

Hana Microelectronics Public Company Limited  
and its subsidiaries  
Report and interim financial statements  
For the three-month and six-month periods ended  
30 June 2008 and 2007

## **Review report of Independent Auditor**

To the Shareholders of Hana Microelectronics Public Company Limited

I have reviewed the consolidated balance sheet of Hana Microelectronics Public Company Limited and its subsidiaries as at 30 June 2008, the related consolidated statements of income for the three-month and six-month periods ended 30 June 2008, and the consolidated statements of changes in shareholders' equity and cash flows for the six-month period then ended, and the separate financial statements of Hana Microelectronics Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to issue a report on these financial statements based on my review.

I did not review 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 30 June 2008 of approximately Baht 231 million, representing 2% of the consolidated total and total revenues for the three-month and six-month periods then ended of approximately Baht 34 million and Baht 63 million, representing 1% and 1% of the consolidated total, respectively. The financial statements of this subsidiary company were reviewed by other auditor and I have already obtained the review report from that auditor. Therefore, my report related to any amounts and particulars of this subsidiary company as included in the consolidated financial statements, are based solely upon the review report of that auditor.

I conducted my review in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my review and from the review report of the auditor of the subsidiary company, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The consolidated financial statements of Hana Microelectronics Public Company Limited and its subsidiaries, and separate financial statements of Hana Microelectronics Public Company Limited for the year ended 31 December 2007 were audited in accordance with generally accepted auditing standards by another auditor of our firm who, based on her audit and the report of the other auditor, expressed an unqualified opinion on these statements but drew attention to the change in accounting policy for recording investments in subsidiary companies in the separate financial statements from the equity method to the cost method, under her report dated 28 February 2008. The consolidated and separate balance sheets as at 31 December 2007, as presented herein for comparative purposes, formed an integral part of the financial statements which that auditor audited and reported on.

The consolidated statements of income for the three-month and six-month periods ended 30 June 2007, the consolidated statements of changes in shareholders' equity and cash flows for the six-month period then ended of Hana Microelectronics Public Company Limited and its subsidiaries and the separate financial statements of Hana Microelectronics Public Company Limited, as presented herein for comparative purposes, formed an integral part of the interim financial statements which were reviewed by the aforementioned auditor who reported, under her report dated 14 August 2007, that based on her review and the report of the other auditor, nothing had come to her attention that caused her to believe that those financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Kamontip Lertwitworatep  
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited  
Bangkok: 11 August 2008

Hana Microelectronics Public Company Limited and its subsidiaries

Balance sheets

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		30 June 2008 (Unaudited but reviewed)	31 December 2007 (Audited)	30 June 2008 (Unaudited but reviewed)	31 December 2007 (Audited)
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	2	3,505,780	3,386,431	138,893	291,663
Trade accounts receivable	4				
Subsidiary companies	3	-	-	46,225	23,952
Other companies		2,384,334	2,457,148	953,007	910,415
Total		2,384,334	2,457,148	999,232	934,367
Less: Allowance for doubtful accounts		(2,436)	(7,608)	-	-
Trade accounts receivable - net		2,381,898	2,449,540	999,232	934,367
Advances to subsidiary company	3	-	-	2,119	3,808
Inventories - net	5	2,157,770	2,205,351	692,360	653,795
Other current assets					
Advances		14,118	41,118	1,423	19,329
Withholding tax deducted at source		8,868	7,787	4,636	4,238
Input tax refundable		21,128	58,066	7,961	6,332
Income tax refundable		19,412	19,412	19,412	19,412
Others		49,537	36,180	3,167	6,687
Total other current assets		113,063	162,563	36,599	55,998
<b>Total current assets</b>		<b>8,158,511</b>	<b>8,203,885</b>	<b>1,869,203</b>	<b>1,939,631</b>
<b>Non-current assets</b>					
Investments in subsidiary companies	6	-	-	3,431,502	3,431,506
Other long-term investment		97	97	97	97
Property, plant and equipment - net	7	5,666,359	5,566,939	1,553,948	1,531,455
Other non-current assets		2,154	2,531	1,329	1,329
<b>Total non-current assets</b>		<b>5,668,610</b>	<b>5,569,567</b>	<b>4,986,876</b>	<b>4,964,387</b>
<b>Total current assets</b>		<b>13,827,121</b>	<b>13,773,452</b>	<b>6,856,079</b>	<b>6,904,018</b>

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

Hana Microelectronics Public Company Limited and its subsidiaries

Balance sheets (continued)

