

Hana Microelectronics Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2008 and 2007

Report of Independent Auditor

To the Shareholders of Hana Microelectronics Public Company Limited

I have audited the consolidated balance sheet of Hana Microelectronics Public Company Limited and its subsidiaries as at 31 December 2008, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of Hana Microelectronics Public Company Limited for the same period. 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 audit. The consolidated financial statements of Hana Microelectronics Public Company Limited and its subsidiaries, and the 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 reports of the other auditors of overseas subsidiaries, expressed an unqualified opinion on those 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.

I did not audit the financial statements of two overseas subsidiary companies, whose financial statements are included in the consolidated financial statements. These subsidiary companies had the total assets as at 31 December 2008 of approximately Baht 251 million, representing 2 percent of the consolidated total and total revenues for the year then ended of approximately Baht 126 million, representing 1 percent of the consolidated total. The financial statements of these subsidiary companies were audited by the auditors of these subsidiary companies and I had obtained the reports from their auditors. My opinion, insofar as it related to any amounts and particulars included for these subsidiary companies, was based solely upon the reports of the other auditors.

I conducted my audit 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 audit provides a reasonable basis for my opinion.

In my opinion, based on my audit and the reports of the other auditors, 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 2008, the results of their operations, and cash flows for the year then ended, in accordance with generally accepted accounting principles.

Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited
Bangkok: 27 February 2009

Hana Microelectronics Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Assets					
Current assets					
Cash and cash equivalents	6	4,316,298,028	3,386,431,294	610,860,207	291,662,787
Short-term investments - net	8	362,624,083	-	-	-
Trade accounts receivable	9				
Subsidiary companies	7	-	-	23,130,836	23,951,993
Other companies - net		1,540,272,213	2,449,539,930	495,876,686	910,415,371
Trade accounts receivable - net		1,540,272,213	2,449,539,930	519,007,522	934,367,364
Advances to subsidiary	7	-	-	-	3,808,517
Inventories - net	10	2,060,582,235	2,205,351,493	788,892,584	653,794,617
Other current assets					
Advances		22,110,159	41,118,265	10,003,985	19,329,244
Input tax refundable		41,962,825	58,065,704	5,101,548	6,331,669
Income tax refundable		19,411,601	19,411,601	19,411,601	19,411,601
Others		53,230,380	43,966,893	9,086,685	10,925,821
Total other current assets		136,714,965	162,562,463	43,603,819	55,998,335
Total current assets		8,416,491,524	8,203,885,180	1,962,364,132	1,939,631,620
Non-current assets					
Investments in subsidiary companies	11	-	-	3,427,501,838	3,431,505,464
Other long-term investment		97,000	97,000	97,000	97,000
Property, plant and equipment - net	12	5,875,208,899	5,556,564,034	1,579,009,465	1,530,689,932
Intangible assets - net	13	17,625,230	10,374,633	2,187,761	765,078
Other non-current assets		2,188,367	2,530,726	1,328,750	1,328,750
Total non-current assets		5,895,119,496	5,569,566,393	5,010,124,814	4,964,386,224
Total assets		14,311,611,020	13,773,451,573	6,972,488,946	6,904,017,844

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

Hana Microelectronics Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Liabilities and shareholders' equity					
Current liabilities					
Trade accounts payable					
Subsidiary companies	7	-	-	33,211,536	67,755,268
Other companies		1,087,988,180	1,519,427,697	387,032,570	414,322,992
Total trade accounts payable		1,087,988,180	1,519,427,697	420,244,106	482,078,260
Advances received from subsidiary companies	7	-	-	74	385,213
Short-term provisions					
Provision for loss on tax assessment	25.5	150,465,664	150,465,664	150,465,664	150,465,664
Provision for product warranty		151,951,401	124,969,945	-	-
Others		10,779,847	-	-	-
Total short-term provisions		313,196,912	275,435,609	150,465,664	150,465,664
Other current liabilities					
Other payable		140,591,070	291,276,872	17,876,367	57,985,745
Accrued expenses		156,440,510	126,459,129	27,985,286	29,572,855
Corporate income tax payable		70,103,655	69,312,195	40,783,989	43,112,965
Advances received from customers		109,934,299	117,626,441	11,671,943	21,891,235
Others		35,878,399	83,065,274	21,529,604	41,080,878
Total other current liabilities		512,947,933	687,739,911	119,847,189	193,643,678
Total current liabilities		1,914,133,025	2,482,603,217	690,557,033	826,572,815
Total liabilities		1,914,133,025	2,482,603,217	690,557,033	826,572,815

