



**HANA Microelectronics Public Co., Ltd.**

65/98 Soi Vibhavadi-Rangsit 64, Junction 2, Kwang Talad Bangkhen, Khet Laksi, Bangkok 10210  
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**MINUTES OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS NO. 26/2019**

Held at the Company's Headquarters  
65/98 Soi Vibhavadi-Rangsit 64, Junction 2, Kwang Talad Bangkhen, Khet Laksi, Bangkok  
On 30 April 2019  
14.00 hrs. - 15.20 hrs.

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**Directors and executives presented:**

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|--------------------------------|--|
| 1) Mr. John Thompson,          | Independent Director, Chairman of the Board of Directors, Chairman of the Audit Committee and Proxy of shareholders  |
| 2) Mr. Richard David Han,      | Executive Director, Executive Vice Chairman, Chief Executive Officer and the Nomination Committee  |
| 3) Mr. Winson Moong Chu Hui,   | Executive Director, President and Chief Operating Officer  |
| 4) Mr. Terrence Philip Weir,   | Executive Director, Executive Vice President and Chief Financial Officer, Chairman of the Corporate Governance Committee and Chairman of the Risk Management Committee |
| 5) Mrs. Salakchitt Preedaporn, | Independent Director, the Audit Committee, the Nomination Committee, the Corporate Governance Committee and Proxy of shareholders                                      |
| 6) Mr. Yingsak Jenratha,       | Independent Director, the Audit Committee, the Corporate Governance Committee, Chairman of the Nomination Committee and Proxy of shareholders                          |
| 7) Ms. Achara Chaicharncheep,  | Senior Manager of Finance and Accounting   |

**External auditors:**

- |                                |                                  |
|--------------------------------|----------------------------------|
| 8) Ms. Kamontip Lertwitworatep | Partner, EY Office Limited       |
| 9) Mr. Nont Limsaiporm         | Audit Manager, EY Office Limited |

### **Translator:**

- 10) Mrs. Tappawong Na Tarlang, Director of Corporate HR Business Partners, Training & Administration

### **Independent Inspector:**

- 11) Mr. Somchai Aiemrod, A lawyer license no. 972/2539 who acted as an independent inspector to verify the vote count and oversee that the meeting was held transparently and pursuant to the applicable regulations and the Company's articles of association.

### **Preliminary Proceedings:**

The Annual General Meeting was opened by Mr. John Thompson, the Chairman of the Board of Directors. The Chairman introduced the directors and executives, sub-committees present in the Meeting including the representatives from the Company's external auditors and the Meeting inspector. The Chairman also informed that the Company had 6 directors, and all were in attendance at the meeting. The Chairman of each sub-committee attended the Meeting. The sub-committees consisted of the Audit Committee, the Nomination Committee, the Corporate Governance Committee, and the Risk Management Committee (no any other sub-committee of the Board). All directors and executives shall provide answers to questions raised in the meeting.

### **Quorum Announcement:**

There were shareholders attending the meeting in person 71 shareholders holding 9,229,176 shares and 487 proxies holding 600,214,986 shares. Those total 558 shareholders holding 609,444,162 shares are equivalent to 75.72% of 804,878,860 voting shares, which is more than one-third (1/3) of voting shares. Therefore, a quorum was constituted in accordance with the Company's Articles of Association.

Before starting the agenda, the Chairman informed the Meeting for the vote method and the vote counting system as follows:

### **Vote Method:**

- Each shareholder has one vote for each share.
- To cast a vote for each agenda, shareholders who attend the meeting in person who would like to vote disagree or abstain are required to complete the voting cards being given. Shareholders are to hand over the voting cards for the disagreed and abstained votes to the Company's representative for counting the votes. Except for the Agenda to appoint the directors, the voting card will be collected from every shareholder. Shareholders who do not submit the voting card will be assumed to approve the agenda as proposed by the Company, and the votes will be counted according to the number of shares they hold. In regard to votes by proxy, the Company shall record the votes for each Agenda from the respective shareholder proxies.
- Except for custodian, shareholders must vote with all of their shareholding registered at the meeting for each agenda to approve, disapprove or abstain as they can not split the votes.