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		30 June 2008 (Unaudited but reviewed)	31 December 2007 (Audited)	30 June 2008 (Unaudited but reviewed)	31 December 2007 (Audited)
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade accounts payable					
	3	-	-	134,204	67,755
		1,634,862	1,519,428	556,658	414,323
Total trade accounts payable		1,634,862	1,519,428	690,862	482,078
Advances from subsidiary company	3	-	-	-	385
Other current liabilities					
		118,335	291,277	44,606	57,986
		269,285	126,459	70,353	29,573
		42,663	69,312	16,480	43,113
		127,253	117,626	18,619	21,891
	13.5	150,466	150,466	150,466	150,466
		131,639	124,970	-	-
		64,413	83,065	27,661	41,081
Total other current liabilities		904,054	963,175	328,185	344,110
<b>Total current liabilities</b>		<b>2,538,916</b>	<b>2,482,603</b>	<b>1,019,047</b>	<b>826,573</b>
<b>Total liabilities</b>		<b>2,538,916</b>	<b>2,482,603</b>	<b>1,019,047</b>	<b>826,573</b>
<b>Shareholders' equity</b>					
Share capital					
Registered					
		1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid-up					
	8	830,451	830,406	830,451	830,406
Share subscription received in advance	8	175	-	175	-
Share premium		1,722,822	1,722,078	1,722,822	1,722,078
Translation adjustment		55,471	(26,723)	-	-
Retained earnings					
		322,301	322,301	100,000	100,000
		8,515,710	8,601,512	3,183,584	3,424,961
Excess of cost of investments over net book value of the subsidiary companies					
		(158,725)	(158,725)	-	-
<b>Total shareholders' equity</b>		<b>11,288,205</b>	<b>11,290,849</b>	<b>5,837,032</b>	<b>6,077,445</b>
<b>Total liabilities and shareholders' equity</b>		<b>13,827,121</b>	<b>13,773,452</b>	<b>6,856,079</b>	<b>6,904,018</b>
		-	-	-	-

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

Directors

(Unaudited but reviewed)

**Hana Microelectronics Public Company Limited and its subsidiaries**

**Income statements**

**For the three-month periods ended 30 June 2008 and 2007**

(Unit: Thousand Baht except earnings per share expressed in Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
<u>Note</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues</b>				
Sales	3,925,225	3,967,493	1,519,368	1,440,874
Other income				
Interest income	9,192	13,909	2,413	762
Rental income	1,266	1,238	4,619	4,591
Gain on exchange	29,957	5,562	-	3,360
Dividend income	9	10	440,009	462,510
Others	71,650	70,065	14,126	4,567
Total other income	112,074	90,784	461,167	475,790
<b>Total revenues</b>	<b>4,037,299</b>	<b>4,058,277</b>	<b>1,980,535</b>	<b>1,916,664</b>
<b>Expenses</b>				
Cost of sales	3,271,158	3,398,956	1,256,162	1,229,993
Selling and administrative expenses	203,340	216,565	40,902	41,903
Loss on exchange	-	-	44,660	-
<b>Total expenses</b>	<b>3,474,498</b>	<b>3,615,521</b>	<b>1,341,724</b>	<b>1,271,896</b>
<b>Income before interest expenses and</b>				
<b>corporate income tax</b>	562,801	442,756	638,811	644,768
Interest expenses	-	(786)	(150)	(785)
Corporate income tax	(16,891)	(9,608)	8,110	(6,384)
<b>Net income for the period</b>	<b>545,910</b>	<b>432,362</b>	<b>646,771</b>	<b>637,599</b>
<b>Net income attributable to:</b>				
Equity holders of the parent	545,910	432,362	646,771	637,599
<b>Earnings per share</b> <span style="float: right;">10</span>				
Basic earnings per share				
Net income attributable to equity holders of the parent (Baht)	0.66	0.52	0.78	0.77
Weighted average number of ordinary shares (Thousand shares)	830,424	828,807	830,424	828,807
Diluted earnings per share				
Net income attributable to equity holders of the parent (Baht)	0.66	0.52	0.78	0.77
Weighted average number of ordinary shares (Thousand shares)	830,502	830,179	830,502	830,179

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

(Unaudited but reviewed)

