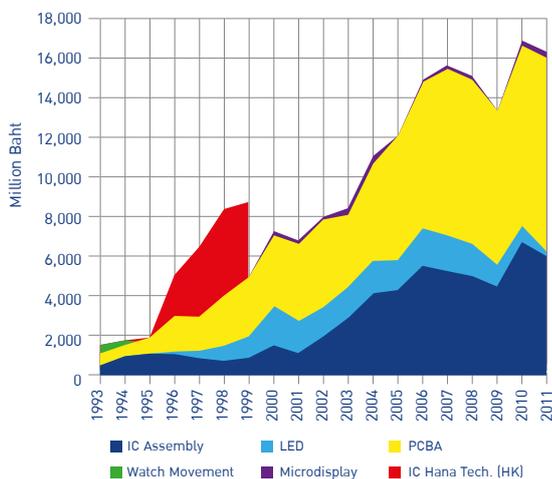


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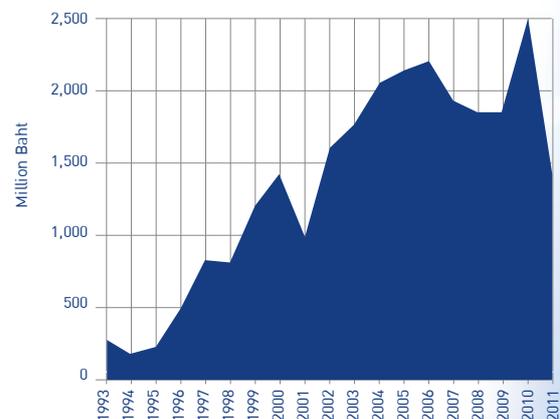
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	2011	2010	2009	2011/2010 % change
Total Revenue	16,998	17,645	13,936	-4%
Sales Revenue	16,315	16,958	13,458	-4%
Gross Profit	2,054	2,870	2,501	-28%
Operating Profit	1,426	2,473	1,848	-42%
EBITDA	2,614	3,612	2,853	-28%
Net Profit before Exceptional Items	1,717	2,749	2,043	-38%
Net Profit (Loss) for the year	1,618	2,749	2,043	-41%
Total Assets	17,912	16,804	15,811	7%
Net Fixed Assets	6,373	6,526	5,605	-2%
Total Liabilities	3,347	2,725	2,805	23%
Shareholders Equity	14,565	14,079	13,006	3%
Net (Cash) Debt / Equity	(0.20)	(0.20)	(0.25)	
Net Profit (after tax) % Sales	10%	16%	15%	-38%
EBITDA Margin	16%	21%	21%	-24%
Return on Equity	11%	20%	16%	-43%
Dividend per share (from the profits of)	1.00	1.55	1.40	-35%
Payout ratio (excl. exceptional items)	47%	45%	55%	3%
EPS before Exceptional Item	2.13	3.42	2.53	-38%
EPS after Exceptional Item	2.01	3.42	2.53	-41%
Book Value per share (net of treasury shares)	18.10	17.49	16.16	3%
Shares balance repurchased (m)	25.60	25.60	25.60	
Net Number of shares outstanding (year end)	804.88	804.88	804.88	0%

Sale Revenue



Operating Profit





Dear Shareholder

The year 2011, by any standard has been an extraordinary one. A year that was dominated by the catastrophic floods in Thailand that resulted in over 600 deaths and the total devastation of seven of Thailand's major industrial estates which housed over 750 factories, not to mention many other villages, towns and farm lands. The country is still counting the cost which has been estimated at over US\$35B.

The floods which can only be described as 'biblical' in proportion engulfed Hana's IC assembly operation at Hana Semiconductor (Ayutthaya) Co., Ltd. "Hana-AYT" located near Ayutthaya in early October. The water levels reached over 2.5m in our industrial estate (Hi-Tech) and lasted for over six weeks until the waters were completely pumped out in the first week of December. In addition our factory and head office in Bangkok was also surrounded by 0.8m of water although we managed to keep the compound dry.

The damage to property and loss of business has been substantial and has had a significant impact on our 2011 financial performance. Whilst we carry property and business interruption insurance the size and complexity of such a claim will mean the payout will not be forthcoming until 2012.

The year started with weak demand carried over from the peak of the records set in 2010 which saw the electronic cycle come off its highs driven primarily by inventory replenishment. Both our microelectronics and IC assembly activities suffered with underutilized capacity but saw an improvement in the second quarter as consumer optimism improved. This was however soon to be dashed, as we entered the third quarter driven by concerns for the European sovereign debt crisis which came to dominate the economic landscape. Once again consumers retreated and with the memory of the 2009 financial crisis still fresh in mind, many companies began to grow extremely cautious - tightening up on inventory yet again.

All this was against a backdrop of a weakening US dollar and an inexorable wage inflation environment in Asia which saw our cost of labour soar 26% (in US dollar terms) over the previous year. If that was not enough the political parties promised to raise wages even further; by as much as 90% as they sought the popular vote during the election. The basic wage increase has now been set for 2012, at a still massive 40% increase.

As we enter the New Year the same global economic concerns remains which are clearly having an impact on consumer sentiment and our customers, namely: how will the EU resolve their sovereign debt crisis, how can the US start to kick start their struggling economy and how will China manage their inflation and slowing growth? For Hana-AYT recovering from the flood, we have to start from "ground zero" against a back drop of weak global demand and an extraordinary increase in labour costs – the challenges are substantial.



For our micro assembly operations in Lamphun, Hana Microelectronics Public Co., Ltd. (Lamphun) "Hana-LPN", the picture is more encouraging. Whilst Hana-AYT will lose some business because of the floods, Hana-LPN was the beneficiary from competitors who also suffered the same fate. Whilst Hana-LPN will have to cope with the extraordinary wage increase, growth looks positive as they have gained additional business from the automotive, computer and mobile phone sensor markets. With the increased business expected, Hana-LPN will need to expand and we are planning to purchase additional land during 2012 and to complete a new facility by Q3/2013.

Our China operations made steady progress during 2011 and as a result we are now expanding our building space which will be ready by the middle of 2012 to cope with our expansion.

The new head office has been designed and construction will commence by the middle of 2012 and be completed by Q3/2013.

Our key financial metrics for 2011 were:

- Revenues fell 4% from THB 16,957.9 Million to THB 16,314.9 Million
- Operating income fell 42% from THB 2,473.4 Million to THB 1,426.5 Million
- EBITDA income fell 28% from THB 3,611.9 Million to THB 2,613.9 Million
- Cash reserves up 18% from THB 5.0 Billion to THB 5.9 Billion

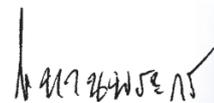
The challenges for 2012 will be substantial. The task of re-building our IC business will be hard especially during this weak economic demand cycle. All eyes are on what the Thai government will do to ensure a repeat of this flooding event will never happen again. A lot of promises, commitments and discussions have been aired on the issue – only the real actions will count however and for most businesses, customers and new investors, the jury is still very much 'out'.

Whilst the general economic outlook remains weak, I am encouraged by the level of new activities. Hana continues to win business in the areas that still show promising growth such as the smart phone sector, automotive and laptop markets. In addition we continue to gain market share in a number of key accounts and this will help us to grow in a benign economic environment.

May I end by thanking all our staff for the truly magnificent response shown during this time of crisis, many of whom went well beyond the call of duty in fighting the flood waters and worked lengthy hours in extremely uncomfortable conditions to support the company? In meeting critical customers' demand during this crisis period we have managed not only to keep them but we can be assured of additional business for the future.

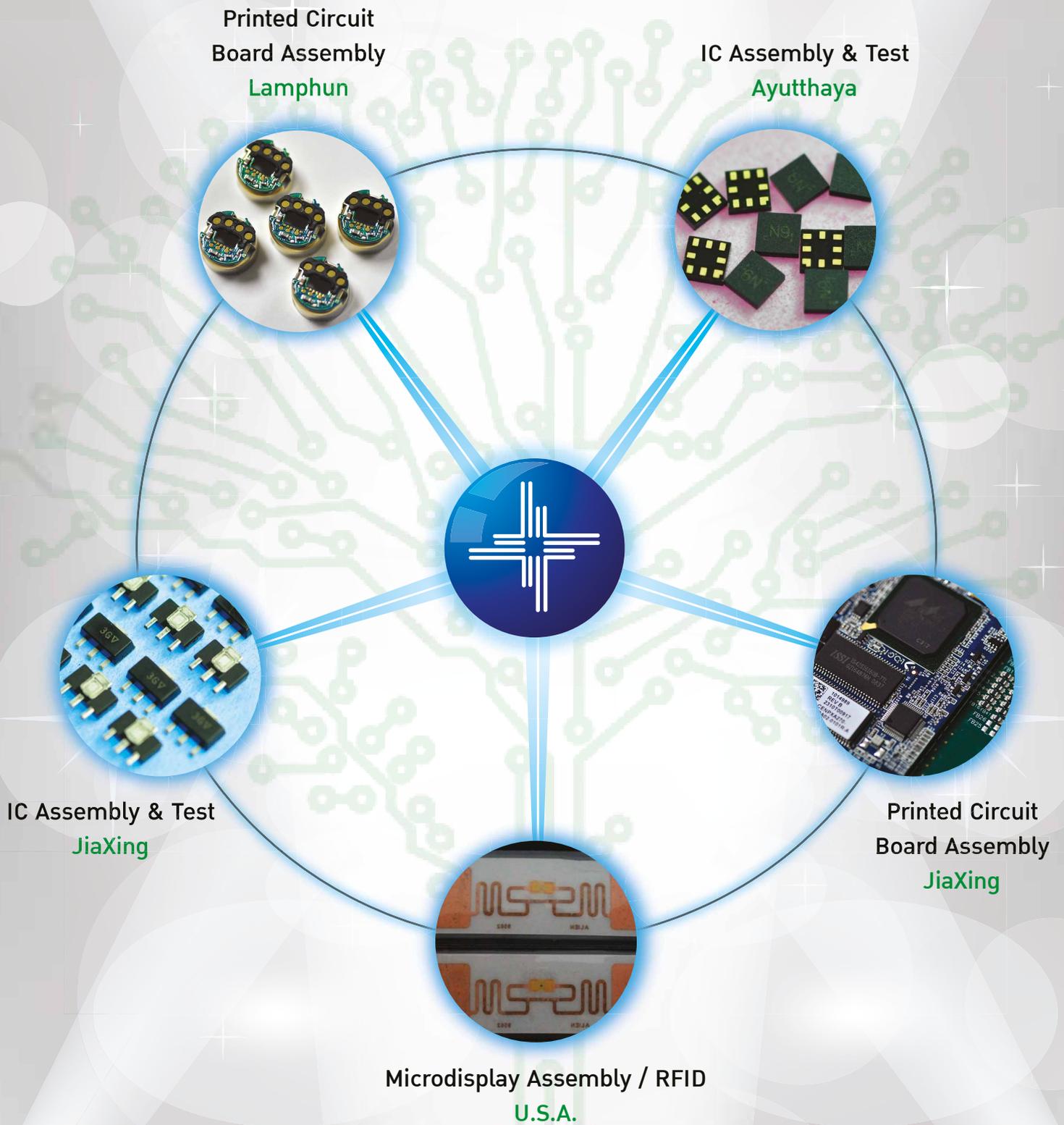
Many of our customers have expressed their admiration for our response during this time and have pledged their support as we re-start our business in Ayutthaya. I would like to also thank those generous customers and suppliers who along with Hana and its management donated to our 3,000 plus employees who suffered severely from the flood with losses to their homes and personal property.

On behalf of the directors, we pledge to work tirelessly to emerge from this crisis a stronger and better company. Our commitment to create further value for all our stakeholders remains un-wavered.



Mr. Bancha Tamprakorn
Chairman of the Board of Directors

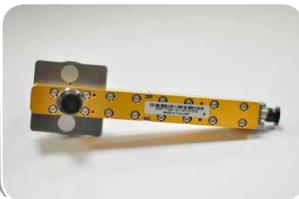






Hana Microelectronics Public Co., Ltd. (Lamphun)

Mr. Wing Keung Chow
Vice President and General Manager



The 2011 was a good year of Hana Lamphun as we saw 5% sales revenue growth even though the global economy was in a period of weakness. Whilst Thailand suffered heavily during the flood crisis, there was no impact in our business loading and we were able to achieve another sales revenue record in 2011.

Hana Lamphun entered the mobile smart phone touch-screen assembly business in 2011 and growth was particularly strong in this segment. In 2012 we expect to see continued growth in assembly of components for mobile phones.

We have completed the fourth factory plant construction at our Lamphun site in late 2010 and already have it fully utilised. In addition, we are converting more factory space into a “clean room” environment so that we can maximize opportunities in the micro-packaging business. We are shifting towards more high volume micro-packaging, which will require increased capabilities in “Failure Analysis” and higher technology equipment to support this business.

Keeping low staff turn-over rate is another area of focus. To maintain our effectiveness we have implemented many human-relation type projects and “team-building” activities to increase the morale of the employees. For example, the completion of our new sports complex will help our employees balance their work and social life.

Business is expected to strong in 2012 and we aim to achieve double digit sales revenue growth. However, the 40% basic wage increase announced by the government will definitely be challenging us. We will therefore be putting even more emphasis on productivity and yield improvement programs in 2012 to reduce the impact of the wage hike.

We expect to see another good year of 2012. I would like to thank all of the Hana LPN team for their whole-hearted dedication for their achievements in 2011.



Hana Semiconductor (Ayutthaya) Co., Ltd.

Mr. Bruce Stromstad
Vice President & General Manager

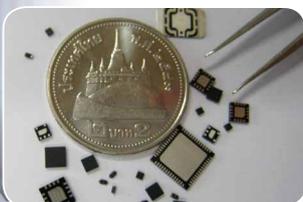
2011 was a year of extremes. The year started a little slowly but by the end of Q3, we were on track to exceed our sales revenue and unit volume records established in 2010. Unfortunately, our factory was inundated by the great flood in Thailand in early October which adversely affected our Q4 and consequently all of our 2011 results.

The flood forced us to shut down manufacturing from October 5 to December 19 resulting in very low Sales for Q4. Our facility was flooded for five weeks with about half a meter of water inside our IC Building at the peak of the flood. Once the flood waters receded in late November, we started a massive cleanup and recovery project with the goal of building our first products by year end. This goal was accomplished through the efforts of hundreds of dedicated staff who worked long hours under very difficult conditions to make our facility operational again.

Fortunately, Hana Bangkok operations had been largely wound down and their facility was available for our use during and after the flood. Therefore, in early October we relocated our Customer Specific Operations from Ayutthaya to Bangkok in order to support several critical customers with most urgent requirements. We removed more than 500 pieces of equipment from Ayutthaya and installed them in Bangkok over a two week period. We also transferred more than 1,000 people to Bangkok to support the manufacturing requirements for these key customers. These product lines were brought up quickly and we were able to meet our customer needs.

Looking forward into 2012, our customers and suppliers are being extremely supportive in assisting us to get back into and ramp up production. This support has been in terms of financial donations to our employees whose homes have been directly impacted by the flood as well as sending facilities experts to Thailand to assist us in repairing critical equipment required for production. Our customers have also provided us outstanding support in the area of requalification of our facility and production lines.

Finally, we owe great thanks to all of those employees who worked above and beyond the call of duty in making our recovery possible in such a short period of time.





Hana Microelectronics (JiaXing) Co., Ltd.