- The vote is invalid if the proxy holder does not vote according to the voting intention made by shareholders, shareholders or proxy holders fill the voting cards/proxy form in a manner that makes the voter’s decision unclear, no marking (blank), more than one box marked, no signature when make any change, or there are spilt votes (except for the case of custodian).

**Vote counting system:**

- The objection or abstention shall be deducted from the agreed votes concerning each agenda.
- The resolution of all proposed agendas shall be passed when receiving the majority vote of the eligible shareholders present at the meeting including proxies.
- In case of a tie vote, the Chairman shall be entitled to a casting vote.
- The barcode system is used in the registration and vote-counting processes for transparent, accurate and fast results as previous years.

After explaining the voting procedures, the Chairman called the meeting to order and announced that the meeting was held pursuant to the prior written Meeting Notice given to shareholders in advance.

**Agenda 1: To approve the Minutes of the Annual General Meeting of Shareholders No. 25/2018 which was held on 30 April 2018**

The Chairman proposed the Meeting to certify the Minutes of the Annual General Meeting of Shareholders No. 25/2018, which was enclosed in the Notice of the Meeting sent to shareholders in advance.

The Chairman opened for questions or comments. As there was no question from shareholders, the Chairman asked the Meeting to vote on this agenda item.

**Vote result:** The result of the vote count was as follows.

Approve	609,444,162 Votes;	100 %
Disapprove	0 Votes;	0 %
Abstain	0 Votes;	0 %
Invalid	0 Votes;	0 %

**Resolution:** The Meeting approved the Minutes of the Annual General Meeting No. 25/2018 that was held on 30 April 2018.

**Agenda 2: To acknowledge the operation’s results of the Company in 2018**

The Chairman invited Mr. Richard Han to report the operation’s results of the Company for the year 2018 including Management Discussion and Analysis (MD&A). Mr. Richard presented to the Meeting as follows.

Hana’s key financial performance figures for the year 2018 compared to 2017 were:-

- Sales revenues increased 3.4% to THB 22.3 billion in 2018 from THB 21.6 billion in 2017
- Operating profits remained flat, THB 2.3 billion in 2018 from THB 2.3 billion in 2017
- EBITDA increased 1% to THB 3,420 million in 2018 from THB 3,374 million in 2017
- Net profit decreased 18% to THB 2.4 billion in 2018 from THB 2.9 billion in 2017
- Net cash & financial investments at year end decreased 11% to THB 8.7 billion in 2018 from THB 9.8 billion in 2017
- Gross dividend payout remained THB 2.00/share, same as in 2017

### **Revenue Analysis**

In 2018, the semiconductor industry continued to be strong until Q4 when concerns over the US/China trade dispute started to weigh on sentiment and confidence. Our semiconductor division had 5% unit growth YoY as we invested heavily to support the growth in demand. Our patented sensor packaging solutions helped us win market share despite a softening of smart phone demand. We also saw good growth in IoT, automotive, and Opto-coupler sectors.

Our microelectronics business achieved a topline growth of 13% with continued strong demand for automotive electronics, test & measurement equipment sub-assemblies, IoT and RFID (Radio Frequency Identification) devices. We consolidated the touch pads for laptop activity from Jiaying into Lamphun to streamline our costs and have increased our hearing aid activity as demand continues to grow in this sector.

In China our revenue remained flat YoY. Whilst we have gains from our European clients, again the US/China tariff issue has had an impact on our US activities, although we have been able to maintain most of them via partial assembly through our Lamphun plant. We are fortunate in having substantial non-China manufacturing capacity in order to navigate the uncertainties of the US/ China tariff issues.