**Hana Microelectronics Public Company Limited and its subsidiaries****Income statements**

For the six-month periods ended 30 June 2008 and 2007

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues</b>					
Sales		7,600,206	7,534,765	2,844,502	2,679,550
Other income					
Interest income		20,663	19,019	3,895	828
Rental income		2,455	2,415	9,161	9,121
Gain on exchange		100,726	106,547	-	1,286
Dividend income		9	10	440,009	462,510
Reversal of guarantee expenses	13.5	25,472	-	25,472	-
Others		117,745	110,025	19,777	8,812
Total other income		<u>267,070</u>	<u>238,016</u>	<u>498,314</u>	<u>482,557</u>
<b>Total revenues</b>		<u>7,867,276</u>	<u>7,772,781</u>	<u>3,342,816</u>	<u>3,162,107</u>
<b>Expenses</b>					
Cost of sales		6,406,605	6,470,078	2,384,357	2,301,634
Selling and administrative expenses		413,007	462,177	95,870	79,133
Loss on exchange		-	-	4,224	-
<b>Total expenses</b>		<u>6,819,612</u>	<u>6,932,255</u>	<u>2,484,451</u>	<u>2,380,767</u>
<b>Income before interest expenses and corporate income tax</b>					
<b>corporate income tax</b>		1,047,664	840,526	858,365	781,340
Interest expenses		-	(786)	(150)	(914)
Corporate income tax		<u>(54,113)</u>	<u>(37,601)</u>	<u>(20,239)</u>	<u>(12,256)</u>
<b>Net income for the period</b>		<u>993,551</u>	<u>802,139</u>	<u>837,976</u>	<u>768,170</u>
<b>Net income attributable to:</b>					
Equity holders of the parent		<u>993,551</u>	<u>802,139</u>	<u>837,976</u>	<u>768,170</u>
<b>Earnings per share</b>					
10					
<b>Basic earnings per share</b>					
Net income attributable to equity holders of the parent (Baht)		<u>1.20</u>	<u>0.97</u>	<u>1.01</u>	<u>0.93</u>
Weighted average number of ordinary shares (Thousand shares)		<u>830,415</u>	<u>827,755</u>	<u>830,415</u>	<u>827,755</u>
<b>Diluted earnings per share</b>					
Net income attributable to equity holders of the parent (Baht)		<u>1.20</u>	<u>0.97</u>	<u>1.01</u>	<u>0.93</u>
Weighted average number of ordinary shares (Thousand shares)		<u>830,541</u>	<u>828,822</u>	<u>830,541</u>	<u>828,822</u>

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

(Unaudited but reviewed)

**Hana Microelectronics Public Company Limited and its subsidiaries**

**Statements of cash flows**

**For the six-month periods ended 30 June 2008 and 2007**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>				
Net income before tax	1,047,664	839,740	858,215	780,426
Adjustments to reconcile net income to net cash provided by (paid from) operating activities:				
Depreciation	469,441	405,276	114,581	94,495
Increase (decrease) in allowance for doubtful accounts	(5,172)	1,643	-	(1,861)
Increase in allowance for obsolete inventories	20,645	52,995	34,186	11,920
Increase in impairment of fixed assets	773	1,784	773	1,784
Loss (gain) on disposals of equipment	(657)	2,438	(274)	(613)
Provision for product warranty	13,009	13,928	-	-
Reversal of guarantee expenses	(25,472)	-	(25,472)	-
Dividend income from subsidiary companies	-	-	(440,000)	(462,500)
Unrealized loss on exchange	12,931	4,498	18,991	11,683
Unrealized loss on forward contracts	17,452	-	17,452	-
Interest expenses	-	786	150	914
Income from operating activities before changes in operating assets and liabilities	1,550,614	1,323,088	578,602	436,248
Operating assets (increase) decrease				
Trade accounts receivable	58,297	131,574	(93,194)	(86,395)
Inventories	26,936	143,076	(72,751)	95,236
Other current assets	48,094	(40,821)	19,097	(648)
Other non-current assets	377	15,396	-	6,527
Operating liabilities increase (decrease)				
Trade accounts payable	114,371	(236,208)	219,713	(158,926)
Accrued expenses	141,288	133,891	39,242	39,567
Advances received	9,610	14,306	(2,624)	10,603
Other current liabilities	(10,632)	(54,198)	(5,550)	(28,117)
Cash from operating activities	1,938,955	1,430,104	682,535	314,095
Cash paid for interest expenses	-	(676)	-	(676)
Cash paid for corporate income tax	(81,844)	(77,610)	(47,271)	(20,400)
<b>Net cash from operating activities</b>	<b>1,857,111</b>	<b>1,351,818</b>	<b>635,264</b>	<b>293,019</b>

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



(Unaudited but reviewed)