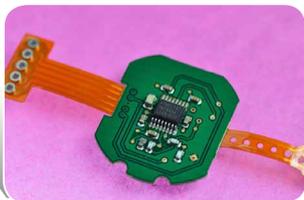
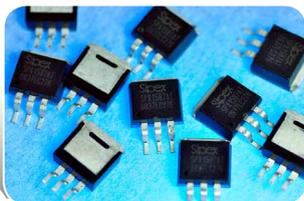
Mr. Steven Lee
Vice President and General Manager

Year 2011 was another year of growth, with Hana Jiaxing achieving record sales revenue of approximately \$150M; a 25% increase year on year. The laptop touch pad and high power LED business were the major contributors to the growth while the demand from other customers for both PCBA and IC business remained flat throughout the year.

Year 2011 was also a year full of challenges. To support the ramp up of production for our new customers, we added 800 new operators, which does not even include hiring for normal turnover. It was not just a challenge for Human Resources department because of an overall labor shortage situation in China but also a challenge for our production management team. Another major challenge, as expected, was that the labor cost and the currency both continued to increase which put increasing pressure on our profit margin. These will continue to be two major challenges for us to face in the coming years.

Meanwhile, Hana Jiaxing looks forward to continued growth in 2012. In support of the expansion of our PCBA business, we have rented a building nearby in the same industrial zone. It will provide us with 4,000 square meters of additional manufacturing floor space after completion of the renovation in May. For the IC package business, we will focus on improving utilization of the installed capacity and exploring new opportunities in SIP packages to utilise our unique advantage of having IC and SMT buildings sitting side by side. At the same time, to cope with the tougher business environment and improve our profitability, we will continue to focus on efficiency and manufacturing cost improvement, without compromising product and service quality.

I would like to thank all our employees in Jiaxing for their contribution in 2011. We remain optimistic for our future growth and we are ready to face the challenges for the year of the Dragon.





Hana Microdisplay Technologies, INC

Mr. John Erdmann

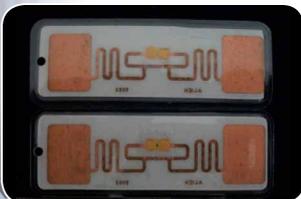
President and Chief Executive Officer

Year 2011 was a stable year for Hana Microdisplay (HMT). While HMT did not see the large growth from 2009 to 2010, it still experienced a solid 15% revenue growth. Also encouraging was the relatively consistent performance from quarter to quarter, as compared to the dynamic fluctuations of the previous 2 years. Revenue from microdisplay-related business was up only a few percent from 2010. Radio-frequency identification (RFID) revenue increased by 75%, as compared to 2010.

The microdisplay-related business finished strong in 2011 after a lull in the third quarter, which enabled HMT to achieve a 35% microdisplay growth from the third quarter to the fourth quarter of 2011. HMT continues to support microdisplay customers in the areas of adaptive optics, telecom devices, and mini-projection systems. All of these markets are forecasting growth in 2012.

The added RFID manufacturing capacity installed in 2010 was completely utilized for the first half of 2011. HMT also saw a product mix from its customers that moved to much higher priced units. Thus, HMT's RFID revenue doubled from the first quarter to the third quarter, even though there were fewer units produced in the third quarter. The RFID revenue fell off in the fourth quarter as a result of slower than expected product design change implementations by HMT's customers. HMT's customers are forecasting ramping back up to Q3-2011 levels by the second quarter of 2012.

HMT looks forward to working closely with its customers in 2012 to maintain this performance, and help them grow throughout the year.





Mr. Bancha Tarnprakorn
Chairman of the Board
and Independent Director



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



Mr. Winson Moong Chu Hui
President & Chief Operating Officer



Mr. Terrence Philip Weir
Executive Director &
Chief Financial Officer

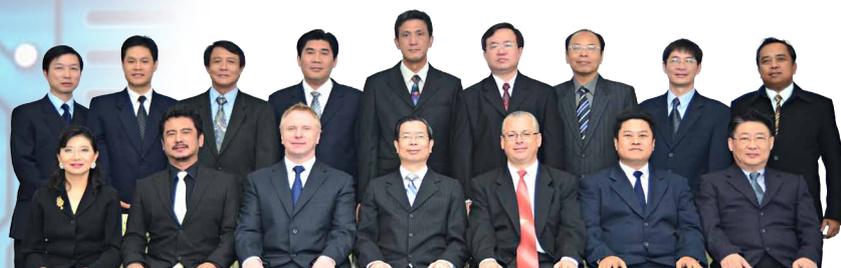


Mr. Voraphoj Thepvanaprasiddhi
Independent Director

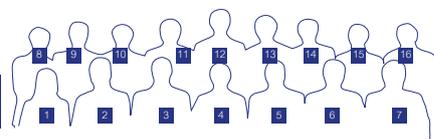


Mr. Martin Enno Horn
Independent Director

Management Team



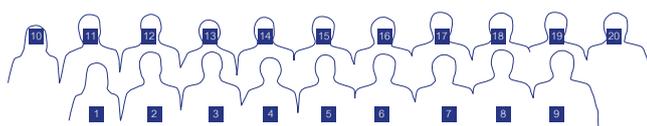
Lamphun Management



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



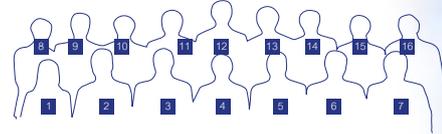
Ayutthaya Management



1. **Ms. Areenee Kittisupornpong**
Senior Management Information System (MIS) Manager
2. **Mrs. Saowanee Rachatakarn**
Senior Financial Controller Manager
3. **Ms. Suparin Kengradomkij**
Senior Logistics and Store Manager
4. **Mr. Tossaphol Phowcharoen**
Senior Facility, Safety & IE Manager
5. **Mr. Bruce Stromstad**
Vice President & General Manager
6. **Ms. Samantha Kulasinghe**
Manufacturing Support & Services,
Production Planning, Industrial Engineer Director
7. **Ms. Praphaphun Naradilok**
Senior Human Resources Manager
8. **Mrs. Tappawong Na Tarang**
Senior Marketing & Account Management Manager
9. **Mrs. Thawanvaree Pichitnorakarn**
Senior Procurement & Purchasing Manager
10. **Mr. Vicente T. Lau Jr.**
Quality and Reliability Assurance Director
11. **Mr. Joseph D. Caliston**
Senior Marketing & Account Management Manager
12. **Mr. Pongsak Klongjai**
Senior Facility, Safety, IE Manager
13. **Mr. Reynaldo N. San Agustin**
Sales & Marketing Director
14. **Mrs. Watcharaporn Jirathanakun**
Supply Chain Management & M/A COM Project Director
15. **Mr. Supakit Tantara**
Customer Specific Operations (CSO) Director
16. **Mr. Pongsakorn Jangsatian**
Senior Quality Engineer Manager
17. **Mr. Punsak Eammongkolchai**
Standard IC Front of Line Operations Director
18. **Mr. Ekachai Yartpakdee**
Senior M/A COM Project Manager
19. **Mr. Jesus Manila Monreal**
Standard IC End of Line Operations /
Plant Training Director
20. **Mr. Chaweng Tantiyaphorn**
Test and Finished Products Director



JiaXing Management



1. **Ms. Jane Li**
Senior Finance & Traffic Manager
2. **Mr. Andy Shen**
Micro Operations Director
3. **Mr. Felix Zheng**
IC Operations Director
4. **Mr. Steven Lee**
Vice President & General Manager
5. **Mr. Dirrick Ong**
Business Development & Technology Director
6. **Mr. Martin Chen**
New Project Investment (NPI) Director
7. **Mr. Steven Chua**
Micro Engineering Director
8. **Mr. Raymond Ng**
Senior QA Manager
9. **Ms. Vivian Lv**
Senior Supply Chain Management Manager
10. **Mr. York Li**
Senior Manufacturing Support Manager
11. **Mr. Gordon Gu**
Facility Manager
12. **Mr. TC Cheah**
Senior Test Engineering Manager (IC)
13. **Mr. Jet Li**
Senior Process Control / Development Manager (IC)
14. **Mr. Peter Xu**
Senior Management Information System (MIS) Manager
15. **Ms. Lucy Guo**
Human Resources Development (HRD) Manager
16. **Mr. SW Lum**
Senior Purchasing Manager



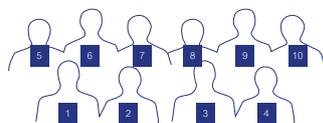
Hana Microdisplay Management



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

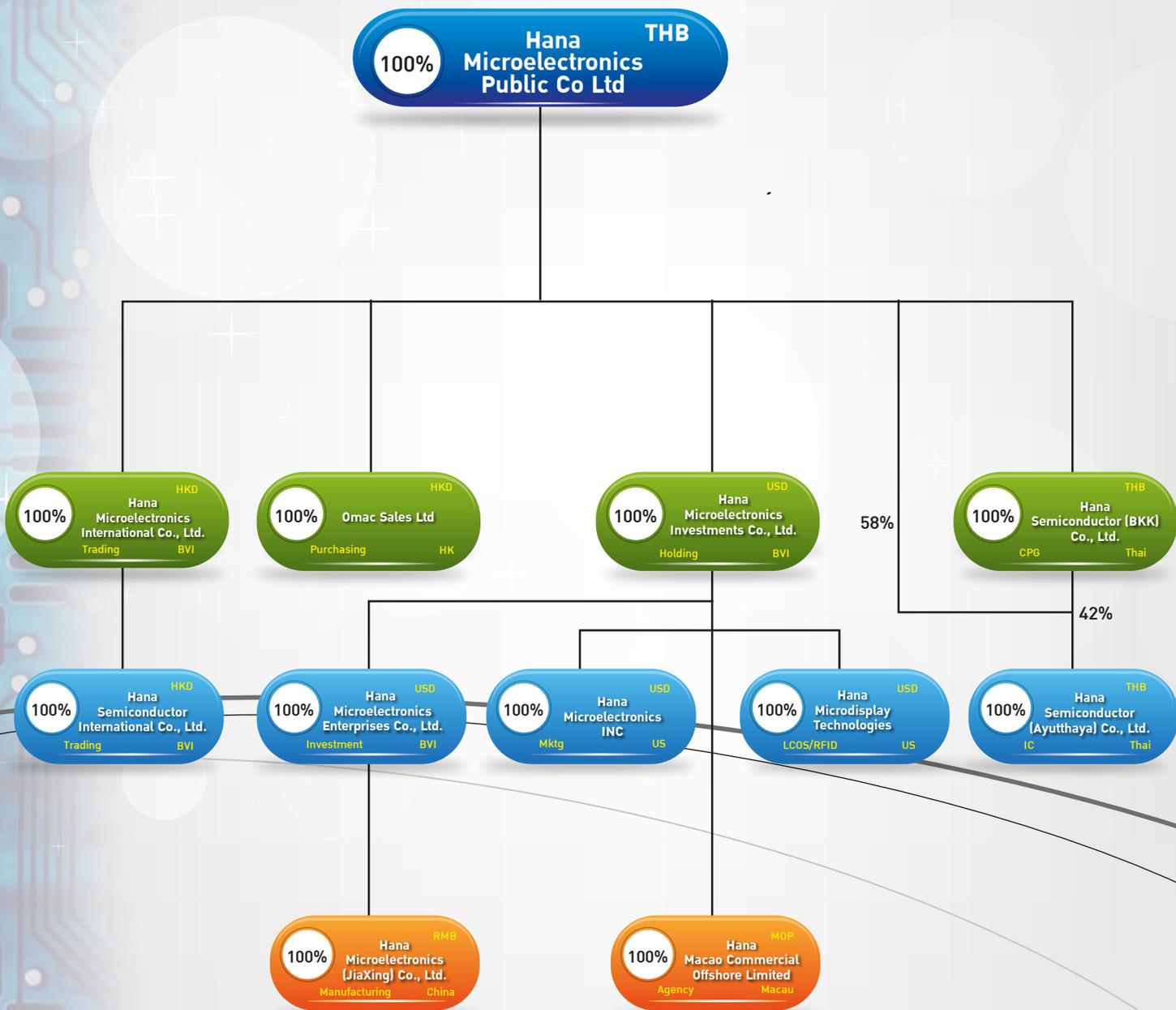


Hana Microelectronics Inc. Management



1. **Ms. Karrie O' Neill**
Account Manager
2. **Ms. Michelle Nguyen**
Account Manager
3. **Mrs. LeAna Bui**
Account Manager
4. **Mrs. Malee Lowchareonkul**
Sales Manager
5. **Mr. Henry Lubrico**
Business Development Manager
6. **Mr. Thang Bui**
Business Development Director
7. **Mr. Barry Maynard**
Senior Business Development Manager
8. **Mr. Sanjay Mitra**
President - U.S. Sales and Marketing
9. **Mr. Steve Hanway**
Business Development Director
10. **Mr. BK Ng**
Senior Technical Support Manager

Group Structure



Shareholding of Directors & Management

Mr. Bancha Tarnprakorn

Position :	Chairman of the Board and Independent Director
Working Experience :	<ul style="list-style-type: none">• November 2002 - present, Independent Director• February 2007 - present, Chairman of the Board of Directors
Educational Background :	Diploma of Institute of Banker, London, UK
IOD Training Background :	Directors Accreditation Program (DAP) 40/2005
No. of Share held as of 31 December 2011 :	45,000 shares (0.005%)

Mr. Richard David Han

Position :	Executive Vice Chairman and Chief Executive Officer
Working Experience :	1989 - present, Executive Director and Chief Executive Officer
Educational Background :	<ul style="list-style-type: none">• B.A. Business Studies, Westminster, London, UK• M.B.A. (Marketing), City University, London, UK• Directors Accreditation Program (DAP) 57/2006• Understanding the Fundamental of Financial Statements (UFS) 4/2006
IOD Training Background :	
No. of Share held as of 31 December 2012 :	1,040,000 Shares (0.125%)

Mr. Winson Moong Chu Hui

Position :	President & Chief Operating Officer
Working Experience :	1988 - present, Executive Director
Educational Background :	Bachelor of Engineering, Cheng Kong University, Taiwan
IOD Training Background :	-
No. of Share held as of 31 December 2012:	8,320,000 Shares (1.002%)

Mr. Terrence Philip Weir

Position :	Executive Director & Chief Financial Officer
Working Experience :	1990 - present, Executive Director
Educational Background :	Bachelor of Economics, Macquarie University, CPA, Australia
IOD Training Background :	Director Certification Program (DCP) 6/2001, Diploma
No. of Share held as of 31 December 2012:	175,000 Shares (0.021%)

Shareholding of Directors & Management

Mr. Voraphoj Thepvanapasiddhi

Position :

Independent Director

Working Experience :

June 2000 - present, Independent Director

Educational Background :

- Graduate Diploma, International Business Administration, WLU, Ontario, Canada
- Bachelor Degree of Engineer, Chulalongkorn University

IOD Training Background :

- Monitoring the Internal Audit Function (MIA) 1/2007
 - Monitoring the System of Internal Control and Risk Management (MIR) 1/2007
 - Director Certification Program (DCP) 53/2005
 - Finance for Non-Finance Director (FND) 15/2005
 - Audit Committee Program (ACP) 5/2005
 - Directors Accreditation Program (DAP) 30/2004
- 899,999 Shares (0.108%)

No. of Share held as of 31 December 2012 :

Mr. Martin Enno Horn

Position :

Independent Director

Working Experience :

May 2001 - present, Independent Director

Educational Background :

- Electronic Engineering, California Polytechnic, U.S.A.
- AEA Executive Business Institute, Stanford University, California, U.S.A.