Our Microdisplay division in Ohio, USA saw a drop in revenue of 5% YoY which was mainly due to excessive orders in 2017 from our customer for thermal imaging camera modules. However, our tyre tag activities remained robust and the outlook for this device, as we work to bring them into passenger tyres in addition to commercial tyres, is exciting for the future.

### **Operating profits were similar year on year**

Operating profits were similar year on year at THB 2.3 billion in 2018 and 2017 despite growth in our two major divisions due to the strengthening of the THB vs USD. The group focused on automation to improve productivity but was unable to offset the currency affect which also impacted the value of our inventory.

## **Group Net profit analysis**

Net Profit decreased by 18% to THB 2.4 billion in 2018 from THB 2.9 billion in 2017. An exchange gain of THB 15 million in 2018 compared to an exchange gain of THB 531 million in 2017 was the main difference YoY.

## **Cash reserve analysis**

The group currently has no interest bearing debt. Cash reserves (and financial investments) were THB 8.7B at year ended 2018 down from THB 9.8 billion at year ended 2017 due to higher than normal capital expenditure of THB 2.3 billion in 2018 compared to THB 1.1 billion in 2017.

## **2019 Outlook and the company strategies**

It is clear that the US/China trade conflict will play a large part in the direction of global growth in general and the electronics industry in particular. Much speculation has been made but the reality is that the outlook remains uncertain and this is having a negative effect on consumers and in turn industrial confidence. PMIs (Purchasing Managers Index) in Europe and especially China have sharply lowered with only the USA still showing positive signs albeit the recent Christmas retails sales figures have shown a drop YoY. With Brexit still in the balance, we believe that a soft landing in the first half of 2019 is the best case outlook. We believe a second half recovery is more likely with probable Chinese stimulus and a hope for positive resolution to the tariff issue, but we have to wait to see the outcome of the negotiation.

During 2019 Hana will continue to invest in our R&D initiative focusing on power modules both for high and low power spectrums and also focus on developing new IC sensor packaging solutions which we intend to apply for patents.

We will continue with our core strategic philosophies in order to grow our top-line and improve margins whilst endeavoring not to over expose the group to any significant economic challenges.

We endeavor to achieve this by:

1. Maintaining good diversity so as not to rely on any one customer or industry.
2. Continue to invest in automation both in IT software and manufacturing equipment to improve productivity and quality to enhance our competitiveness.
3. Increase productivity through automation and innovation.
4. Identify and invest in future high growth activities.

5. Keep a strong balance sheet to ensure we can overcome any prolonged downturn should it happen and invest when the opportunity arises to support new opportunities.
6. Monitor possible M&A targets with a disciplined focus on value and synergy.

The Chairman further reported the Company's anti-corruption policy and status to the meeting as follows.

### **Hana Anti-corruption Policy and Status**

The Board of Directors realizes the importance of the anti-corruption. Hana has a zero tolerance of bribery and corruption. The Company prohibits the Board of Directors, management, employees or third parties in their relationship with the Company, being involved in any act of corruption in any form in all business transactions to benefit directly or indirectly and shall comply with the applicable laws and regulations in all the countries in which the Company operates.

In October 2015, the Company was certified as a member of Thailand's Private Sector Collective Action Coalition Against Corruption. In 2018, the Company received the CAC re-certification with the continuous implementation of the anti-corruption compliance programs.

The Chairman opened for questions or comments. As there was no question from shareholders, the Chairman then announced that the Meeting acknowledged the operation's results of the Company for the year 2018.

### **Agenda 3: To approve the financial statements for the year ended 31 December 2018**

The Chairman proposed the meeting to approve the financial statements for the financial period year ended 31 December 2018 and the auditor's report, all of which have been reviewed by the Audit Committee.

The Chairman opened for questions or comments. There were questions from shareholders as follows.

**Shareholder:** What is your investment plan for equipment? How is the forecast of Y2019 compare to Y2018?

**CFO:** We made a large investment in equipment particularly for semiconductor operation in 2018 due to strong demand from our customers. However, the economic situation in 2019 is different so our investment in equipment this year would decrease more than half because of the down cycle in the semiconductor business.