**Hana Microelectronics Public Company Limited and its subsidiaries**

**Statements of cash flows (continued)**

**For the six-month periods ended 30 June 2008 and 2007**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Cash flows from investing activities</b>				
Increase in short-term loans and advances				
to related parties	-	-	1,689	(2,204)
Loss on cease of operation of subsidiaries	-	-	4	-
Dividend income from subsidiary companies	-	-	440,000	462,500
Proceeds from disposals of equipment	2,092	142,313	1,411	3,025
Acquisitions of property, plant and equipment	<u>(744,011)</u>	<u>(582,234)</u>	<u>(152,364)</u>	<u>(312,483)</u>
<b>Net cash from (used in) investing activities</b>	<u>(741,919)</u>	<u>(439,921)</u>	<u>290,740</u>	<u>150,838</u>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans from financial institutions	-	180,000	-	180,000
Decrease in advances from subsidiary company	-	-	(385)	-
Cash received from share capital increase	789	28,320	789	28,320
Increase (decrease) in share subscription received				
in advance before registration	175	(1,808)	175	(1,808)
Dividend paid	<u>(1,079,353)</u>	<u>(827,124)</u>	<u>(1,079,353)</u>	<u>(827,124)</u>
<b>Net cash used in financing activities</b>	<u>(1,078,389)</u>	<u>(620,612)</u>	<u>(1,078,774)</u>	<u>(620,612)</u>
	36,803	291,285	(152,770)	(176,755)
Translation adjustment	<u>82,546</u>	<u>(173,274)</u>	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	119,349	118,011	(152,770)	(176,755)
Cash and cash equivalents at beginning of the period	<u>3,386,431</u>	<u>2,117,760</u>	<u>291,663</u>	<u>312,959</u>
<b>Cash and cash equivalents at end of the period (Note 2)</b>	<u>3,505,780</u>	<u>2,235,771</u>	<u>138,893</u>	<u>136,204</u>
<b>Supplemental cash flow information</b>				
Non-cash related transaction from investing activities				
Net increase (decrease) in other accounts payable				
for purchases of plant and equipment	(172,942)	102,717	(13,380)	(18,773)

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the six-month periods ended 30 June 2008 and 2007

(Unit: Thousand Baht)

Consolidated financial statements								
	Share capital	Share subscription			Retained earnings		Excess of cost of	
	issued	received in advance	Share	Translation	Appropriated -	Unappropriated	investments over	
	and paid up	before registration	premium	adjustment	statutory reserve		net book value of the	Total
Note							subsidiary companies	
<b>Balance as at 31 December 2006</b>	825,218	5,729	1,686,021	211,618	320,100	6,981,677	(158,725)	9,871,638
Ordinary shares issued during the period	3,310	-	-	-	-	-	-	3,310
Decrease in share subscription received in advance before registration	-	(1,808)	-	-	-	-	-	(1,808)
Increase in share premium	-	-	25,010	-	-	-	-	25,010
Translation adjustment	-	-	-	(183,465)	-	-	-	(183,465)
Dividend paid	-	-	-	-	-	(827,124)	-	(827,124)
Net income for the period	-	-	-	-	-	802,139	-	802,139
<b>Balance as of 30 June 2007</b>	<u>828,528</u>	<u>3,921</u>	<u>1,711,031</u>	<u>28,153</u>	<u>320,100</u>	<u>6,956,692</u>	<u>(158,725)</u>	<u>9,689,700</u>
<b>Balance as at 31 December 2007</b>	830,406	-	1,722,078	(26,723)	322,301	8,601,512	(158,725)	11,290,849
Ordinary shares issued during the period	45	-	-	-	-	-	-	45
Increase in share subscription received in advance before registration	-	175	-	-	-	-	-	175
Increase in share premium	-	-	744	-	-	-	-	744
Translation adjustment	-	-	-	82,194	-	-	-	82,194
Dividend paid	-	-	-	-	-	(1,079,353)	-	(1,079,353)
Net income for the period	-	-	-	-	-	993,551	-	993,551
<b>Balance as at 30 June 2008</b>	<u>830,451</u>	<u>175</u>	<u>1,722,822</u>	<u>55,471</u>	<u>322,301</u>	<u>8,515,710</u>	<u>(158,725)</u>	<u>11,288,205</u>

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the six-month periods ended 30 June 2008 and 2007

(Unit: Thousand Baht)

		Separate financial statements					
		Share capital	Share subscription	Share	Retained earnings		Total
		issued	received in advance		Appropriated -		
Note		and paid up	before registration	premium	statutory reserve	Unappropriated	
	<b>Balance as at 31 December 2006</b>	825,218	5,729	1,686,021	100,000	3,059,767	5,676,735
	Ordinary shares issued during the period	3,310	-	-	-	-	3,310
	Decrease in share subscription received in advance before registration	-	(1,808)	-	-	-	(1,808)
	Increase in share premium	-	-	25,010	-	-	25,010
12	Dividend paid	-	-	-	-	(827,124)	(827,124)
	Net income for the period	-	-	-	-	768,170	768,170
	<b>Balance as at 30 June 2007</b>	<u>828,528</u>	<u>3,921</u>	<u>1,711,031</u>	<u>100,000</u>	<u>3,000,813</u>	<u>5,644,293</u>
	<b>Balance as at 31 December 2007</b>	830,406	-	1,722,078	100,000	3,424,961	6,077,445
	Ordinary shares issued during the period	45	-	-	-	-	45
	Increase in share subscription received in advance before registration	-	175	-	-	-	175
	Increase in share premium	-	-	744	-	-	744
12	Dividend paid	-	-	-	-	(1,079,353)	(1,079,353)
	Net income for the period	-	-	-	-	837,976	837,976
	<b>Balance as at 30 June 2008</b>	<u>830,451</u>	<u>175</u>	<u>1,722,822</u>	<u>100,000</u>	<u>3,183,584</u>	<u>5,837,032</u>

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

(Unaudited but reviewed)

**Hana Microelectronics Public Company Limited and its subsidiaries**

**Notes to interim financial statements**

**For the three-month and six-month periods ended 30 June 2008 and 2007**

**1. General information**

**1.1 Corporate 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 is principally engaged in the manufacturer of electronic components and its registered address at No. 10/4 Moo 3, Vibhavadi - Rangsit Road, Kwang Talad Bangkhen, Laksi, Bangkok.