IOD Training Background :

Directors Accreditation Program (DAP) 57/2006

No. of Share held as of 31 December 2012 :

-

Mr. Wing Keung Chow

Position :

President & General Manager Hana-Lamphun

Working Experience :

2001 - 2007, Vice President Marketing & Customer Services

Educational Background :

Hana-Lamphun

IOD Training Background :

Master Degree of Management, SASIN, Chulalongkorn University

No. of Share held as of 31 December 2012 :

999,500 Shares (0.120%)

Board Structure

The board of directors consists of six directors of whom three are independent directors. The board may review and determine the size of the board that is most effective in relation to future operations.

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

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

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

Board Committees:

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

The Executive Committee:

Structure: The Committee currently comprises of three members.

Term: There is no term limit.

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

Authorities and responsibilities of the Executive Committee Members:

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

Board Structure

Audit Committee:

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

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

Name	Position
Mr. Bancha Tarnprakorn	Chairman
Mr. Voraphoj Thepvanaprasiddhi	Member
Mr. Martin Enno Horn	Member

Authorities and responsibilities of the Audit Committee:

1. Oversee financial reporting process and the disclosure of financial information to ensure accuracy, sufficiency and creditability, by coordinating with the external auditors and the management responsible for preparing the quarterly and yearly financial reports
2. Review the company's Internal Control System and Internal Audit System to ensure that they are suitable and efficient, to determine an Internal Audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit
3. Review the company's compliance with the Law on Securities and Exchange, The Stock Exchange of Thailand's regulations, and the laws relating to the company's business
4. Consider, select and nominate an independent person to be the company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year
5. Review the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Exchange's regulations, and are reasonable and for the highest benefit of the company
6. Prepare, and to disclose in the company's annual report, an audit committee's report which must be signed by the audit committee's chairman
7. Consider other duties as defined by the board of directors
8. In its performance of duties, if it is found or suspected that there is a transaction or any of the following acts which may materially affect the company's financial condition and operating results, the Audit Committee shall report it to the Board of Directors for rectification within the period of time that the Audit Committee thinks fit. If the company's board of directors or management fails to make a rectification within the period of time under the first paragraph, any Audit Committee Member may report on the transaction or act under the first paragraph to the Office of the Securities and Exchange Commission (SEC) or the Stock Exchange of Thailand (SET).

Board Structure

Nomination Committee:

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

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

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

Authorities and responsibilities of the Nomination Committee:

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

Risk Management Committee:

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

Meetings of the Board, Board Committees and Shareholders:

Meetings	Board of Directors	Audit Committee	Nomination Committee	Annual General Meeting
Total number of meetings in 2011	4	4	1	1
Number of meeting attended/ participated in 2011				
Executive Directors:				
Mr. Richard David Han	4	4	1	1
Mr. Winson Moong Chu Hui	4	N/A	N/A	1
Mr. Terrence Philip Weir	4	4	N/A	1
Independent Directors:				
Mr. Bancha Tamprakorn	4	4	N/A	1
Mr. Voraphoj Thepvanaprasiddhi	4	4	1	1
Mr. Martin Enno Horn	4	4	1	1

Board Structure

Appointment of Director

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

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

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 three boards of publicly traded companies in addition to Hana and its associate companies.

CEO and Board Evaluation

On an annual basis, the performance of CEO is evaluated by the independent directors whilst the board shall conduct a self-evaluation of its performance according to the criteria being set. All directors are free to make suggestions to improve the board's performance. In 2011, the evaluation criteria of CEO has been applied with the new form launched by the Stock Exchange of Thailand.

Succession Plan

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

Corporate Secretary to the Board

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

Corporate Information

Hana Microelectronics Public Co., Ltd.

Register No. PLC 0107536000773
10/4 Moo 3 Vibhavadi-Rangsit Rd., Kwang Talad Bangkhen,
Khet Laksi, Bangkok 10210, Thailand
Tel. 02-551-1297, 02-521-4935-9
Fax: 02-551-1299, 02-552-4906

Type of business: Electronics

Number and Type of Share Issued:
Ordinary shares: 830,474,960 shares
Treasury shares: 25,596,100 Shares
Total voting shares: 804,878,860 Shares
(As of 31 December 2011)

Nature of Business

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

Business classification policy

The Group's business operations are primarily Microelectronics the assembly of components, sub-assemblies and small electronic finished products. The major product groups are printed circuit board assembly "PCBA", integrated circuit "IC" assembly and test, Light Emitting Diodes "LED" assembly and Liquid Crystal on Silicon "LCoS" assembly with factories in Thailand, China and USA.

Dividend Policy

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

Dividend Payment Details

	2009	2010	2011
Annual Dividend (Baht : Share)	1.20	1.40	1.55
Interim Dividend (Baht : Share)	-	-	-
Percentage of dividend payment	52%	55%	45%

Corporate Information

Revenue Structure

(Unit: Million Baht)

PRODUCT	COMPANY	% OF HOLDING	2009		2010		2011	
			REVENUE	%	REVENUE	%	REVENUE	%
IC	HS – AYT & HM - JX	100%	4,484	33	6,783	40	5,963	36.55
CPG	HS – BKK	100%	1,106	8	869	5	252	1.54
PCBA	HM - LPN & HM - JX	100%	7,766	58	9,084	54	9,849	60.37
MICRODISPLAY	HMT - USA	100%	102	1	223	1	251	1.54
TOTAL			13,458	100	16,958	100	16,315	100.00

HM-LPN = Hana Microelectronics Public Co., Ltd.

HS-BKK = Hana Semiconductor (BKK) Co., Ltd.

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

HM-JX = Hana Microelectronics (JiaXing) Co., Ltd.

HMT = Hana Microdisplay Technologies

Shareholding Structure and Management

Major Shareholders as of the latest closing registration book on 16 March 2011

Type of Shares: Ordinary shares

No.	Name	No. of Share	(%)
1.	OMAC (HK) LIMITED, OMAC LIMITED, RAINBOW JOY LIMITED	253,419,360	30.51
2.	HSBC PRIVATE BANK (SUISSE) SA	76,715,600	9.24
3.	STATE STREET BANK AND TRUST COMPANY FOR LONDON	75,472,400	9.09
4.	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	46,895,400	5.65
5.	HANA MICROELECTRONICS PUBLIC COMPANY LIMITED	25,596,100	3.08
6.	ABN AMRO GLOBAL CUSTODY SERVICES N.V.	24,500,000	2.95
7.	THAI NVDR COMPANY LIMITED	21,533,327	2.59
8.	THE BANK OF NEW YORK (NOMINEES) LIMITED	17,627,839	2.12
9.	HSBC (SINGAPORE) NOMINEES PTE LTD	15,087,809	1.82
10.	BNP PARIBAS SECURITIES SERVICES, LONDON BRANCH	14,509,600	1.75

Remark:

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

No. (5) The Company's share repurchase program (Treasury Stock) for financial management was approved by the Board of Directors Meeting No.4/2008 on 7 October 2008.

Beside No. (1) and (5), there is no other shareholders in top 10 major shareholders are related to the Company.

The Proportion of Free Float of Ordinary Shareholders

As of the closing book on 16 Marh 2011, the proportion of free float of ordinary shareholders was equal to 41.12% of paid up captial.

Subsequent Event after 31 December 2011

According to the Board of Directors Meeting No. 1/2012 on 28 February 2012 has resolved to decrease the capital paid-up by written off unsold shares repurchase for 25,960,100 shares. The Company has registered both registered capital and paid-up capital at the Commercial Registration Department, Ministry of Commerce on 5 March 2012 by writing off company shares equal to 25,596,100 shares at par value Baht 1 per share. Therefore the latest share registered capital is Baht 974,403,900 and capital paid-up is Baht 804,878,860, divided into 804,878,860 ordinary shares at par value Baht 1 per share.

Subsidiaries

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

References

Auditor : Ernst & Young office, Ltd.,
33rd 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, Bangkok 10110 Thailand
Tel: 02-255-2550-2, 02-653-1133-4, Fax: 02-653-1135, 02-253-3427

Share Registrar : Thailand Securities Depository
4th, 7th–8th Floor, The Stock Exchange of Thailand Building,
62 Rachadapisek Road, Klongtoey, Bangkok 10110 Thailand
Tel: 02-229-2800, Fax: 02-359-1259

Corporate Governance

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

A compliance program is an important element in the corporate governance. In 2011, Hana have complied with good corporate governance principles as follows.

1. Rights of Shareholders

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

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

Before the meeting day:

The company holds the annual general meeting of shareholders within 4 months after financial year ends. In 2011, the company held the Meeting on 29 April 2011 at 2:00 P.M. at the hotel nearby to the company's Headquarters office. The company arranged with the Thailand Securities Depository Co., Ltd. or "TSD" which is the company's securities deposit registrar to send the notice of shareholders' meeting 7 days prior to the meeting date in order to provide sufficient time for shareholders to review the agenda. The notice of meeting expressly indicated the matters to be tabled at the meeting, whether for acknowledgement, approval or consideration, including the board's opinion on each agenda. Other supporting information and documents were also attached to the notice. In addition to the direct delivery, the notice of meeting was made available to the shareholders through the company's website (<http://www.hanagroup.com>) 30 days in advance and the notice of meeting was published through SET's information system or "ELCID" in both Thai and English versions, which were the same as the original notice mailed to shareholders.

On the meeting day:

The quorum, voting procedures and voting count method are clearly advised to the meeting prior to the discussion of the agenda items. In regards to the annual general meeting conducted in 2011, 6 out of 6 directors (100%) attended the meeting. Those key directors were the Chairman of the Board and Audit Committee, Chief Executive Officer, and the Chairman of the Nomination Committee. The Chief Financial Officer and external auditor also attended the meeting so that they could listen to shareholders' opinions or suggestions and also answer any questions.

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

After the meeting day:

The meeting minutes recording the course of the meeting and all issues discussed at the meeting, the results of shareholder voting on each agenda and the decisions made by the meeting are made available within the appropriate time to the shareholders. The minutes of the annual general meeting in 2011 was posted to the company's website within the following business day after the meeting and at the same time sent to the Stock Exchange of Thailand. If shareholders have any inquiries or comments on the minutes, they can contact to the corporate secretary. The minutes are maintained at the Company's head office.

2. Equitable Treatment of Shareholders

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

Treat all class equally

The company ensures fair treatment of shareholders irrespective of the size of each of their share holdings. Foreign shareholders and owners of small stakes (minority shareholders) are treated equally. All of shareholders, in respect of each class of shares, are entitled to the same dividend payments, and have equal rights in the event of share capital increases. The company's shareholder meetings are open to all shareholders, and all shares of the same class have the same voting rights. Voting at the annual shareholders' meeting is done by the principle of one share, one vote. Shareholders, who cannot attend the shareholders' meeting, can authorize our independent directors on their behalf to attend the meeting and vote by using the proxy forms. Shareholders are allowed to propose candidates for election to the board and propose items for the agenda of annual general meeting in advance. The company's annual general meeting of shareholders conducted in 2011 offered the opportunity for shareholders to propose items to the agenda and resolutions for the meeting including to propose candidates to be elected as directors. Shareholders could, (during the period from October – December 2010), submit proposals for agenda items for the annual shareholders meeting to the board of directors. The procedures and criteria to nominate the director to the board and propose items for the agenda for the annual general meeting have been posted to the company's website. However, in 2011 there were no shareholder proposals sent to the board of directors for consideration. The matters discussed in the general meeting of shareholders were in sequence as given in the invitation letter.

Prohibit insider trading and abusive self-dealing

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

- Communicate the compliance of the policy of Business Code of Conduct of the board of directors, executives and employees. The directors and executives are required to sign on acknowledgement of the policy on an annual basis.
- It is the requirement for directors and executive to report their share trading/movement to the secretary of the board. Further, the shareholding status of individual director and executive has been confirmed and reported to the Board on a monthly 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 of the company have complied with this policy strictly. There was no violation of the trading shares during the prohibited period in 2011.

Corporate Governance

Enforce material interest (Conflict of Interest)

The board of directors has established the policy and procedure for directors and executives to report on conflict of interest to ensure that they are abided by their fiduciary duties in the way that they must not have interest, whether directly or indirectly, in the matter under their decision. Directors and executives are required to disclose any material interest in transactions or matters affecting the corporation through the established form approved by the board of directors, where those directors and executives shall be excluded from decision making involving transactions in which they have interests or are connected. The corporate secretary is responsible for receiving reports from directors and executives who disclose their interests and those of their related parties to the chairman and the chairman of Audit Committee. In 2011, there was no conflict of interest of directors and executives reported to the board. Further, there was no transaction among the associated companies that would create the significant conflict of interest.

3. Roles of Stakeholders

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

Shareholders

The company attempts to achieve growth in earnings for shareholders over the long term. Board members and executive management shall be qualified for their positions and have a clear understanding of their roles in corporate governance and exercise sound business judgment in the best interest of the company and shareholders. Our treatment toward shareholders shall comply with the good corporate governance principles for the right and equitable treatment of all shareholders. The disclosures shall be made on a consistent basis, completely and truthfully in regards to the status of the company, its operating results, financial standing, accounts and other reports. The company has followed the best practices in conducting the annual ordinary general meeting of shareholders. In 2011, the company was rated “excellent” in the assessment of the annual general meetings of shareholders by the Office of the SEC and the Thai Investors Association.

Customers

Hana places the highest value on our customers. The company aims to meet or exceed our customers' expectation for product quality, delivery, reliability, and competitive prices. There is a Customer Service Department available for dealing with customers and to monitor progress of our commitments.

In 2011, Hana-JiaXing received “Best Supplier Award” from the customer.



The company has a policy of preventing violations and the software copyright and intellectual property. Hana safeguards the tangible and intellectual property of those with whom the company does business, which may be used in fulfilling work assignments, and will comply with all regulations or contractual requirements governing the use of such property.

Corporate Governance

Business Partners, Business Competitors and Creditors

Hana promotes fair and open competition and aims at developing and securing long term relationship with suppliers and contractors. Material, product and service purchases will be considered for the quality of materials, products and services in accordance with the respective product requirements. The company abides by its obligations to all creditors. The board of directors, management and employees are expected to exercise diligence in their duties with all business partners including creditors. The company conducts business fairly and shall not deceive, discredit or use unethical means to gain advantage from the company's business competitors.

Hana strives to avoid commercial bribery and corruption, and all directors and employees not to be influenced by gifts or favors of any kind from our suppliers or other business partners. The company expects each employee to exercise reasonable judgment and discretion in accepting any gratuity or gift offered to the employee in connection with employment at Hana. All employees must conform to existing policy regarding Gift & Gratuity Policies and Procedures. The company has adopted certain measures to prevent corruption such as preventive policies and practices through codes of conduct, detect malpractices, promote efficiency, transparency and accountability regarding the maintenance of books and records, financial statement disclosures and accounting and auditing standards.

Employees

The company is dedicated to the achievement of equality of opportunity for all of its employees. All employees will be employed solely according to their ability to meet the position requirements. The company's disciplinary policies and procedures are communicated to prevent human rights violations such as harsh or inhumane treatment; this includes harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse of workers. Compensation paid to employees is complied with all applicable wage laws, including those relating to minimum wages, overtime hours, and legally mandated benefits. The company has provided various welfare programs for employees such as provident funds, health benefits, children educational assistance for lower-pay employees, meal allowance, group life insurance, employee long service award program, etc. A Career Path Development Program is provided to selected employees for learning and development opportunities to grow.