**Shareholder:** How is the current capacity/utilization of IC and PCBA operations after investment?

**CEO:** The utilization of IC is 90% while PCBA is 80%.

**Shareholder:** Do you have budget on R&D investment?

**CEO:** We have 2 types of R&D. One is the expense booked in Profit and Loss Statement which is mainly for technical staff's salaries. The other one is for equipment that we purchased to develop new R&D products, where we invested around USD 8 million or THB 240 million. We expect to invest in more in R&D equipment in 2020 – 2021.

As there was no further question from shareholders, the Chairman proposed the Meeting to vote on this agenda item.

**Vote result:** The result of the vote count was as follows.

Approve	607,220,162 Votes;	99.6351 %
Disapprove	0 Votes;	0 %
Abstain	2,224,000 Votes;	0.3649 %
Invalid	0 Votes;	0 %

**Resolution:** The Meeting approved the financial statements for the year ended 31 December 2018.

**Agenda 4:** **To approve the dividend payment for the year 2018**

The Chairman informed that the dividend policy of the Company is 30% to 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.

In consideration of the dividend policy and performance in 2018, the Board recommends to pay the final dividend for the financial year ended 2018 at Baht 1.00 per share which is paid from the net profit and retained earnings as at 31 December 2018 by setting the Record Date on 15 March 2019. The dividend payment will be made on 15 May 2019. The dividend of Baht 0.50 per share is paid from the net profit and retained earnings from BOI promoted businesses which has the tax exemption and another Baht 0.50 is paid from the net profit and retained earnings from Non-BOI businesses which is subjected to 10% withholding tax so the final dividend paid is Baht 0.95 per share net.

On 9 November 2018, the Company paid an interim dividend from the net profit of the first sixth months period of 2018 at the rate of Baht 1.00 per share or Baht 0.93 per share net. Therefore, the total dividend payment for the financial year ended 31 December 2018 will be Baht 2.00 per share gross or Baht 1.88 per share net.

The Chairman opened for questions or comments. As there was no question, the Chairman proposed the Meeting to vote on this agenda item.

**Vote result:** The result of the vote count was as follows.

Approve	607,644,162 Votes;	99.7046 %
Disapprove	0 Votes;	0 %
Abstain	1,800,000 Votes;	0.2954 %
Invalid	0 Votes;	0 %

**Resolution:** The Meeting acknowledged the interim payment at the rate of Baht 1.00 per share that was paid on 9 November 2018 and approved the annual dividend payment for the year 2018 at the rate of Baht 1.00 per share to be paid on 15 May 2019. The dividend of Baht 0.50 per share is paid from the net profit and retained earnings as at 31 December 2018 from BOI promoted businesses which has the tax exemption and another Baht 0.50 is paid from the net profit and retained earnings as at 31 December 2018 from Non-BOI businesses which is subjected to 10% withholding tax so the final dividend paid is Baht 0.95 per share net.

The total 2018 dividend would be Baht 2.00 per share gross or Baht 1.88 per share net which was composed of interim dividend Baht 1.00 per share paid on 9 November 2018 and the final dividend Baht 1.00 per share gross to be paid on 15 May 2019.

**Agenda 5: To approve the re-appointment of directors in place of those retired by rotation**

The Chairman informed the Meeting that Mr. Winson Moong Chu Hui and Mr. Terrence Philip Weir were the interested directors to be re-appointed at this year so they therefore expressed the intent to leave the room.