**1.2 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standard Pronouncement No. 41 (revised 2007) “Interim Financial Reporting”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, and the statements of income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

**1.3 Basis of consolidation**

These consolidated interim financial statements include the financial statements of Hana Microelectronics Public Company Limited and its subsidiaries and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2007, with no significant changes in the group structure during the current period.

(Unaudited but reviewed)

#### 1.4 Accounting standards which are effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards became effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these accounting standards and believes that TAS 33 and TAS 49 are not relevant to the business of the Company, whereas the other accounting standards described above do not have any significant impact on the financial statements for the current period.

#### 1.5 Significant accounting policies

These interim financial statements are prepared by using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2007.

#### 2. Supplemental cash flow information

Cash and cash equivalents as at 30 June 2008 and 2007 as reflected in the cash flow statements consist of the following:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash and deposits at banks	3,430,338	1,955,235	138,893	136,204
Investment in money market fund	75,442	-	-	-
Fixed deposits with maturity not over 3 months	-	280,536	-	-
Cash and cash equivalents	<u>3,505,780</u>	<u>2,235,771</u>	<u>138,893</u>	<u>136,204</u>

(Unaudited but reviewed)

### 3. Related party transactions

During the periods, the Company had significant business transactions with its subsidiaries. These transactions, which have been concluded on commercial terms and based agreed upon in the ordinary course of business between the Company and those companies, are summarised below:

(Unit: Million Baht)

	Separate financial statements				Pricing policies
	For the three-month periods ended 30 June		For the six-month periods ended 30 June		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
<b>Transactions with subsidiaries</b> (eliminated from the consolidation)					
Sales	39	4	61	5	Prices agreed by the parties due to the uniqueness of products sold to each customer
Rental income	3	3	6	6	Contract price
Purchase of materials	97	16	201	33	Cost, Cost plus 2% mark up
Service fee expenses	2	10	4	16	Rates stipulated in the agreement

The outstanding balances as at 30 June 2008 and 31 December 2007 between the Company and its subsidiaries are as follows:

(Unit: Thousand Baht)

	Separate financial statements	
	<u>30 June 2008</u>	<u>31 December 2007</u>
<b>Trade accounts receivable - subsidiary companies</b>		
Omac Sales Limited	21,672	15,707
Hana Microelectronics Investment Company Limited	21,971	6,335
Hana Microdisplay Technologies, Inc.	1,464	776
Hana Semiconductor (BKK) Company Limited	1,118	1,134
Total trade accounts receivable - subsidiary companies	<u>46,225</u>	<u>23,952</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements	
	30 June 2008	31 December 2007
<b>Advances to subsidiary company</b>		
Hana Semiconductor (Ayutthaya) Company Limited	2,119	3,808
Total advances to subsidiary company	<u>2,119</u>	<u>3,808</u>
<b>Trade accounts payable - subsidiary companies</b>		
Omac Sales Limited	98,416	49,305
Hana Semiconductor (Ayutthaya) Company Limited	28,714	12,692
Hana Semiconductor International Company Limited	2,531	1,333
Hana Microdisplay Technologies, Inc.	2,272	1,094
Hana Microelectronics, Inc.	2,271	3,331
Total trade accounts payable - subsidiary companies	<u>134,204</u>	<u>67,755</u>
<b>Advances from subsidiary company</b>		
Hana Semiconductor (BKK) Company Limited	-	385
Total advances from subsidiary company	<u>-</u>	<u>385</u>

#### Directors' and management's remuneration

During the three-month and six-month periods ended 30 June 2008, the Company and its subsidiaries paid salaries and meeting allowances to their directors and management totaling Baht 6 million and Baht 12 million, respectively (the Company only: Baht 2 million and Baht 5 million, respectively). (2007: Baht 5 million and Baht 12 million, respectively, the Company only: Baht 2 million and Baht 4 million, respectively.)