Corporate Governance

Hana provides on-going safety training for a safe and sanitary workplace to minimize health hazards. An annual physical check-up was arranged for over 8,000 employees in Y2011. Procedures and systems are in place to prevent, manage, track and report occupational injury and illness, including procedures to encourage employees' to report, classify and record injury and illness cases, provide necessary medical treatment, to investigate cases and implement corrective actions to eliminate their causes, and to facilitate the return of employees to work. Employees are provided with ready access to clean facilities, potable water and sanitary food preparation, storage and eating facilities. The dormitory provided by the company is maintained in a clean and safe state.



Hana encourage the utilization of its resources efficiently. The company recognizes its people as among its major resources and to utilize them well they are trained to develop their potential and encouraged to motivate them to perform their duties. There are core courses and standard courses provided in-house and employees are also given the opportunity to off-site training courses whenever possible. One of the courses employees are required to learn and apply is the Lean Manufacturing Technique. Encouraging our employees to apply this technique, minimizes the manufacturing losses in terms of wastes of time, space, materials and processing steps in accomplishing the tasks or producing the desired products with improve on-time delivery which are the major aspects of customer's expectations. The company believes that lean manufacturing is a key to increasing productivity.

Communities, Society and Environment

The company is committed to a helping to maintain a green environment and in doing so, it has been long certified to the ISO 14001, the standards for Environmental Management Systems (EMS) with EMS policy approved by the plant head. An internal organization under the Facilities and SES Department manages and controls the company's commitment to its implementation. To enhance everyone's involvement, the appointed representative of Hana Ayutthaya has organized the EMS Committee represented by members from each department who then carry-out the EMS awareness drive across the plant and internal auditing to assure compliance to the standard elements. And for the success of its objectives and to prevent issues concerning good working environment every employee is required to attend the EMS training to understand and to abide to its policies and governing requirements.

Hana Lamphun has the Safety, Occupation Health, Environmental and Social & Labor Accountability Policy to comply with the safety and environmental laws prescribed by the Labor and Social Welfare Ministry, the Industrial Ministry, and the announcement of the Industrial Estate Authority of Thailand and other related laws for the safety good health and hygiene of its employees as well as the subcontractors, vendors, suppliers and the customers with least impact to the environment and make continuous improvement to:-

Corporate Governance

1. Conserve and use natural resources efficiently, to prevent pollution and minimize generation of all wastes.
2. Provide a safe and proper workplace and equipment.
3. Strictly comply with legal and other regulations, labor law and provide full support to customers' requirements with regards to occupational health, safety, environment, including social and labor accountability (e.g. Electronic Industry Code of Conduct - ECC).

In 2011, Hana Lamphun participated in The Office of Industrial Economics (Sor-Sor-Or) for the ISO50001 implementation. There were reviews by consultants from Srinakharinwirot University (total 5 visits) and preliminary ISO 50001 certification by MASCI (total 2 visits) was received. As a result, the company is ready for the ISO50001 certification process in the future. Furthermore, the company successfully made the electrical saving in year 2011 approximately Baht 697,000 per year.

In 2011 Hana Lamphun received the Green Industry Certificate from Department of Industry. We co-operated with Ministry of Public Health for the programs "Workers Health improvement", "New Mom Program" and "Corner for Mother Milking".

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.

Channel of Complaints

Hana provides channels for stakeholders to communicate any concerns about illegal or any complaints regarding to activities or conduct of the company or any of its staff or business partners relating to the company. Stakeholders can report such complaint or concern in good faith directly to the Audit Committee of the board of directors. The procedure for handling complaints (Whistleblower Policy) has been established and published in the company's website. In addition, the suggestion/complaint box is available at each Hana location to receive anonymous and confidential complaints from employees to report any suspected fraud, illegal conduct or any suggestion to the independent director.

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 2011, Hana had no violation breaching the Securities and Exchange Commission Thailand's disclosure rules and regulations. The financial reports have been disclosed in a timely manner during the past years.

The company has not set up the Investor Relations Department, but the company's executive directors are actively involved in the role of investor relations on a continuous basis as the company believes that their ability to deliver confident and clear presentation is as important a skill as technical and managerial capabilities. The Corporate Affairs Department is also available to provide basic information upon request. The company usually arranges an analyst meeting each quarter to inform the investor community of the financial result and also clarify all inquiries from Institutional Investors, Fund Managers and analysts who attend the meeting. In 2011, 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.

Corporate Governance

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

5. Responsibilities of the Board of Directors

The board of directors consists of 6 directors which are 3 executive directors and 3 independent directors. The chairman of the board is not the same person who holds the Chief Executive Officer position and the chairman is an independent director. The board has considered that the current the board structure is suitable as comparing to authority and responsibility for managing the company's business. Executive Directors are professional and gaining high experiences in business management. Directors who are non-executives have relevant knowledge and are skillful in various fields of business. All directors devote their time to the serve the board especially for making decisions significant to the company's interests. The board delegates to the executive committee the authority and responsibility for managing the company's day-to-day business. The company's business is managed under the direction of the board of directors. The board's role is to establish policies for business and management strategies, corporate governance policy which the board evaluates those policies annually, the code of conduct, and monitor managerial performance. The board has approved the separation of duties and authorization of Executive Committee and management such as approval limits of day-to-day operational expenses. However, such authorization shall not include that where the grantee can approve the transaction of which he or she is a person who might have any conflict of interest with the company or its subsidiaries regarding such transaction.

The board of directors gives emphasis on the transparency of director nomination. The company has the policy to give the right to shareholders to propose appropriate candidates for election to the board during October - December. The Nomination Committee is responsible for review of the qualification and performance of the candidates or those directors who retired by rotation. In 2011, there was no proposal for candidates sent by shareholders to the Nomination Committee to review. Therefore, the board considered those directors who retired by rotation and which the board considers based on their qualification, working experiences, previous year performances, willingness and time devoted to the board are suitable to be considered for re-election.

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

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

Corporate Governance

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

Hana's qualification of Independent Director (No.1) is more restricted than standards of Securities and Exchange Commission Thailand and Stock Exchange of Thailand regarding the number of their shareholdings that must not exceed 1%.

Committee

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

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

Conflict of Interests and Related Party Transaction

The fiduciary duty of directors is to exercise their business judgment to act in a manner that they reasonably believe to be the best interests of the company. They also are expected to avoid any action that conflicts with any interest of the company or that gives the appearance of a conflict. Each director's other relationships, including business and family may occasionally give rise to the perception that the individual has a material, personal interest on a particular issue involving the company. It is the company policy that the Board and Audit Committee shall determine on a case-by-case basis whether a conflict of interest actually exists and takes appropriate steps to identify such potential conflicts.

Under the Note for Related Party Transactions, of the consolidated financial statements discloses relevant detail of related party transactions entered into by the company and its subsidiaries, there was a transaction between Hana Microelectronics Public Co., Ltd. and Omac Limited entered into in the normal course of business and by definition these cannot give rise to a conflict of interest. It is a transaction involving for a lease of land by the company from Omac Limited amounting to Baht 1,574,244 per year. The terms of this lease appear to be arms length normal commercial terms in view of their being consistent with the lease terms paid for the same property by Omac Limited to a third party as considered by the board.

Controlling system and Internal Audit

The board of directors is responsible for establishing and maintaining the internal control system. In 2011, the board has performed self-assessment to evaluate the internal control system by applying the control assessment criteria from the Stock Exchange of Thailand. The major parts of organizational control and environment, risk management, management control activities, information and communication and monitoring are measured. There is an internal audit department which directly reports to Audit Committee to monitor the company's compliance with the established systems. The board of directors review the effectiveness of internal controls with the internal auditors and management. The Risk Management Committee has been appointed to ensure implementation of the risk management policy to be monitored and limited overall risks at an acceptable level.

Corporate Governance

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

Business Ethics

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

Board of Directors' Meetings

The total number of directors attending the meeting must be no less than one half of the total number of directors to constitute a quorum. In 2011, the company had four board meetings. The chairman of the board and CEO set the agenda of meetings of the board. Any director may suggest agenda items and may raise at meetings other matters that they consider importance of discussion. Information and data for the board's understanding of the business to be discussed at meetings are distributed in advance of meetings, to the extent practicable. To prepare for meetings, directors are responsible for reviewing the materials that are sent to them in advance. If there are additional inquiries, the directors can contact the company secretary. At the board meeting, ample time is scheduled to allow full discussion of important matters. Management presentations are scheduled to permit an appropriate portion of board meeting time to be available for discussion and comments. The minutes of board of directors meeting are properly made and contain key facts such as the timing of start and finish, name of directors present and absent, summary of items of major discussion and resolutions, the minute taker and certifier. The minutes are maintained at the company's head office and cannot be edited without prior consent of the board approval.

Remuneration for Directors

The company provides the remuneration to the independent directors while the executive directors receive the remuneration as the role of employees of the company. Therefore, the company has not established the Remuneration Committee as the board considers and reviews the remuneration of the independent directors by the whole board. The company provides the remuneration to the independent directors in forms of meeting allowances and bonus of which the rates are up to the responsibilities of the members. The remuneration for directors has been compared with the rate of the same industry and the structure of the remuneration of the company. The total remuneration of directors had been approved by shareholders from the annual shareholders' meeting on 29 April 2011.

Corporate Governance

Individual disclosure of remuneration for the Board is as follows.

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

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

Remuneration for executives

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

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

Type of remuneration	Amount
Salary	11,769,283
Bonus	3,729,000
Board Allowance	-
Total	15,498,283

Other Remuneration:

There is a provident fund which is a part of the incentive programs to offer management and employees a secure income in the case of death, disability, resignation or retirement. The company contributes at the rate of 3 - 7.5 percent of their salaries depending on the length of year service with the company.

Corporate Social Responsibility



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

CSR Vision and Objectives

Hana outlines its CSR vision as follows.

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

CSR Committee and Objectives:

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

The Committee has established the following principles.

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

For Hana JiaXing, there were two major initiatives which guided the scope of work of Corporate Social Responsibility. One of which was conformance to EICC - Electronic Industry Code of Conducts, and the second one was the formation of Hana Family Committee, a company-wide organization that looked into the welfare of all employees.

Although Hana JiaXing EICC Committee was established in the year 2010, most of the major work and activities happened in 2011. The top management appointed Executive team spent about 6 months to work out the complete EICC system tailored for Hana JiaXing. This includes the official issuance of various company policies covering Labor, Ethics, Safety & Health, and Environmental issues.

In the month of March in the year 2011, Hana Family Committee announced its new organizational mission and annual activity plan. Five councils headed by Hana JiaXing's senior managers, including Industrial Safety, Culture, Recreation, Food and Dormitory management, kicked-off their various activities that looked into the well-being of all Hana JiaXing employees.

In 2011, CSR activities are summarized as follows.

Corporate Social Responsibility

Educational Support

We contribute and provide support for the education for students in the community. To create mutually beneficial relationships between students and local businesses, in Y2011 Hana provides educational support in the following.

Internship program

Hana recognizes the importance of connecting students' academic training with manufacturing workplace. We continuously provide the general internship and cooperative education programs with the collaboration among colleges and universities in Thailand and overseas for example; Chulalongkorn University, Thammasat University, Mahidol University, Kasetsart University, King Mongkut's University of Technology North Bangkok, Donmaung Technical College, Suranaree University of Technology, and City University of Hong Kong, etc.

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



Support students from poor families



Hana has scholarship provided to low income employees whom their children study in the primary schools and meet the company's criteria. In 2011, there are more than 400 employees whose children eligible to receive the scholarships. Aside from the company support, 97 scholarships were received from the personal funds of Hana Management team.

Education funds were also raised by Hana JiaXing to help support the children of poor families in nearby communities so that they could afford to pay for the school fees and other related costs, thereby alleviating the parents' financial burden. Hana JiaXing also donated a total amount of RMB 24,700 to 12 needy students to help them pay for school fees and text books.



Corporate Social Responsibility

Staff Training and Development Program

One of the best ways to motivate and retain the individuals in the workforce is Training and People Development. When the employees increase knowledge, develop new skills and bring the new ideas, it will enhance the competitive advantage to the organization.

Hana offers the various kinds of training programs for all levels of employees, including the program for skilled operators – 5S, QCC. Hana has received the Thailand Quality Prize from the Technology Promotion Association (Thailand-Japan) since Y2007. In Year 2011, the Hana Group received the following awards as follows:

1. Hana Microelectronics Co., Ltd. received
 - QCC Facilitator Award for QCC Facilitator
 - “Golden Award for Manufacturing QCC Prize” for “Taurus II S.3” QCC Team
 - “Golden Award for Junior QCC Prize” for “White Small Top S.2” QCC Team
2. Hana Semiconductor (Ayutthaya) Co., Ltd. received
 - “Popular Vote” for “SWAT3” QCC Team
 - “Golden Award for Junior QCC Prize” for “SWAT3” QCC Team

For technical and supporting staff – Professional Technical Competency-based Development (TCBD) Program, Technical and Management Training e.g. Technical Subjects- SPC, DOE (Design of Experiment), FMEA (Failure Modes and Effects Analysis). Management Subjects e.g. Hana Culture, The Effective Application of Lean Manufacturing, Finance and Operating Application, Creative Problem Solving and Decision Making. In addition to training programs, we also provide a wide range of the development program for our employees; Multi-skills Program, Jobs Rotation Program, Career Path Development Program, Talent Management Program and Succession Planning Program.

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



Corporate Social Responsibility

Corporate Culture Development

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

To inculcate a sense of Hana family and team spirit among employees, Hana management strongly supported the Recreational and Welfare Committee to organize various social and cultural activities throughout the year. The intent of Hana Family Committee is to create a harmonious environment for all employees so that they all feel like belonging to a one big family. As a result they would be able to fit in the new environment quickly, and have a wonderful career and life in Hana. Hana JiaXing as well as Lamphun's dormitory teams set up the libraries in the dormitory for employees who like to read books and do some self-study. They could also watch movies and spent their leisure time doing their own research.

A new sports complex with the investment over Baht 25M has constructed at the dormitory of Hana Lamphun so this excellent facility would allow them to immerse and flourish in the great cultural heritage.



One of the most important sub-committee of the Hana Family Committee is the Food Committee, which is tasked to ensure all employees are provided with nutritious food the whole day – breakfast, lunch, dinner and supper. The team members of Hana JiaXing conducted food survey and feedback regularly and to work with canteen suppliers to ensure the supply of food that meet the needs of most employee, which came from various provinces in China. At the beginning of year 2011, Food Committee shortlisted a few canteen suppliers for assessment with full participation from all employees in order to select the best vendor that met all criteria.

Corporate Social Responsibility

Together with Facility and Training department, Industrial Safety team provided industrial safety knowledge training to all new employees, and conduct fire drill twice for production facilities and dormitory.



Participated in XiuZhou District Fire Safety Knowledge Contest and won the Silver prize among more than 10 competing teams from various enterprises.

Team building through the sport activities as the company believes that employees who are actively involved in sports and lead healthy lifestyle will be less stressed and this will be reflected in their increased productivity.



Corporate Social Responsibility

Social contribution



The recent severe flooding in Ayutthaya province caused our Hana facility in Ayutthaya be inundated and employees homes also to be flooded. Various donations in form of cash, survival bags, boats, and other equipment including remarkable helping hands were given from our associated companies, our customers and suppliers, and related business partners.