The Chairman informed the Meeting that one-third of the directors, who have served the longest term, must retire by rotation at every Annual General Meeting according to the Company's Articles of Association. The Company invited shareholders to propose candidates to be elected as directors since 28 September - 31 December 2018 and there were no proposals given. Therefore, the Chairman proposed the Meeting to consider the directors whose tenure has ended. This year, directors whose tenure has ended are:

- 1) Mr. Winson Moong Chu Hui – be appointed as an executive director
- 2) Mr. Terrence Philip Weir – be appointed as an executive director

The Chairman further advised that those two directors were proposed by the Nomination Committee to be re-elected due to the satisfaction with their performance, effectiveness and commitment to the roles. Both of them have qualifications suitable to the Company's business. The brief profile of those directors had been distributed to shareholders for consideration.

The Chairman opened for questions or comments. As there was no question, the Chairman proposed the Meeting to re-appoint by individual director as follows:

**5.1 Appoint Mr. Winson Moong Chu Hui as an executive director for another term**

**Vote result:** The result of the vote count was as follows.

Approve	541,164,200 Votes;	88.7964 %
Disapprove	61,999,962 Votes;	10.1732 %
Abstain	6,280,000 Votes;	1.0304 %
Invalid	0 Votes;	0 %

## **5.2 Appoint Mr. Terrence Philip Weir as an executive director for another term**

**Vote result:** The result of the vote count was as follows

Approve	547,100,100 Votes;	89.7703 %
Disapprove	62,119,062 Votes;	10.1927 %
Abstain	225,000 Votes;	0.0369 %
Invalid	0 Votes;	0 %

**Resolution:** The Meeting approved the appointment of Mr. Winson Moong Chu Hui and Mr. Terrence Philip Weir as executive directors for another term.

## **Agenda 6: To approve the directors' remuneration for 2019**

The Chairman proposed the meeting to consider and approve the remuneration of the Board of Directors for the year 2019 at the below rates not exceeding Baht 5,000,000.

<b>Position</b>	<b>Meeting Allowance (Baht)</b>	<b>Bonus</b>
Chairman of the Board of Directors	92,000 Baht	Minimum one time of meeting allowance depending on the Company's performance
Independent Directors	55,000 Baht	Minimum one time of meeting allowance depending on the Company's performance
Executive Directors*	-	-

\*There is no remuneration for executive directors as they receive the remuneration as the Company's management/employees, not as the Board of Directors.

The Chairman opened for questions or comments. As there was no question, the Chairman proposed the Meeting to vote on this agenda item.

**Vote result:** The result of the vote count was as follows.

Approve	605,723,362 Votes;	99.3895 %
Disapprove	1,763,300 Votes;	0.2893 %
Abstain	1,957,500 Votes;	0.3212 %
Invalid	0 Votes;	0 %

**Resolution:** The Meeting approved the Board of Directors' remuneration for 2019 at the rate proposed but not exceeding Baht 5,000,000.

**Agenda 7: To approve the appointment of the Company's auditors for the year 2019 and to fix the auditors' remuneration**

The Chairman proposed the Meeting to consider and approve the appointment of the following auditors for the fiscal year 2019.

1. Ms. Kamontip Lertwitworatep C.P.A. Registration No. 4377 and/or
2. Mrs. Sarinda Hirunprasurtwutti C.P.A. Registration No. 4799 and/or
3. Mr. Wichart Lokatekrawee C.P.A. Registration No. 4451

of EY Office Limited to be the auditors of the Company with the remuneration of not exceeding Baht 2,450,000 (excluding out-of-pocket expenses). In the event those auditors are unable to perform their duties, EY Office Limited is authorized to assign another of its auditors to perform the audit and express an opinion on the Company's financial statements in their place.

The Chairman opened for questions or comments. There was a question from a shareholder as follows.

**Shareholder:** Why do audit fees increase by 8% which is pretty high?

**CFO:** The audit fees have not increased every year. During the past 3 years, EY Office Company Limited had fixed their fees without any adjustment. This year, they asked for an increase due to reasonable factors and 8% was the amount after rounds of negotiation.

As there was no further question or comment, the Chairman proposed the Meeting to vote on this agenda item.