(Unaudited but reviewed)

#### 4. Trade accounts receivable

As at 30 June 2008 and 31 December 2007, the aging analysis of trade accounts receivable were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
<u>Aging</u>				
<u>Trade accounts receivable - subsidiary companies</u>				
Less than 3 months	-	-	29,140	16,059
3 - 6 months	-	-	5,410	5,316
6 - 12 months	-	-	9,284	2,577
More than 12 months	-	-	2,391	-
Total trade accounts receivable - subsidiary companies	-	-	46,225	23,952
<u>Trade accounts receivable - other companies</u>				
Less than 3 months	2,376,824	2,429,800	952,657	903,891
3 - 6 months	8,464	20,921	(601)	5,108
6 - 12 months	2,315	5,295	(655)	(103)
More than 12 months	(3,269)	1,132	1,606	1,519
Total trade accounts receivable - other companies	2,384,334	2,457,148	953,007	910,415
Less: Allowance for doubtful accounts	(2,436)	(7,608)	-	-
Total trade accounts receivable - other companies, net	2,381,898	2,449,540	953,007	910,415
Total trade accounts receivable - net	2,381,898	2,449,540	999,232	934,367



(Unaudited but reviewed)

## 5. Allowance for diminution in value of inventory

Movements in the allowance for diminution in value of inventory account during the six-month period ended 30 June 2008 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
<b>Balance as at 31 December 2007</b>	206,930	98,958
Add: Allowance made during the period	44,539	58,078
Less: Write-off obsolete and damaged inventories	(23,892)	(23,892)
Translation adjustment	(2)	-
<b>Balance as at 30 June 2008</b>	<u>227,575</u>	<u>133,144</u>

## 6. Investments in subsidiary companies

Company's name	(Unit: Thousand Baht)							
	Separate financial statements							
	Paid up capital	Percentage of shareholding		Investment value under cost method		Dividend received for the six-month period ended		
		30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	30 June 2007	
		Percent	Percent					
Hana Trading Company Limited	250	100	100	4,000	4,000	-	-	
Hana Semiconductor (BKK) Company Limited	1,000,000	100	100	1,011,100	1,011,100	300,000	270,000	
Omac Sales Limited	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	-	-	-	-	
Hana Semiconductor Investments Company Limited	4	-	100	-	4	-	-	
Hana Semiconductor (Ayutthaya) Company Limited	1,200,000	58	58	2,142,910	2,142,910	140,000	192,500	
Total investments in subsidiary companies				<u>3,431,502</u>	<u>3,431,506</u>	<u>440,000</u>	<u>462,500</u>	

On 21 December 2007, the Extraordinary General Meeting of shareholders of Hana Trading Company Limited, a subsidiary company, passed a special resolution to dissolve the subsidiary and the subsidiary filed for deregistration with the Ministry of Commerce on 7 January 2008.

On 1 May 2008, the two overseas subsidiaries of the Company, which are Hana Semiconductor Investments Limited and Hana Semiconductor Enterprises Company Limited, had ceased their operations and had terminated their license with the BVI Government Register.

(Unaudited but reviewed)

## 7. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month period ended 30 June 2008 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
<b>Net book value as at 31 December 2007</b>	5,566,939	1,531,455
Acquisitions during the period - at cost	484,217	138,984
Construction in progress transferred in during the period	333,635	109,146
Construction in progress transferred out during the period	(333,635)	(109,146)
Disposals during the period - net book value at disposal date	(1,435)	(1,137)
Depreciation for the period	(469,441)	(114,581)
Allowance for impairment during the period	(773)	(773)
Translation adjustment	86,852	-
<b>Net book value as at 30 June 2008</b>	<u>5,666,359</u>	<u>1,553,948</u>

## 8. Share capital

### Issued and paid-up capital

During the current period, the issued and paid-up share capital had increased from the exercise of warrants amounting to Baht 45,000. The Company registered with the Ministry of Commerce for the increase of its share capital, bringing the issued and paid-up share capital as at 30 June 2008 to be Baht 830,450,960 (830,450,960 ordinary shares of Baht 1 each).

### Share subscription received in advance before registration

As at 30 June 2008, the Company received share subscription from the exercise of warrants of Baht 175,400 and had subsequently registered such capital increase with the Ministry of Commerce in July 2008. The amount was presented as "Share subscription received in advance" in the shareholders' equity in the balance sheet.

(Unaudited but reviewed)

## 9. Warrants

As at 30 June 2008, the outstanding warrants issued to the Company's employees and directors which remain unexercised were as follows:

1. 7,500,000 warrants

Exercise price:	Average closing price of the 30 days prior to 31 January, 30 April, 31 July and 31 October
Exercise ratio:	1 ordinary share: 1 warrant
Exercise period:	From 31 October 2004 to 31 July 2008
Outstanding unexercised warrants:	2,688,500 warrants

2. 20,000,000 warrants

Exercise price:	Baht 20.73 per share
Exercise ratio:	1 ordinary share: 1 warrant
Exercise period:	From 31 October 2005 to 31 July 2009
Outstanding unexercised warrants:	5,956,100 warrants

3. 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
Outstanding unexercised warrants:	20,000,000 warrants

## 10. Earnings per share

Basic earnings per share is calculated by dividing net income for the period by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by dividing net income for the period by the weighted average number of ordinary shares in issue during the period 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 period or on the date the potential ordinary shares were issued.