Hana Lamphun employees and management had donated funds from selling 560 T-shirts of "Together we make a difference", the new slogan of 2012 for Hana staff flood relief. Further, 50 sets of food and 200 packs of drinking water were given to employees and villagers who were affected by flood in Baan Hong District, Lamphun. In addition, Baht 20,000 was donated to Red Cross and Deputy Governor of Lamphun for further provincial flood relief aid.



Hana is not only the company that assure the security lives of employees but also is the home. When the members suffered from disaster, "Home for Friend" project had established. Hana employees joined to repair and rebuild damaged houses of their colleagues who got effect from flooding.



Corporate Social Responsibility



Recreation Committee on behalf of Hana Lamphun management and staff visited Baan Thammapakorn Elderly Care Center, Chiangmai to donate elderly care items from the money received from Mother Day's Love Mom postcard activity.

In August 2011, Hana CSR Committee held the first Hana CSR Day 2011 activity in Lamphun. More than 2,400 employees participated in various activities i.e. games, folk song, CSR exhibition, clinic from Social Security Office, Bank of Thailand, Rak Thai Foundation, Blood donation and talk show.



Corporate Social Responsibility

Hana employees and management made merit in 9 temples on the Buddhist Lent Day.



"I'm not garbage" Hana CSR Committee invited Hana staff to donate their items to CSR Committee for future CSR social contribution activities.



Hana CSR Electronics Innovation Contest Year 2011 encouraged Hana staff to bring their ideas into community and win exclusive awards.

Social Development Contribution via donation to JiaXing's local charity organizations and Red-Cross committee to the amount of RMB 250,000 in year 2011.

Corporate Social Responsibility

Environmental Management

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

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

Our routine work includes the following:

- electricity saving, water usage control, diesel and N2 usage control
- waste water and gas release control
- Hazardous materials control of storage, usage and transportation

In 2011, employees from Store Department at Hana Lamphun more than 50 staff jointly planted over 600 trees aiming to minimize global warming.



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.

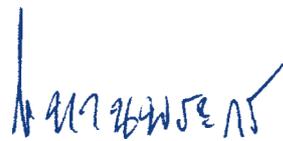
In performing its oversight responsibilities, the Committee held 4 meetings during 2011. The meeting attendance of each committee is as follows.

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

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

The external and internal auditors have full and free access to the Audit Committee. The Committee has recommended to the Board of Directors the suitable re-appointment of the independent auditors of Ernst and Young Bangkok Office Limited for the financial year ending December 31, 2012.

The Audit Committee concludes its satisfaction with the accuracy, completeness and creditability of 2011 financial statements' preparation and reporting, the adequacy of internal control systems and the compliance with applicable laws and regulations. There is no transaction that may lead to conflict of interests. As a result, the Audit Committee has no particular matter to draw to the attention of shareholders.



Mr. Bancha Tarnprakorn
Chairman of Audit Committee

Nomination Committee Report

The Nomination Committee consists of three directors, of which two are the independent directors. In 2011, the company had one meeting and all committee members attended the meeting. The Nomination Committee has reviewed the candidates on the basis of knowledge, skill, experience as well as vision and attitude to match with the Company's requirement.

In respect of the candidate nominations for new director appointments in 2011, the Company promoted the shareholders' right to propose candidates for election to the board. The policies and procedures to allow shareholders to propose candidates for the election of the board are posted on the Company's website. However, there were no shareholders proposed candidates to the Committee for review in previous year. Therefore, the Nomination Committee reviewed those directors whose term expired by rotation in accordance with the Company's articles of association. The Committee has considered that those directors potentially continue to make further contribution to the board and the Company.

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



Mr. Voraphoj Thepvanaprasiddhi
Chairman of Nomination Committee

Management's Discussion and Analysis

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue decreased 4% year on year, to THB 16.3 billion in year 2011 from THB 17.0 billion in year 2010. Sales Revenue in USD terms was similar to USD 535m in 2011 and 2010. Operating profits decreased 42% to THB 1,427m Baht in 2011 from THB 2,473m in 2010.

Operating profits decreased 40% in USD terms to USD 47m in 2011 from USD 78m in 2010.

Past Performance Analysis

Revenue Analysis

Group Sales were lower in by 4% 2011 primarily due to the flood at the Ayutthaya factory offsetting higher sales in the PCBA divisions. Year-to-date Q311 sales were similar to the same period in 2010. USD sales were similar for 2011 and 2010 at USD 534.5m. In Baht terms sales decreased by 4% due to the Thai Baht strengthening by 4% in 2011 to THB/USD 30.53 in 2011 from THB/USD 31.73 in 2010.

The Microelectronics divisions' sales revenues increased 13% [+8% THB] in 2011 over 2010. The microelectronics operation in Lamphun increased 4% [0% in THB terms] and JXG by 33% [+28% in THB terms] for 2011. In 2011 IC assembly sales decreased by 9% in USD terms [-12% in THB terms]. For 2011, the IC division in AYT sales decreased 12% [-15% in THB terms], but increased 13% [+9% in THB terms] for the IC division in JXG.

CPG sales fell 70% [-71% THB] in 2011 due to the move towards closure in 2014. Hana Microdisplay Technologies "HMT", sales increased 17% [+13% THB] for the year with the growth mainly from higher microdisplay sales for optical telecom switch components.

The annual sales split was:

	2011	2010	2009
PCBA (Thailand)	38%	37%	43%
PCBA (China)	22%	17%	15%
CPG - (Bangkok)	2%	5%	8%
IC (AYT)	31%	35%	29%
IC (China)	6%	5%	4%
HMT (USA)	2%	1%	1%
	100%	100%	100%

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

The Gross Profit margin was 13% in 2011 down 4% from 17% in 2010 due the 4% stronger Baht and CNY (2%), higher material costs (1%) and higher wage costs (1%) in each location.

Management's Discussion and Analysis

Operating Profit Analysis

The Operating profit margin decreased 6% in 2011 to 9% from 15% in 2010 due to the lower Gross Profit margin and increased SG&A expense.

SGA expenses increased by THB 254m to 6% of sales revenue in 2011 from 4% of sales revenue in 2010 as a result of reversals in 2010 of doubtful debt provisions made in 2009, higher expenses as a result of the business expansion in microelectronics division and the flooding of Ayutthaya plant in 2011.

Payout Analysis

The company paid dividends per share of THB 1.20 in 2009 from the profits of 2008, THB 1.40 in 2010 from the profits of 2009 and THB 1.55 in 2011 from the profits of 2010 being 57%, 55% and 45% dividend payout of net profits before exceptional items respectively.

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

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st December, 2011 were THB 5.9 billion up from 31st December, 2010 of THB 5.0 billion.

Asset Quality

Accounts Receivable

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

Accounts receivable (Million Baht)	2011	2010	2009
Less than 3 months	2,445,169	2,423,065	2,281,059
3 - 6 months	20,670	8,957	9,382
6 - 12 months	7,236	2,782	3,266
More than 12 months	5,380	0	5,768
Total accounts receivable - other companies	2,478,455	2,434,803	2,299,475
Less : Allowance for doubtful accounts	-11,189	-3,240	-6,415
	2,467,266	2,431,564	2,293,060

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 65 days in 2011, 55 days in 2010 and 58 days in 2009.

Management's Discussion and Analysis

Liquidity

The group has THB 5.9 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 28% lower in 2011 due to the flood of the Ayutthaya plant, stronger exchange rate and increased wage and material costs with EBITDA at THB 2.6 billion in 2011 and THB 3.6 billion in 2010 and THB 2.9 billion in 2009.

Cash and short term investments in 2011 increased by THB 0.8 billion to THB 5.8 billion, due to dividend THB 1.2 billion, capital expenditure THB 1.4 billion and a THB 0.8 billion decrease in working capital. The cash decrease in 2010 from 2009 was THB 1.0 billion after dividend THB 1.1 billion and capital expenditure THB 2.1 billion and a THB 1.4 billion increase in working capital.

The cash increase in 2009 from 2008 was THB 1.1 billion after dividend THB 1.0 billion and capital expenditure THB 0.8 billion and a THB 0.2 billion reduction in working capital.

Capital Expenditure

Net Capital Expenditure was THB 947m in 2011, THB 1,976m in 2010 and THB 754m in 2009. Capital Expenditure was lower in 2011 as demand flattened from 2010.

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

Source of Financial Capital

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

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

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

In turn, customer demand is affected by world economic growth and the customer's sales growth. The group's sales revenue are in foreign currency (primarily USD) and USD currency costs are approximately 60% percent of sales revenues. The Group operating profit sensitivity to change in the Thai Baht/USD and Chinese CNY/USD exchange rates is currently about Baht 170m per quarter for every 10% change in the average Baht/USD and CNY/USD rates (i.e. $(1 - 0.60) \times \text{Sales Revenue} \times 10\%$).

Out of the group's foreign exchange exposure, USD 80m is hedged, Foreign exchange contracts are used to buy THB and Sell USD on a rolling 3 or 6 months basis.

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

The THB/USD currency movements reflected the economic trends in emerging markets and commodities during period. The average rate for 2011 of THB/USD 30.53 was 4% stronger than the THB/USD 31.73 in 2010 which was 8% stronger than the THB/USD 34.3 in 2009.

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

Management's Discussion and Analysis

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 estimated at approximately USD 40m or approximately THB 1,220m of property damage (based on replacement value) and significant business interruption losses which are still being assessed. 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 is in the process of making claims on its property and business interruption insurance policies for the damage resulting from the flood at its Ayutthaya facility.

There were no exceptional items in 2010 or 2009.

Subsequent Event

The subsidiary impacted by the flood has restarted production in Jan 2012 and expects to gradually increase production during the first half of 2012. The subsidiary received an interim payment of Baht 300m for the property insurance claim in February 2012.

A) Business Risk

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

B) Production Risk

The production risks are -

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

C) Management Risk

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

D) Financial Risk

Other risk factors which may affect the company are exchange rates movements of the Thai Baht, political risk and changes in interest rates and collection of receivables. However, the company's sales revenues and material costs are almost wholly in USD which provides a natural hedge. Capital expenditure is also in USD as the machines are mostly imported from the region.

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

Out of the groups foreign exchange exposure, USD 80m is hedged, Foreign exchange contracts are used to buy THB and Sell USD on a rolling 3 or 6 months basis.

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

Risk Factors

Industry and Competitive Condition

In 2011 the markets were weaker in general than in 2010 due to the weakening phase of the semiconductor cycle. Whilst sales in USD terms would have slightly increased from 2010 had it not been for the flood in Ayutthaya factory, the stronger THB/USD and CNY/USD exchange rates, higher material and labour costs impacted the group profit margin.

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

Investment policy

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

Future Projects in Plan

The company is looking to buy land in Lamphun for future factory expansion. The land investment is expected to be THB 80m - THB 200m.

Audit's remuneration

Company	Auditor	Fee (Baht)
Hana Microelectronics Public Co., Ltd.	Kamontip Lertwitworatep	2,000,000
Hana Semiconductor (Ayutthaya) Co., Ltd.	Kamontip Lertwitworatep	980,000
Hana Semiconductor (BKK) Co., Ltd.	Kamontip Lertwitworatep	360,000
Total		3,340,000

Non-audit fee

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

Report of the Board of Directors' Responsibilities for Financial Statements

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

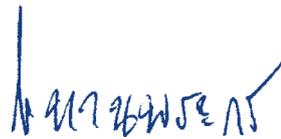
The maintenance of the internal control system is the responsibility of the Board to reasonably assure that assets are safeguarded from unauthorized use or disposition and that the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material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

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

The Board is of the opinion that the financial statements of Hana Microelectronics Public Company Limited and its subsidiaries for the year ended December 2011 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

Report of Independent Auditor

Report of Independent Auditor

To the Shareholders of Hana Microelectronics Public Company Limited

I have audited the accompanying consolidated statements of financial position of Hana Microelectronics Public Company Limited and its subsidiaries as at 31 December 2011 and 2010, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and have also audited the separate financial statements of Hana Microelectronics Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of an overseas subsidiary company, whose financial statements are included in the consolidated financial statements. This subsidiary company had the total assets as at 31 December 2011 of approximately Baht 328 million, representing 2 percent of the consolidated total (2010: Baht 335 million, representing 2 percent of the consolidated total) and total revenues for the year then ended of approximately Baht 253 million, representing 1 percent of the consolidated total (2010: Baht 227 million, representing 1 percent of the consolidated total). The financial statements of this subsidiary company were audited by the auditor of this subsidiary company and I had obtained the reports from its auditor. My opinion, insofar as it related to any amounts and particulars included for this subsidiary company, was based solely upon the reports of the other auditor.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, based on my audits and the reports of the other auditor, 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 2011 and 2010, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to Note 3 to the financial statements. During the current year, the Company and its subsidiaries adopted a number of revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of their financial statements. For the first-time adoption of TAS 19 Employee Benefits, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.



Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited
Bangkok: 28 February 2012

Financial Statements

Statements of financial position
Hana Microelectronics Public Company Limited and its subsidiaries
As at 31 December 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Assets					
Current assets					
Cash and cash equivalents	7	3,824,147,266	2,974,543,667	520,425,225	662,729,295
Short-term investments	9	2,014,320,054	2,035,008,875	-	-
Trade and other receivables	8, 10	2,568,516,148	2,479,736,910	1,275,014,508	1,035,471,835
Insurance claim receivable	22	300,000,000	-	-	-
Inventories	11	2,646,579,217	2,555,007,995	993,410,322	615,977,221
Other current assets		154,070,581	194,967,821	58,845,676	29,521,831
Total current assets		11,507,633,266	10,239,265,268	2,847,695,731	2,343,700,182
Non-current assets					
Investments in subsidiary companies	12	-	-	3,427,501,838	3,427,501,838
Other long-term investment		97,000	97,000	97,000	97,000
Property, plant and equipment	13	6,372,590,324	6,526,493,027	1,630,983,810	1,722,116,444
Intangible assets	14	14,541,422	17,568,626	4,756,328	4,739,191
Other non-current assets		16,850,458	20,511,504	1,328,750	1,328,750
Total non-current assets		6,404,079,204	6,564,670,157	5,064,667,726	5,155,783,223
Total assets		17,911,712,470	16,803,935,425	7,912,363,457	7,499,483,405

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

Financial Statements

Statements of financial position (continued)

Hana Microelectronics Public Company Limited and its subsidiaries

As at 31 December 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institution	15	38,820,547	-	-	-
Trade and other payables	8, 16	2,506,443,445	2,348,737,829	1,004,751,416	554,814,028
Short-term provisions	17	368,474,353	333,457,628	150,465,664	150,465,664
Corporate income tax payable		15,154,576	25,266,043	5,449,676	8,727,959
Other current liabilities		65,340,606	17,937,740	23,277,607	14,100,901
Total current liabilities		2,994,233,527	2,725,399,240	1,183,944,363	728,108,552
Non-current liabilities					
Provision for long-term employee benefits	18	352,899,533	-	154,850,654	-
Total non-current liabilities		352,899,533	-	154,850,654	-
Total liabilities		3,347,133,060	2,725,399,240	1,338,795,017	728,108,552
Shareholders' equity					
Share capital					
Registered 1,000,000,000 ordinary shares of Baht 1 each		1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid-up 830,474,960 ordinary shares of Baht 1 each		830,474,960	830,474,960	830,474,960	830,474,960
Share premium		1,723,218,982	1,723,218,982	1,723,218,982	1,723,218,982
Retained earnings					
Appropriated - statutory reserve	19	320,218,399	320,218,399	100,000,000	100,000,000
Appropriated - reserve for treasury shares	20	262,987,260	262,987,260	262,987,260	262,987,260
Unappropriated		11,783,074,320	11,700,365,118	3,919,874,498	4,117,680,911
Other components of shareholders' equity		(92,407,251)	(495,741,274)	-	-
Total shareholders' equity		14,827,566,670	14,341,523,445	6,836,555,700	7,034,362,113
Treasury shares	20	(262,987,260)	(262,987,260)	(262,987,260)	(262,987,260)
Total shareholders' equity		14,564,579,410	14,078,536,185	6,573,568,440	6,771,374,853
Total liabilities and shareholders' equity		17,911,712,470	16,803,935,425	7,912,363,457	7,499,483,405