**Vote result:** The result of the vote count was as follows.

Approve	606,187,362 Votes;	99.4656 %
Disapprove	3,256,800 Votes;	0.5344 %
Abstain	0 Votes;	0 %
Invalid	0 Votes;	0 %

**Resolution:** The Meeting approved the appointment of Ms. Kamontip Lertwitworatep and/or Mrs. Sarinda Hirunprasurtwutti and/or Mr. Wichart Lokatekrawee of EY Office Limited as the auditors of Hana Microelectronics Public Co., Ltd. for the year 2019 with the total remuneration not exceeding Baht 2,450,000 (excluding out-of-pocket expenses).

## **Agenda 8: Other business**

The Chairman informed the Meeting that all the business agenda items had completed. The Chairman asked if any shareholders desired other matters to be discussed, or any questions to ask.

There were questions from shareholders as follows.

**Shareholder:** According to the annual report page 32 under section “production capacity”, why did the production capacity and actual manufacturing of Hana Jiaxing decrease in 2018?

**CEO:** We consolidated the business of computer and touchpad business by moving the production from Hana Jiaxing to Lamphun plant for cost management due to the decline of this business sector. In addition, the customers of Hana Jiaxing are concerned about the US/China tariff issue so we have to move some of the business affect to our Thailand plants to maintain the business for the group.

**Shareholder:** Please update the status of Hana Cambodia, a new factory.

**CEO:** Hana Cambodia is a new factory and quite small. We have the difficulty to find skill engineers and technicians but we can get some from Thailand and China so incurring higher expenses. Due to US/China tariff issue, we managed to get a new customer to move the business from China to Cambodia so we believe Hana Cambodia will improve this year and but not break even yet.

**Shareholder:** Shall we see the growth of PCBA in China this year?

**CEO:** It may not be growing but depending on the China and USA trade dispute conclusion. Our long term strategy for Jiaxing operation is to increase sales in China locally.

**Shareholder:** If the next government decides to hike the minimum wage, what is your mitigation strategy?

**CEO:** Every year the wage is increased in Thailand about 4-5% so we pay higher than a minimum wage. This year because of the election, candidates offer extraordinary high for raising the minimum wage up to 50% of the current wage. We don't know yet for the election results; however, we could not do much but we try to improve productivity every year. We may move some jobs to Hana Cambodia if the customers agree with.

**Shareholder:** As Hana has no interest bearing debt, what is the financial cost shown on the income statement?

**CFO:** This is the bank charges for transactions of transfer in and out and it is total THB 6 million as we have many transactions for the whole group.

**Shareholder:** If Thailand is not a good hub for manufacturing, where are other places for Hana expansion probably for 10 years from now on?

**CEO:** Hana is quite diverse where we have factories in many countries: Thailand, USA, China, Cambodia and latest R&D center in South

Korea. Different jobs will be good to do in different locations so we will put the right job at the right place. In fact, Thailand is still a good place. If Thailand is not suitable, we need to upgrade the factory such as technology development, technical expertise, etc. However, our current balance is fine.

**Shareholder:** What is the major cost of the company? What is the percentage of your labour cost?

**CFO:** The major manufacturing costs are raw material, labour & salary, and machine depreciation respectively. The labour cost is about 8% of sales revenue.

**Shareholder:** What is the strength of Hana to compete with its competitors?

**CEO:** We would not say that Hana is better than other competitors. Generally, any business could have good time and bad time so we don't worry about the good time but we have to manage for the bad time. For example, we coped with Thailand flood crisis in 2011, political problem, and now we have the concerns over US/China tariff issue. As such, how to manage the company to get through difficult times is challenging. The strength of Hana is the management team. We try to manage our business in consistent, prudent and professional way which can be seen from our financial position and history of the company's performance.

As there was no any other item brought up, the Chairman expressed his thanks and appreciation to shareholders who attended the meeting. The Chairman then declared the Meeting adjourned at 15:20 hrs.



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(Mr. John Thompson)  
Chairman of the Board of Directors