(Unaudited but reviewed)

Reconciliation between basic earnings per share and diluted earnings per share is presented below.

Consolidated financial statements						
For the three-month periods ended 30 June						
Net income		Weighted average number of ordinary shares		Earnings per share		
2008	2007	2008	2007	2008	2007	
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht	
<b>Basic earnings per share</b>	545,910	432,362	830,424	828,807	<u>0.66</u>	<u>0.52</u>
Net income attributable to equity holders of the parent						
<b>Effect of dilutive potential ordinary shares</b>						
Warrants to the directors and employees of the Company 28,644,600 units (2007: 29,515,274 units)	-	-	78	1,372		
<b>Diluted earnings per share</b>						
(Net income of ordinary shareholders assuming the exercise of warrants)						
Net income attributable to equity holders of the parent	<u>545,910</u>	<u>432,362</u>	<u>830,502</u>	<u>830,179</u>	<u>0.66</u>	<u>0.52</u>

Consolidated financial statements						
For the six-month periods ended 30 June						
Net income		Weighted average number of ordinary shares		Earnings per share		
2008	2007	2008	2007	2008	2007	
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht	
<b>Basic earnings per share</b>	993,551	802,139	830,415	827,755	<u>1.20</u>	<u>0.97</u>
Net income attributable to equity holders of the parent						
<b>Effect of dilutive potential ordinary shares</b>						
Warrants to the directors and employees of the Company 28,644,600 units (2007: 29,515,274 units)	-	-	126	1,067		
<b>Diluted earnings per share</b>						
(Net income of ordinary shareholders assuming the exercise of warrants)						
Net income attributable to equity holders of the parent	<u>993,551</u>	<u>802,139</u>	<u>830,541</u>	<u>828,822</u>	<u>1.20</u>	<u>0.97</u>

(Unaudited but reviewed)

Separate financial statements					
For the three-month periods ended 30 June					
Net income		Weighted average number of ordinary shares		Earnings per share	
2008	2007	2008	2007	2008	2007
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
<b>Basic earnings per share</b>					
Net income attributable to equity holders of the parent					
				<u>0.78</u>	<u>0.77</u>
<b>Effect of dilutive potential ordinary shares</b>					
Warrants to the directors and employees of the Company 28,644,600 units (2007: 29,515,274 units)					
-	-	78	1,372		
<b>Diluted earnings per share</b>					
(Net income of ordinary shareholders assuming the exercise of warrants)					
Net income attributable to equity holders of the parent					
<u>646,771</u>	<u>637,599</u>	<u>830,502</u>	<u>830,179</u>	<u>0.78</u>	<u>0.77</u>

Separate financial statements					
For the six-month periods ended 30 June					
Net income		Weighted average number of ordinary shares		Earnings per share	
2008	2007	2008	2007	2008	2007
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
<b>Basic earnings per share</b>					
Net income attributable to equity holders of the parent					
				<u>1.01</u>	<u>0.93</u>
<b>Effect of dilutive potential ordinary shares</b>					
Warrants to the directors and employees of the Company 28,644,600 units (2007: 29,515,274 units)					
-	-	125	1,067		
<b>Diluted earnings per share</b>					
(Net income of ordinary shareholders assuming the exercise of warrants)					
Net income attributable to equity holders of the parent					
<u>837,976</u>	<u>768,170</u>	<u>830,541</u>	<u>828,822</u>	<u>1.01</u>	<u>0.93</u>

(Unaudited but reviewed)

## 11. Financial information by segment

The Company's and its subsidiaries' operations mainly involve a single industry segment in electronic components which are mainly carried on in the geographic area in Thailand, Hong Kong, the United States of America and China. Geographical segment information of the Company and its subsidiaries for the three-month and six-month periods ended 30 June 2008 and 2007 are as follows:

(Unit: Million Baht)

	Consolidated for the three-month periods ended 30 June							
	Domestic		Foreign		Eliminate		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue from external customers	3,018	3,083	907	884	-	-	3,925	3,967
Intersegment revenues	120	72	1,018	1,082	(1,138)	(1,154)	-	-
Total revenues	<u>3,138</u>	<u>3,155</u>	<u>1,925</u>	<u>1,966</u>	<u>(1,138)</u>	<u>(1,154)</u>	<u>3,925</u>	<u>3,967</u>
Segment income	480	439	174	130			654	569
Unallocated income and expenses:								
Other income							82	85
Gain on exchange							30	6
Selling and administrative expenses							(203)	(217)
Income before corporate income tax							563	443
Interest expenses							-	(1)
Corporate income tax							(17)	(10)
Net income for the period							<u>546</u>	<u>432</u>

(Unaudited but reviewed)

(Unit: Million Baht)