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

Financial Statements

Income statements
Hana Microelectronics Public Company Limited and its subsidiaries
For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Revenues					
Sales		16,314,929,359	16,957,935,712	6,273,340,810	6,300,669,065
Interest income		157,109,899	140,740,873	7,163,133	5,341,663
Dividend income		1,771,746	3,674,105	310,021,375	275,019,102
Gain on exchange		120,339,269	192,417,177	76,068,635	-
Other income		404,197,143	350,410,356	69,283,604	72,019,266
Total revenues		16,998,347,416	17,645,178,223	6,735,877,557	6,653,049,096
Expenses					
Cost of sales	21	14,261,378,605	14,087,828,896	5,329,354,656	5,171,880,875
Selling expenses		131,632,924	121,359,704	25,395,694	23,121,723
Administrative expenses		809,899,958	565,242,392	194,847,646	120,186,610
Loss on exchange		-	-	-	27,703,073
Loss from flood event	22	99,293,874	-	-	-
Other expenses		25,801,296	26,490,626	-	-
Total expenses		15,328,006,657	14,800,921,618	5,549,597,996	5,342,892,281
Profit before finance cost and corporate income tax		1,670,340,759	2,844,256,605	1,186,279,561	1,310,156,815
Finance cost		(9,350,969)	(7,922,492)	(2,912,948)	(2,316,828)
Profit before corporate income tax		1,660,989,790	2,836,334,113	1,183,366,613	1,307,839,987
Corporate income tax		(42,921,044)	(86,913,402)	(16,342,098)	(26,116,159)
Profit for the year		1,618,068,746	2,749,420,711	1,167,024,515	1,281,723,828
Profit attributable to:					
Equity holders of the Company		1,618,068,746	2,749,420,711	1,167,024,515	1,281,723,828
Earnings per share					
Basic earnings per share					
Profit attributable to equity holders of the Company	23	2.01	3.42	1.45	1.59

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

Financial Statements

Statements of comprehensive income

Hana Microelectronics Public Company Limited and its subsidiaries

For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Profit for the year		1,618,068,746	2,749,420,711	1,167,024,515	1,281,723,828
Other comprehensive income:					
Gain (loss) on change in value of available-for-sale investments	9.2	(36,132,311)	34,876,319	-	-
Exchange differences on translation of financial statements in foreign currency		439,466,334	(585,216,713)	-	-
Other comprehensive income for the year		403,334,023	(550,340,394)	-	-
Total comprehensive income for the year		2,021,402,769	2,199,080,317	1,167,024,515	1,281,723,828
Total comprehensive income attributable to:					
Equity holders of the Company		2,021,402,769	2,199,080,317	1,167,024,515	1,281,723,828

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

Financial Statements

Statements of cash flows
Hana Microelectronics Public Company Limited and its subsidiaries
For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from operating activities				
Profit before tax	1,660,989,790	2,836,334,113	1,183,366,613	1,307,839,987
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation	1,187,435,691	1,138,503,896	291,912,262	274,015,157
Amortisation expenses	5,395,984	5,487,198	633,513	577,842
Allowance for doubtful accounts (reversal)	7,948,887	(3,175,314)	-	-
Allowance for diminution in inventory value (reversal)	143,326,204	(34,998,185)	(793,888)	(30,801,428)
Loss (gain) on disposals of equipment	1,937,894	4,406,069	(536,750)	1,211,588
Loss from impairment of assets (reversal)	190,989,510	(16,715,107)	337,603	(1,192,066)
Provision for product warranty	25,801,296	26,490,626	-	-
Short-term provisions	-	(9,276,526)	-	-
Provision for long-term employee benefits	81,771,181	-	44,906,335	-
Loss (gain) on sales of short-term investments	(54,521,769)	295,071	-	-
Revaluation loss (gain) on investments in securities held for trading	2,397,154	(50,247,269)	-	-
Unrealised gain on exchange	(1,820,627)	(12,935,373)	(7,993,195)	(2,530,802)
Unrealised loss (gain) on forward contracts	29,418,846	(25,799,479)	-	-
Unrealised loss (gain) on swap contract	(1,117,305)	168,245	-	-
Dividend income from subsidiary companies	-	-	(310,000,000)	(275,000,000)
Dividend income from other companies	(1,771,746)	(3,674,105)	(21,375)	(19,125)
Interest income from short-term investments	(102,628,265)	(109,133,665)	-	-
Interest expenses	564,667	787,139	434,178	893
Income from operating activities before changes in operating assets and liabilities	3,176,117,392	3,746,517,334	1,202,245,296	1,274,102,046
Operating assets (increase) decrease				
Trade and other receivables	(56,460,146)	(198,073,640)	(218,835,818)	39,835,075
Insurance claim receivable	(300,000,000)	-	-	-
Inventories	(234,897,426)	(763,186,306)	(376,639,213)	(57,278,375)
Other current assets	41,201,667	(67,436,645)	(29,317,727)	(1,543,699)
Other non-current assets	(7,133,699)	(5,391,408)	-	-
Operating liabilities increase (decrease)				
Trade and other payables	293,968,010	283,528,906	445,748,404	(102,542,939)
Other current liabilities	2,432,365	(16,738,649)	1,852,330	376,172
Cash from operating activities	2,915,228,163	2,979,219,592	1,025,053,272	1,152,948,280
Cash paid for interest expenses	-	(1,140)	-	(893)
Cash paid for corporate income tax	(53,032,511)	(170,316,880)	(19,620,381)	(106,291,806)
Net cash from operating activities	2,862,195,652	2,808,901,572	1,005,432,891	1,046,655,581

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

Financial Statements

Statements of cash flows

Hana Microelectronics Public Company Limited and its subsidiaries
For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from investing activities				
Increase in short-term investments	(314,740,528)	(341,825,844)	-	-
Interest income from short-term investments	70,318,611	109,133,665	-	-
Proceeds from sales of short-term investments	351,421,653	120,774,311	-	-
Dividend income from subsidiary companies	-	-	310,000,000	275,000,000
Dividend income from other companies	1,771,746	3,674,105	21,375	19,125
Acquisitions of property, plant and equipment	(1,396,553,927)	(2,291,160,141)	(234,189,801)	(436,940,291)
Proceeds from disposals of equipment	36,600,516	35,281,249	25,078,526	3,937,288
Increase in intangible assets	(2,368,780)	(2,187,860)	(650,650)	(1,855,534)
Decrease in other non-current assets	10,794,745	16,626,774	-	-
Net cash from (used in) investing activities	(1,242,755,964)	(2,349,683,741)	100,259,450	(159,839,412)
Cash flows from financing activities				
Increase (decrease) in short-term loans from financial institution	38,820,547	(43,906,080)	-	-
Cash paid for interest expenses	(560,737)	(785,999)	(434,178)	-
Dividend paid	(1,247,562,233)	(1,126,830,404)	(1,247,562,233)	(1,126,830,404)
Net cash used in financing activities	(1,209,302,423)	(1,171,522,483)	(1,247,996,411)	(1,126,830,404)
Increase (decrease) in cash and cash equivalents	410,137,265	(712,304,652)	(142,304,070)	(240,014,235)
Translation adjustment	439,466,334	(585,216,713)	-	-
Net increase (decrease) in cash and cash equivalents	849,603,599	(1,297,521,365)	(142,304,070)	(240,014,235)
Cash and cash equivalents at beginning of year	2,974,543,667	4,272,065,032	662,729,295	902,743,530
Cash and cash equivalents at end of year (Note 7)	3,824,147,266	2,974,543,667	520,425,225	662,729,295
Supplemental cash flow information				
Non-cash related transactions from investing activities				
Net increase (decrease) in accounts payable for purchase of plant and equipment	(133,493,019)	(204,144,125)	(8,530,794)	4,325,074
Revaluation surplus (deficit) on changes in fair value of available-for-sale investments	(36,132,311)	34,876,319	-	-

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

Financial Statements

Statements of changes in shareholders' equity
Hana Microelectronics Public Company Limited and its subsidiaries
For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements										
		Issued and paid up share capital	Share premium	Retained earnings			Other components of shareholders' equity			Total equity attributable to owners of the Company	Treasury shares	Total shareholders' equity
				Appropriated		Unappropriated	Surplus (deficit) on change in fair value of available-for-sale investments	Exchange differences on translation of financial statements in foreign currency	Total other components of shareholders' equity			
				Statutory reserve	Reserve for treasury shares							
Balance as at 31 December 2009		830,474,960	1,723,218,982	320,218,399	262,987,260	10,077,774,811	68,996,217	(14,397,097)	54,599,120	13,269,273,532	(262,987,260)	13,006,286,272
Dividend paid	27	-	-	-	-	(1,126,830,404)	-	-	-	(1,126,830,404)	-	(1,126,830,404)
Total comprehensive income for the year		-	-	-	-	2,749,420,711	34,876,319	(585,216,713)	(550,340,394)	2,199,080,317	-	2,199,080,317
Balance as at 31 December 2010		830,474,960	1,723,218,982	320,218,399	262,987,260	11,700,365,118	103,872,536	(599,613,810)	(495,741,274)	14,341,523,445	(262,987,260)	14,078,536,185
Balance as at 31 December 2010		830,474,960	1,723,218,982	320,218,399	262,987,260	11,700,365,118	103,872,536	(599,613,810)	(495,741,274)	14,341,523,445	(262,987,260)	14,078,536,185
Cumulative effect of change in accounting policy for employee benefits	3	-	-	-	-	(287,797,311)	-	-	-	(287,797,311)	-	(287,797,311)
Dividend paid	27	-	-	-	-	(1,247,562,233)	-	-	-	(1,247,562,233)	-	(1,247,562,233)
Total comprehensive income for the year		-	-	-	-	1,618,068,746	(36,132,311)	439,466,334	403,334,023	2,021,402,769	-	2,021,402,769
Balance as at 31 December 2011		830,474,960	1,723,218,982	320,218,399	262,987,260	11,783,074,320	67,740,225	(160,147,476)	(92,407,251)	14,827,566,670	(262,987,260)	14,564,579,410

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

Financial Statements

Statements of changes in shareholders' equity
Hana Microelectronics Public Company Limited and its subsidiaries
For the years ended 31 December 2011 and 2010

(Unit: Baht)

	Note	Separate financial statements							
		Issued and paid up share capital	Share premium	Retained earnings			Total equity attributable to owners of the Company	Treasury shares	Total
				Statutory reserve	Reserve for treasury shares	Unappropriated			
Balance as at 31 December 2009		830,474,960	1,723,218,982	100,000,000	262,987,260	3,962,787,487	6,879,468,689	(262,987,260)	6,616,481,429
Dividend paid	27	-	-	-	-	(1,126,830,404)	(1,126,830,404)	-	(1,126,830,404)
Total comprehensive income for the year		-	-	-	-	1,281,723,828	1,281,723,828	-	1,281,723,828
Balance as at 31 December 2010		830,474,960	1,723,218,982	100,000,000	262,987,260	4,117,680,911	7,034,362,113	(262,987,260)	6,771,374,853
Balance as at 31 December 2010		830,474,960	1,723,218,982	100,000,000	262,987,260	4,117,680,911	7,034,362,113	(262,987,260)	6,771,374,853
Cumulative effect of change in accounting policy for employee benefits	3	-	-	-	-	(117,268,695)	(117,268,695)	-	(117,268,695)
Dividend paid	27	-	-	-	-	(1,247,562,233)	(1,247,562,233)	-	(1,247,562,233)
Total comprehensive income for the year		-	-	-	-	1,167,024,515	1,167,024,515	-	1,167,024,515
Balance as at 31 December 2011		830,474,960	1,723,218,982	100,000,000	262,987,260	3,919,874,498	6,836,555,700	(262,987,260)	6,573,568,440

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 years ended 31 December 2011 and 2010

1. General information

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

2. Basis of preparation

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

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

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

2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total as at 31 December		Revenues as a percentage to the consolidated total for the year ended 31 December	
			2011 Percent	2010 Percent	2011 Percent	2010 Percent	2011 Percent	2010 Percent
Held by the Company								
Hana Semiconductor (BKK) Company Limited	Manufacture and trading of electronic components	Thailand	100	100	1	3	2	5
Omac Sales Limited	Trading of electronic components	Hong Kong	100	100	1	1	-	-
Hana Microelectronics International Company Limited	Holding company	British Virgin Islands	100	100	13	13	-	2
Hana Microelectronics Investments Company Limited	Holding company	British Virgin Islands	100	100	-	-	-	-
Hana Technologies Group Limited	Holding company	Cayman Islands	100	100	-	-	-	-
Hana Semiconductor (Ayuthaya) Company Limited	Manufacture and trading of electronic components	Thailand	58	58	15	17	18	20
Held through the subsidiary companies								
Hana Semiconductor International Limited	Trading of electronic components	British Virgin Islands	100	100	7	5	27	20
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	2	2	1	1
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	25	23	1	1
Hana Semiconductor (Ayuthaya) Company Limited	Manufacture and trading of electronic components	Thailand	42	42	11	12	13	15

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries

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- 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. Adoption of new accounting standards during the year

During the current year, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Notes to Consolidated Financial Statements

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Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements, except for the following accounting standards.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. The Company and its subsidiaries previously accounted for such employee benefits when they were incurred.

The Company and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change has the cumulative effect of decreasing the beginning balance of retained earnings of the Company and its subsidiaries by Baht 288 million (the Company only: Baht 117 million), and decreasing the profit of the Company and its subsidiaries for the year 2011 by Baht 82 million, or 0.10 Baht per share (the Company only: decreasing profit by Baht 47 million, or 0.06 Baht per share). The cumulative effect of the change in the accounting policy has been separately presented in the statements of changes in shareholders' equity.

4. New accounting standards issued during the years not yet effective

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

Accounting standards:

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

Accounting Standard Interpretations:

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

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

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TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates

This accounting standard requires an entity to identify its functional currency in accordance with certain conditions in the standard and to record transactions and report its financial position and operating results in this functional currency, which may not be Baht.

At present, the management is still evaluating the impact on the financial statements in the year when this standard is adopted.

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.

Rental income

Rental income is recognised on an accrual basis.

Dividends

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

5.2 Cash and cash equivalents

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

5.3 Trade accounts receivable

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

5.4 Inventories

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

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

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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 as a separate item in shareholders' equity, and will be recorded in profit or loss when securities are sold.
- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

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

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

In the event the Company and its subsidiary reclassify investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as surplus (deficit) from changes in the value of investments in 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 equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

Notes to Consolidated Financial Statements

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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.

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

	<u>Useful lives</u>
Computer software	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

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

An impairment loss is recognised in profit or loss.

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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 estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

5.11 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Provision for vacation

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

5.12 Treasury share

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

5.13 Provisions

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

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

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Hana Microelectronics Public Company Limited and its subsidiaries

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5.14 Income tax

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

5.15 Derivatives - forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrealised gains and losses from the translation are included in determining income.

6. Significant accounting judgments and estimates

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

Allowance for doubtful accounts

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

Allowance for diminution in inventory value

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

Fair value of financial instruments

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

Impairment of equity investments

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

Property plant and equipment and depreciation

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

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

Post-employment benefits under defined benefit plans

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

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Hana Microelectronics Public Company Limited and its subsidiaries
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7. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2011 and 2010 as reflected in the statements of financial position and cash flows consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash in hand and at banks	1,789,864	1,064,128	270,425	212,729
Bills of exchange	610,000	750,000	250,000	450,000
Fixed deposits with maturity not over 3 months	1,424,283	1,160,416	-	-
Cash and cash equivalents	3,824,147	2,974,544	520,425	662,729

As at 31 December 2011, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.001 and 3.25 percent per annum (2010: 0.001 and 2.25 percent per annum).

8. Related party transactions

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

(Unit: Million Baht)

	Separate financial statements		Transfer pricing policy
	2011	2010	
Transactions with subsidiary companies (eliminated from the consolidated financial statements)			
Sales of goods	13	22	Prices agreed between the parties due to the uniqueness of products sold to each customer
Dividend income	310	275	Declared rate
Rental income	9	13	Contract price
Purchase of materials	162	91	Cost plus mark up
Purchase of fixed assets	4	1	Cost plus mark up
Service fee expenses	4	2	Rates stipulated in the agreement

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries
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As at 31 December 2011 and 2010, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Separate financial statements	
	2011	2010
Trade accounts receivable - subsidiary companies		
Hana Microdisplay Technologies, Inc.	11,642	15,834
Hana Semiconductor (Ayutthaya) Company Limited	352	-
Omac Sales Limited	108	1,450
Hana Semiconductor (BKK) Company Limited	107	1,149
Hana Semiconductor International Limited	78	-
Total trade accounts receivable - subsidiary companies	12,287	18,433
Trade accounts payable - subsidiary companies		
Omac Sales Limited	49,990	8,244
Hana Semiconductor (Ayutthaya) Company Limited	36,863	1,370
Hana Semiconductor International Limited	4,540	576
Hana Microelectronics, Inc.	1,651	624
Hana Microdisplay Technologies, Inc.	1,069	2,169
Hana Microelectronics Investments Company Limited	32	68
Total trade accounts payable - subsidiary companies	94,145	13,051

Directors and management's benefits

During the years ended 31 December 2011 and 2010, 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	
	2011	2010	2011	2010
Short-term employee benefits	81	85	9	11
Post-employment benefits	8	-	8	-
Total	89	85	17	11

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries
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9. Short-term Investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2011		31 December 2010	
	Cost/ Carrying value	Fair value	Cost/ Carrying value	Fair value
Securities held for trading				
Overseas marketable equity securities	95,074	95,956	30,154	33,274
Domestic marketable equity securities	-	-	37,353	128,196
Total	95,074	95,956	67,507	161,470
Add: Revaluation surplus on changes in value of investments	882	-	93,963	-
Investments in securities held for trading	95,956	95,956	161,470	161,470
Available-for-sale securities				
Overseas marketable corporate bonds	1,000,449	1,046,768	901,608	932,940
Quoted bonds	843,831	865,252	868,058	940,599
Total	1,844,280	1,912,020	1,769,666	1,873,539
Add: Revaluation surplus on changes in value of investments	67,740	-	103,873	-
Investments in available-for-sale securities	1,912,020	1,912,020	1,873,539	1,873,539
Fixed deposit with financial institution				
Fixed deposit within 1 year	6,344	6,344	-	-
Investment in fixed deposit with financial institution	6,344	6,344	-	-
Total short-term investments	2,014,320	2,014,320	2,035,009	2,035,009

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries
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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, shares of a company listed on the Stock Exchange of Thailand (SET), including the Credit linked note through an overseas bank. These investments are held for trading purpose. During 2010, the subsidiary had redeemed the Credit linked note invested in 2009, resulting in gain of HKD 0.2 million or equivalent to Baht 0.8 million. During the current year, the subsidiary additionally invested in bond investment trust from an overseas bank. In addition, this subsidiary disposed the entire amount of the remaining shares of a company listed on the Stock Exchange of Thailand, resulting in gain of USD 1.8 million or equivalent to approximately Baht 53.1 million.

As at 31 December 2011, the subsidiary had assessed the fair value of the equity securities for mutual fund and the bond investment trust from an overseas bank by referring to the latest bid price as quoted on the Stock Exchanges, in which the fair value had decreased by USD 0.07 million or equivalent to approximately Baht 2.4 million (2010: increased by HKD 14.1 million or equivalent to approximately Baht 50.2 million). The changes in the fair value of these investments were recognised in profit or loss.

9.2 Available-for-sale securities

In addition, this subsidiary had invested in private corporate bonds issued by various companies listed on the overseas Stock Exchanges and quoted bonds through the three overseas banks. These investments are classified as available-for-sale investments. During 2010, the subsidiary additionally invested in both listed corporate bonds and quoted bonds and sold some of the bonds, and partial quoted bonds were matured, resulting in net loss of HKD 0.3 million or equivalent to approximately Baht 1.1 million. During the current year, the subsidiary additionally invested in listed corporate bonds and disposed some of the bonds, resulting in gain of USD 0.05 million or equivalent to approximately Baht 1.4 million.

As at 31 December 2011, part of investments in available-for-sales securities were used as security for short-term loans from financial institution as discussed in Note 15.

As at 31 December 2011, the subsidiary had assessed the fair value of the bonds by referring to the value quoted by the banks in which the fair value had decreased by USD 1.3 million or equivalent to approximately Baht 36.1 million (2010: increased by HKD 10.8 million or equivalent to approximately Baht 34.9 million). The changes in the fair value of such bonds are shown as a separate item in the statement of comprehensive income.

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10. Trade and other receivables

(Unit: Thousand Baht)

Age of receivable	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Trade receivables - subsidiary companies				
Not yet due	-	-	1,691	2,054
Past due				
Up to 3 months	-	-	4,140	8,238
3 - 6 months	-	-	2,387	3,630
6 - 12 months	-	-	3,107	4,030
Over 12 months	-	-	962	481
Total trade receivables - subsidiary companies	-	-	12,287	18,433
Trade receivables - unrelated companies				
Not yet due	2,090,226	1,909,840	1,138,627	858,884
Past due				
Up to 3 months	354,943	513,225	105,460	152,470
3 - 6 months	20,670	8,957	929	1,072
6 - 12 months	7,236	2,782	34	-
Over 12 months	5,380	-	-	-
Total trade receivables - unrelated companies	2,478,455	2,434,804	1,245,050	1,012,426
Less: Allowance for doubtful accounts	(11,189)	(3,240)	-	-
Total trade receivables - unrelated companies - net	2,467,266	2,431,564	1,245,050	1,012,426
Total trade receivables - net	2,467,266	2,431,564	1,257,337	1,030,859
Other receivables	101,250	48,173	17,678	4,613
Trade and other receivables - net	2,568,516	2,479,737	1,275,015	1,035,472

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries
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11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2011	2010	2011	2010	2011	2010
Finished goods	553,620	685,984	(121,434)	(129,442)	432,186	556,542
Work in process	292,648	243,303	-	-	292,648	243,303
Raw materials	2,000,275	1,747,327	(227,963)	(76,629)	1,772,312	1,670,698
Goods in transit	149,433	84,465	-	-	149,433	84,465
Total	2,995,976	2,761,079	(349,397)	(206,071)	2,646,579	2,555,008

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2011	2010	2011	2010	2011	2010
Finished goods	202,060	223,299	(121,287)	(129,239)	80,773	94,060
Work in process	117,251	72,080	-	-	117,251	72,080
Raw materials	808,856	495,767	(54,734)	(47,576)	754,122	448,191
Goods in transit	41,264	1,646	-	-	41,264	1,646
Total	1,169,431	792,792	(176,021)	(176,815)	993,410	615,977

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	
	2011	2010	2011 Percent	2010 Percent	2011	2010	2011	2010
Hana Semiconductor (Ayuthaya) Company Limited	1,200,000	1,200,000	58	58	2,142,910	2,142,910	70,000	175,000
Hana Semiconductor (BKK) Company Limited	1,000,000	1,000,000	100	100	1,011,100	1,011,100	240,000	100,000
Omac Sales Limited	325	325	100	100	273,492	273,492	-	-
Hana Microelectronics International Company Limited	-	-	100	100	-	-	-	-
Hana Microelectronics Investment Company Limited	-	-	100	100	-	-	-	-
Hana Technologies Group Limited	-	-	100	100	-	-	-	-
Total investments in subsidiary companies					3,427,502	3,427,502	310,000	275,000

Notes to Consolidated Financial Statements

Hana Microelectronics Public Company Limited and its subsidiaries
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13. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements								
	Land	Buildings	Leasehold improvement	Installation	Machinery and equipment	Office furniture and equipment	Vehicles	Construction in progress and machinery under installation	Total
Cost									
31 December 2009	157,377	1,835,701	138,354	535,123	8,745,580	426,315	55,338	179,350	12,073,138
Additions	121,631	11,919	155	27,482	1,038,672	50,455	8,430	944,458	2,203,202
Disposals	-	-	-	(6,470)	(199,472)	(8,125)	(13,570)	-	(227,637)
Transfer in (out)	-	210,208	-	15,150	513,347	5,572	-	(744,277)	-
Translation adjustment	-	(40,304)	(4,071)	-	(132,000)	(3,681)	(1,033)	(4,338)	(185,427)
31 December 2010	279,008	2,017,524	134,438	571,285	9,966,127	470,536	49,165	375,193	13,863,276
Additions	-	8,633	-	26,048	328,263	32,948	1,526	688,247	1,085,665
Disposals	-	-	-	(5)	(114,000)	(15,846)	(8,614)	-	(138,465)
Transfer in (out)	-	126,560	-	60,527	573,779	11,368	3,502	(775,736)	-
Translation adjustment	-	56,946	2,979	-	195,635	4,753	1,600	7,327	269,240
31 December 2011	279,008	2,209,663	137,417	657,855	10,949,804	503,759	47,179	295,031	15,079,716
Accumulated depreciation									
31 December 2009	-	515,149	111,641	357,335	5,005,938	342,780	35,243	-	6,368,086
Depreciation for the year	-	91,279	5,947	40,573	958,038	34,808	7,859	-	1,138,504
Accumulated depreciation for disposed assets	-	-	-	(383)	(168,438)	(6,888)	(12,241)	-	(187,950)
Translation adjustment	-	(8,368)	(2,783)	-	(50,181)	(2,762)	(580)	-	(64,674)
31 December 2010	-	598,060	114,805	397,525	5,745,357	367,938	30,281	-	7,253,966
Depreciation for the year	-	106,260	3,420	43,102	988,523	39,460	6,671	-	1,187,436
Accumulated depreciation for disposed assets	-	-	(616)	(5)	(76,964)	(15,156)	(7,186)	-	(99,927)
Translation adjustment	-	14,712	1,286	-	69,402	3,198	1,061	-	89,659
31 December 2011	-	719,032	118,895	440,622	6,726,318	395,440	30,827	-	8,431,134
Allowance for impairment loss									
31 December 2009	-	-	-	613	103,486	-	-	-	104,099
Decrease during the year	-	-	-	-	(16,715)	-	-	-	(16,715)
Translation adjustment	-	-	-	-	(4,567)	-	-	-	(4,567)
31 December 2010	-	-	-	613	82,204	-	-	-	82,817
Increase during the year	-	-	-	-	190,989	-	-	-	190,989
Translation adjustment	-	-	-	-	2,186	-	-	-	2,186
31 December 2011	-	-	-	613	275,379	-	-	-	275,992
Net book value									
31 December 2010	279,008	1,419,464	19,633	173,147	4,138,566	102,598	18,884	375,193	6,526,493
31 December 2011	279,008	1,490,631	18,522	216,620	3,948,107	108,319	16,352	295,031	6,372,590
Depreciation for the year									
2010 (Baht 1,013 million included in manufacturing cost, and the balance in administrative expenses)									1,138,504
2011 (Baht 984 million included in manufacturing cost, and the balance in administrative expenses)									1,187,436

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(Unit: Thousand Baht)

	Separate financial statements								
	Land	Buildings	Leasehold improvement	Installation	Machinery and equipment	Office furniture and equipment	Vehicles	Construction in progress and machinery under installation	Total
Cost									
31 December 2009	50,994	811,991	85,641	139,172	1,830,334	101,411	18,560	99,533	3,137,636
Additions	121,631	518	-	1,284	17,032	11,367	2,537	286,896	441,265
Disposals	-	-	-	-	(25,676)	(1,220)	-	-	(26,896)
Transfer in (out)	-	-	-	7,576	230,674	174	-	(238,424)	-
31 December 2010	172,625	812,509	85,641	148,032	2,052,364	111,732	21,097	148,005	3,552,005
Additions	-	5,804	-	11,235	28,860	10,458	-	169,302	225,659
Disposals	-	-	-	-	(76,463)	(1,043)	(6,420)	-	(83,926)
Transfer in (out)	-	77,255	-	38,579	157,190	879	-	(273,903)	-
31 December 2011	172,625	895,568	85,641	197,846	2,161,951	122,026	14,677	43,404	3,693,738
Accumulated depreciation									
31 December 2009	-	230,870	78,354	63,482	1,104,825	80,562	12,018	-	1,570,111
Depreciation for the year	-	40,618	4,858	11,488	206,062	8,180	2,809	-	274,015
Accumulated depreciation for disposed assets	-	-	-	-	(20,739)	(1,008)	-	-	(21,747)
31 December 2010	-	271,488	83,212	74,970	1,290,148	87,734	14,827	-	1,822,379
Depreciation for the year	-	42,901	2,429	13,326	222,178	9,342	1,736	-	291,912
Accumulated depreciation for disposed assets	-	-	-	-	(53,196)	(931)	(5,258)	-	(59,385)
31 December 2011	-	314,389	85,641	88,296	1,459,130	96,145	11,305	-	2,054,906
Allowance for impairment loss									
31 December 2009	-	-	-	613	8,089	-	-	-	8,702
Decrease during the year	-	-	-	-	(1,192)	-	-	-	(1,192)
31 December 2010	-	-	-	613	6,897	-	-	-	7,510
Increase during the year	-	-	-	-	338	-	-	-	338
31 December 2011	-	-	-	613	7,235	-	-	-	7,848
Net book value									
31 December 2010	172,625	541,021	2,429	72,449	755,319	23,998	6,270	148,005	1,722,116
31 December 2011	172,625	581,179	-	108,937	695,586	25,881	3,372	43,404	1,630,984
Depreciation for the year									
2010 (Baht 206 million included in manufacturing cost, and the balance in administrative expenses)									274,015
2011 (Baht 222 million included in manufacturing cost, and the balance in administrative expenses)									291,912

As at 31 December 2011, certain equipment items have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation and allowance for impairment loss, of those assets amounted to approximately Baht 4,625 million (2010: Baht 3,693 million) and for the Company amounted to approximately Baht 860 million (2010: Baht 614 million).