Consolidated for the six-month periods ended 30 June								
	Domestic		Foreign		Eliminate		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue from external customers	5,799	6,011	1,801	1,523	-	-	7,600	7,534
Intersegment revenues	222	117	2,274	2,302	(2,496)	(2,419)	-	-
Total revenues	<u>6,021</u>	<u>6,128</u>	<u>4,075</u>	<u>3,825</u>	<u>(2,496)</u>	<u>(2,419)</u>	<u>7,600</u>	<u>7,534</u>
Segment income	887	825	306	240			1,193	1,065
Unallocated income and expenses:								
Other income							166	131
Gain on exchange							101	107
Selling and administrative expenses							(412)	(462)
Income before corporate income tax							1,048	841
Interest expenses							-	(1)
Corporate income tax							(54)	(38)
Net income for the period							<u>994</u>	<u>802</u>

## 12. Dividend paid

During the six-month period ended 30 June 2008 and 2007, the Company and its subsidiaries had dividend payments as follows:

	Approved by	Total Dividends Thousand Baht	Dividend per share Baht
<b><u>The Company</u></b>			
<b><u>For the year 2008</u></b>			
Dividends on 2007 income	Annual General Meeting of the shareholders on 30 April 2008	1,079,353	1.30
<b><u>For the year 2007</u></b>			
Dividends on 2006 income	Annual General Meeting of the shareholders on 30 April 2007	827,124	1.00
<b><u>Subsidiary companies</u></b>			
<b><u>Hana Semiconductor (BKK) Company Limited</u></b>			
<b><u>For the year 2008</u></b>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 30 April 2008	150,000	1.50
Interim dividend in respect of the income for the period from 1 January 2008 to 30 April 2008	Board of Director's Meeting on 6 May 2008	150,000	1.50
Total for the year 2008		<u>300,000</u>	<u>3.00</u>

(Unaudited but reviewed)

	Approved by	Total Dividends	Dividend per share
		Thousand Baht	Baht
<u>For the year 2007</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 30 April 2007	170,000	1.70
Interim dividend in respect of the income for the period from 1 January 2007 to 30 April 2007	Board of Director's Meeting on 21 May 2007	100,000	1.00
Total for the year 2007		270,000	2.70

**Hana Semiconductor (Ayutthaya) Company Limited**

For the year 2008

Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 25 April 2008	240,000	2.00
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For the year 2007

Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 27 April 2007	330,000	2.75
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### **13. Commitments and contingencies**

#### **13.1 Capital commitments**

As at 30 June 2008, the Company and its subsidiaries had capital commitments for the constructions of factory buildings and acquisitions of machinery of approximately USD 9.6 million or equivalent to Baht 332.7 million.

#### **13.2 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 2011 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.

#### **13.3 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.



#### **13.4 Guarantees**

As at 30 June 2008, there were outstanding bank guarantees of approximately Baht 182 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, the amount of which included guarantee for the tax assessment made by the Revenue Department as discussed in Note 13.5.

#### **13.5 Tax assessment and litigation**

- a) 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 Tax Court. 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.
- b) As at 31 December 2006, the Company had contingent liabilities from legal action which the Company disputed concerning the Company's purported obligations with regards to the liabilities of a former related company. The Company made full provision for estimated maximum payment in event of an unfavorable ruling by the court for approximately USD 1 million or equivalent Baht 31 million together with legal cost and interest at the rate of 10% per annum. In February 2008, the Company had made settlement agreement and general release for this case in which the Company already paid for such guarantee expenses of Baht 7.9 million. The Company had therefore reversed the remaining guarantee expenses of Baht 25.5 million as income in the income statement for the six-month period ended 30 June 2008.

(Unaudited but reviewed)

#### 14. Financial instruments

As at 30 June 2008, the Company had outstanding forward exchange contracts, of which details are presented below.

<u>Sell amount</u>	<u>Maturity date</u>	<u>Contractual exchange rate per contracts</u>
(Million USD)		(Baht per foreign currency unit)
20	30 December 2008	33.5700
20	30 December 2008	32.8750

In addition, an overseas subsidiary of the Company entered into the government bond linked asset swap agreements with an overseas bank. The details of the investment asset swap agreements outstanding as at 30 June 2008 are as follows:

<u>Linked asset</u>	<u>Notional amount</u>	<u>Maturity date</u>	<u>Yield to maturity</u>	<u>Fair value gain (loss)</u>
	(Million USD)		(Percent)	(Million Baht)
1-Year South Korean				
government bond	1	23 March 2009	1.40	(0.06)
2-Year China				
government bond	1	26 February 2010	1.05	0.70

#### 15. Reclassification

Certain amounts in statement of cash flows for the six-month period ended 30 June 2007 have been reclassified to conform to the current period's classifications, with no effect on previously reported net income.

#### 16. Approval of interim financial statements

These interim financial statements were authorised for issue by the board of directors of the Company on 11 August 2008.