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14. Intangible assets

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

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cost		
31 December 2009	38,747	4,912
Additions	2,429	1,855
Translation adjustment	(696)	-
31 December 2010	40,480	6,767
Additions	2,238	651
Translation adjustment	1,044	-
31 December 2011	43,762	7,418
Accumulated amortisation		
31 December 2009	17,879	1,450
Amortisation for the year	5,487	578
Translation adjustment	(455)	-
31 December 2010	22,911	2,028
Amortisation for the year	5,396	634
Translation adjustment	914	-
31 December 2011	29,221	2,662
Net book value		
31 December 2010	17,569	4,739
31 December 2011	14,541	4,756
Amortisation for the year		
2010	5,487	578
2011	5,396	634

15. Short-term loans from financial institution

During the current year, Hana Microelectronics International Company Limited, an overseas subsidiary company, entered into the loan agreements with an overseas commercial bank to borrow short-term loans of GBP 0.74 million and EUR 0.38 million. The short-term loans bear interest at the rate of 0.88% per annum and 1.27% per annum, respectively, and are secured by the pledge of the investments in available-for-sale securities held under the accounts of the lender by the subsidiary company.

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16. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Trade payables - related parties	-	-	94,145	13,051
Trade payables - unrelated parties	1,916,228	1,698,690	812,933	458,506
Advance received from customers	164,050	165,490	30,094	10,041
Other payables for purchase of machineries	174,472	307,965	38,394	46,925
Accrued expenses	251,694	176,593	29,185	26,291
Total trade and other payables	2,506,444	2,348,738	1,004,751	554,814

17. Short-term provisions

(Unit: Thousand Baht)

	Consolidated financial statements		
	Loss on tax assessment	Product warranty	Total
1 January 2011	150,466	182,992	333,458
Increase during the year	-	35,016	35,016
31 December 2011	150,466	218,008	368,474

(Unit: Thousand Baht)

	Separate financial statements	
	Loss on tax assessment	Total
1 January 2011	150,466	150,466
31 December 2011	150,466	150,466

Provision for loss on tax assessment

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

Provision for product warranty

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

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Hana Microelectronics Public Company Limited and its subsidiaries
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18. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011, which are compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings (Note 3)	271,128	109,944
Current service cost	40,469	18,204
Interest cost	9,471	4,173
Actuarial loss on obligation	31,832	22,530
Balance at end of year	352,900	154,851

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2011 amounted to Baht 82 million (the Company only: Baht 45 million).

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2011 (% per annum)	2010 (% per annum)	2011 (% per annum)	2010 (% per annum)
Discount rate	3.7%	4.1%	3.7%	4.1%
Future salary increase rate (depending on age)	3.1% - 5.4%	3.2% - 5.5%	3.8% - 5.4%	3.3% - 5.5%
Staff turnover rate	4.9% - 26.3%	4.9% - 26.3%	4.9% - 26.3%	4.9% - 26.3%

19. Statutory reserve

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

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20. Treasury shares

As at 31 December 2011 and 2010, details of treasury shares are as follows:

	Consolidated and separate financial statements	
	2011	2010
Cost of treasury shares (Thousand Baht)	262,987	262,987
Number of treasury shares (Thousand shares)	25,596	25,596
Average price per share (Baht)	10.27	10.27
Percentage of treasury shares to the Company's shares in issue	3.08	3.08

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

Under the Notification of the Office of the Securities and Exchange Commission No. Gor Lor Tor. Chor. Sor. (Wor) 2/2548 and the Notification of the Federation of Accounting Professions No. Sor. Sor Wor Bor Chor. 016/2548, public limited company is required to set aside retained earnings in an amount equal to the amount paid for treasury shares until either the shares are sold or paid-up capital is reduced by cancellation of any remaining unsold shares. As at 31 December 2011, the Company set aside approximately Baht 262.99 million as reserve for treasury shares (2010: Baht 262.99 million).

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

Notes to Consolidated Financial Statements

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21. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Raw materials and consumables used	9,744,187	9,776,018	3,996,872	3,898,075
Changes in inventories of finished goods and work in process	75,011	(204,098)	(31,884)	39,860
Salary and wages and other employee benefits	2,687,463	2,496,594	889,658	771,319
Management benefit expenses	88,842	85,029	17,042	10,900
Depreciation and amortisation expenses	1,192,832	1,143,991	292,546	274,593
Loss on exchange	-	-	-	27,703
Loss from flood event	99,294	-	-	-
Product warranty expenses	25,801	26,491	-	-

22. Loss from flood event

The plant of Hana Semiconductor (Ayutthaya) Co., Ltd., a 100% owned subsidiary of the Company, which is located in Hi-tech Industrial Estate in Ayutthaya province, was inundated in early October 2011 as a result of the extensive flooding in Thailand during the fourth quarter of 2011. The subsidiary suffered major damages to its property and business interruption losses. The subsidiary investigated the damages and recorded losses from flood event of Baht 399 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 loss from the incidents is covered by the subsidiary's insurance, which covers all risks and business interruption. The subsidiary is in the process of claiming compensation on its property damages and business interruption losses resulting from the flood. The subsidiary received an initial compensation payment of Baht 300 million in February 2012, and at the end of reporting period it had therefore recognised this insurance claim receivable as current assets 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.

The subsidiary has restarted its production in January 2012 and expects to gradually increase its production capacity during the first half of 2012.

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23. Earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert of all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

	For the year ended 31 December			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Profit for the year (Thousand Baht)	1,618,069	2,749,421	1,167,025	1,281,724
Number of weighted average ordinary shares - net of treasury shares (Thousand shares)	804,879	804,879	804,879	804,879
Basic earnings per share (Baht)	2.01	3.42	1.45	1.59

Warrants

The Company had in 2006 issued warrants to the Company's employees and directors, as detailed below.

Number of warrants:	20,000,000 warrants
Exercise price:	Baht 27.40 per share
Exercise ratio:	1 ordinary share: 1 warrant
Exercise period:	From 31 October 2006 to 31 July 2010

However, no warrants were exercised until the exercise period ended on 31 July 2010.

The warrants were excluded from the calculation of potential diluted ordinary shares for diluted earnings per share calculation for the year ended 31 December 2010 since the exercise price exceeded the weighted average fair value of the ordinary shares of the Company.

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24. Promotional privileges

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

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

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Particulars	Subsidiaries							
	Hana Semiconductor (BKK) Company Limited		Hana Semiconductor (Ayutthaya) Company Limited					
1. Certificate No.	1112/2541	2093(6)/2548	1594(2)/2545	1133(4)/2548	2176(4)/2548	1458(1)/2553	1817(2)/2550	1034(2)/2550
2. Promotional privileges for	Production of LED, OPTO and Microwave Amplifier	Production of Integrated Circuit (IC)	Production of IC OPTO and Integrated Circuit (IC)	Production of Integrated Circuit (IC) and Integrated Module	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)	Production of Integrated Circuit (IC)	Production of Integrated Circuit (IC)	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)
3. The significant privilege are								
3.1 Exemption from corporate income tax on net income derived from the promoted operation and exemption from income tax on dividends paid from the promoted operations which are tax exempted throughout the period in which the corporate income tax is exempted.	-	5 years	7 years	8 years	8 years	8 years	7 years	8 years
3.2 Exemption from import duty on machinery as approved by the Board.	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted
4. Date of first earning operating income	1 April 1998	20 April 2006	7 September 2003	3 January 2005	10 January 2006	10 May 2010	1 September 2010	Has not yet started utilising the privileges.

During the year 2011, the subsidiaries were approved by the Board of investment to terminate the promotional certificate no. 1492/2541, 1187/or/2543, 1154(1)/2544.

The Company's operating revenues for the years 2011 and 2010 could be divided according to promoted and non-promoted operations as follows:

(Unit: Thousand Baht)

	Promoted operations		Non-promoted operations		Total	
	2011	2010	2011	2010	2011	2010
Sales						
Domestic sales	684	19	15	24	699	43
Export sales	6,258,086	6,268,543	14,556	32,083	6,272,642	6,300,626
Total sales	6,258,770	6,268,562	14,571	32,107	6,273,341	6,300,669

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25. Segment information

The Company and its subsidiaries mainly involve a single industry segment in electronic components and mainly carry on their business in the geographic areas in Thailand, Hong Kong, the United States of America and China. Geographical segment information of the Company and its subsidiaries as at and for the years ended 31 December 2011 and 2010 are as follows:

(Unit: Million Baht)

	Consolidated financial statements							
	Domestic		Foreign		Eliminated		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenues from external customers	11,559	13,090	4,756	3,868	-	-	16,315	16,958
Intersegment revenues	31	50	5,530	5,135	(5,561)	(5,185)	-	-
Total revenues	11,590	13,140	10,286	9,003	(5,561)	(5,185)	16,315	16,958
Segment profit	1,365	2,076	689	794			2,054	2,870
Unallocated income and expenses:								
Other income							563	495
Gain on exchange							120	192
Selling expenses							(132)	(121)
Administrative expenses							(810)	(565)
Loss from flood							(99)	-
Other expenses							(26)	(27)
Finance cost							(9)	(8)
Corporate income tax							(43)	(87)
Profit for the year							1,618	2,749

(Unit: Million Baht)

	Consolidated financial statements							
	Domestic		Foreign		Eliminated		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Property, plant and equipment	4,413	4,847	1,960	1,679	-	-	6,373	6,526
Other assets	18,032	17,607	18,173	16,476	(24,666)	(23,805)	11,539	10,278
Total assets	22,445	22,454	20,133	18,155	(24,666)	(23,805)	17,912	16,804

Transfer prices between business segments are as set out in Note 8 to the financial statements.

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26. Provident fund

The Company, the subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company or the subsidiaries contribute to the fund monthly at the rates of 3.0 - 7.5 percent of basic salary. The fund, which is managed by SCB Asset Management Company Limited, will be paid to employees upon terminating in accordance with the fund rules. During the year 2011, total amount of approximately of Baht 46 million (2010: Baht 42 million) had been contributed to the fund by the Company and its subsidiaries, and Baht 20 million had been contributed by the Company (2010: Baht 18 million).

27. Dividend paid

During the year 2011 and 2010, the Company and its subsidiaries had dividend payments as follows:

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	
The Company				
Final dividends for 2009	Annual General Meeting of the shareholders on 30 April 2010	1,127	1.40	
Total for the year 2010		1,127	1.40	
Final dividends for 2010	Annual General Meeting of the shareholders on 29 April 2011	1,248	1.55	
Total for the year 2011		1,248	1.55	
Subsidiary companies				
Hana Semiconductor (BKK) Company Limited				
Final dividends for 2009	Annual General Meeting of the shareholders on 30 April 2010	100	1.00	
Total for the year 2010		100	1.00	
Final dividends for 2010	Annual General Meeting of the shareholders on 29 April 2011	190	1.90	
Interim dividends for 2011		Board of Directors' meeting on 4 May 2011	50	0.50
Total for the year 2011		240	2.40	
Hana Semiconductor (Ayutthaya) Company Limited				
Final dividends for 2009	Annual General Meeting of the shareholders on 29 March 2010	300	2.50	
Total for the year 2010		300	2.50	
Final dividends for 2010	Annual General Meeting of the shareholders on 20 April 2011	120	1.00	
Total for the year 2011		120	1.00	

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28. Commitments and contingent liabilities

28.1 Capital commitments

As at 31 December 2011, the Company and its subsidiaries had capital commitments of approximately USD 2 million or equivalent to Baht 71 million, relating to the acquisitions of machinery (the Company only: Baht 28 million).

28.2 Operating lease commitments

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

28.3 Marketing supportive service agreement

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

28.4 Guarantees

As at 31 December 2011, there were outstanding bank guarantees of approximately Baht 188 million (the Company only: Baht 154 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business of the Company and the subsidiaries. These included letters of guarantee amounting to Baht 144 million to be security for the tax assessment of a subsidiary company made by the Revenue Department (as discussed in Note 28.5) and Baht 43 million to guarantee electricity use and Baht 1 million among others.

28.5 Tax assessment

During the year 2003, the Company received a notification of a corporate income tax assessment for the year 1997 from the Revenue Department for not allocating interest expenses and loss on exchange rate of loans to the promoted operations, causing the under recording of corporate income tax for the year 1997, which together with related penalty and surcharge amounted to Baht 150 million. The Company did not agree with the assessment and appealed it to the Tax Tribunal. In November 2007, the Tax Tribunal rejected the appeal. Currently, the Company is in the process of appealing to the Supreme Court and expects that the Supreme Court will reverse the judgment of the Central Tax Court, which will not result in any tax payment to the Company.

However, the Company has recorded provision for loss on tax assessment of approximately Baht 150 million and has placed a bank guarantee as security against the assessment.

29. Financial instruments

29.1 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 loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statement of financial position.

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Interest rate risk

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash and cash equivalents, short-term investments and short-term loans. However, since most of their financial assets bear floating interest rates, or fixed interest rate which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2011 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	Consolidated financial statements				
	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
	(Million Baht)				(% p.a.)
Financial assets					
Cash and cash equivalents	2,036	1,572	216	3,824	0.001 - 3.25
Short-term investments	1,894	24	96	2,014	0.15 - 9.75
Trade and other receivables	-	-	2,569	2,569	-
Insurance claim receivable	-	-	300	300	-
Total financial assets	3,930	1,596	3,181	8,707	
Financial liabilities					
Short-term loans from financial institution	-	38,821	-	38,821	1.00 - 1.35
Trade and other payables	-	-	2,506	2,506	-
Total financial liabilities	-	38,821	2,506	41,327	

	Separate financial statements				
	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Effective interest rate
	(Million Baht)				(% p.a.)
Financial assets					
Cash and cash equivalents	250	263	7	520	0.1 - 3.25
Trade and other receivables	-	-	1,275	1,275	-
Total financial assets	250	263	1,282	1,795	
Financial liabilities					
Trade and other payables	-	-	1,005	1,005	-
Total financial liabilities	-	-	1,005	1,005	

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Foreign currency risk

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

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2011 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2011
	(Million)	(Million)	(Baht per foreign currency unit)
China Yuan	308	84	5.0328
US Dollar	156	58	31.6912
Indian Rupee	45	-	0.5891
Japan Yen	24	32	0.4084
Euro	9	-	41.0274
Hongkong dollar	3	2	4.0795
Pound Sterling	3	-	48.8578
Singapore Dollar	2	-	24.3854
Brazilian real	2	-	17.9600
Australia dollar	2	-	32.1971

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

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

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

Swap agreement	Notional amount	Contractual maturity date	Yield to maturity	Fair value gain (loss)
	(Million USD)		(Percent)	(Million Baht)
Credit default swap - quoted bonds	2	20 June 2013	1.43	1.12

29.2 Fair value of financial instruments

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

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

30. 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 2011, the Group's debt-to-equity ratio was 0.23:1 (2010: 0.19:1) and the Company's was 0.20:1 (2010: 0.11:1).

31. Events after the reporting period

On 28 February 2012, the meeting of the Board of Directors of the Company No. 1/2012 passed the following resolutions.

31.1 Approving the dividend payment for the year 2011 to the Company's shareholders at Baht 1 per share. The dividend will be paid on 14 May 2012.

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

31.2 Approving to write off all 25,596,100 repurchased shares with a par value of Baht 1 each which remain unsold. This will result in a decrease in the registered and paid-up share capital of the Company from Baht 830,474,960 (830,474,960 ordinary shares of Baht 1 each) to Baht 804,878,860 (804,878,860 ordinary shares of Baht 1 each). The Company will register the change in its registered share capital with the Ministry of Commerce in 2012.

32. Reclassification

To comply with the Notification of the Department of Business Development relating to the financial statement presentation as described in Note 2 and as the result of the adoption of revised and new accounting standards as described in Note 3, certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current year's classification, without any effect to the previously reported profit or shareholders' equity.

33. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2012.