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

Hana Microelectronics Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Shareholders' equity					
Share capital					
Registered					
1,000,000,000 ordinary shares of Baht 1 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid-up					
830,474,960 ordinary shares of Baht 1 each	14				
(2007: 830,405,960 ordinary shares of Baht 1 each)		830,474,960	830,405,960	830,474,960	830,405,960
Share premium		1,723,218,982	1,722,077,722	1,723,218,982	1,722,077,722
Unrealised loss - revaluation deficits on					
change in value of investments	8	(24,799,189)	-	-	-
Translation adjustment		310,585,278	(26,723,246)	-	-
Retained earnings					
Appropriated - statutory reserve	16	322,419,837	322,301,438	100,000,000	100,000,000
- reserve for treasury shares	17	41,036,725	-	41,036,725	-
Unappropriated		9,390,553,682	8,601,512,037	3,628,237,971	3,424,961,347
Excess of cost of investments over net book					
value of the subsidiary companies		<u>(154,975,555)</u>	<u>(158,725,555)</u>	-	-
Total shareholders' equity		<u>12,438,514,720</u>	<u>11,290,848,356</u>	<u>6,322,968,638</u>	<u>6,077,445,029</u>
Treasury shares	17	<u>(41,036,725)</u>	-	<u>(41,036,725)</u>	-
Total shareholders' equity - net		<u>12,397,477,995</u>	<u>11,290,848,356</u>	<u>6,281,931,913</u>	<u>6,077,445,029</u>
Total liabilities and shareholders' equity		<u>14,311,611,020</u>	<u>13,773,451,573</u>	<u>6,972,488,946</u>	<u>6,904,017,844</u>
		-	-	-	-

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

Directors

Hana Microelectronics Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Revenues					
Sales		15,105,711,728	15,635,567,759	5,648,568,190	5,710,226,133
Gain on sale of investment in an associate	18	-	528,666,919	-	-
Bad debt recovery	18	-	28,921,929	-	-
Other income					
Interest income		76,705,010	49,596,493	7,372,306	1,467,055
Rental income		5,037,138	4,901,304	18,448,338	18,312,504
Gain on exchange		75,924,455	179,659,245	-	3,649,311
Dividend income		18,000	-	440,017,998	562,499,997
Reversal of guarantee expenses	25.5	25,471,539	-	25,471,539	-
Others		224,119,540	231,569,997	42,024,794	24,327,519
Total other income		407,275,682	465,727,039	533,334,975	610,256,386
Total revenues		15,512,987,410	16,658,883,646	6,181,903,165	6,320,482,519
Expenses					
Cost of sales		12,544,342,939	13,076,195,749	4,611,322,354	4,742,846,905
Selling expenses		178,578,317	178,657,402	29,817,389	22,210,805
Administrative expenses		720,447,101	651,619,542	133,938,657	137,840,581
Loss on tax assessment	25.5	-	150,465,664	-	150,465,664
Loss on exchange		-	-	22,512,938	-
Other expenses		30,596,461	42,248,894	3,191,757	14,532,889
Total expenses		13,473,964,818	14,099,187,251	4,800,783,095	5,067,896,844
Income before finance cost and corporate income tax		2,039,022,592	2,559,696,395	1,381,120,070	1,252,585,675
Finance cost		(6,076,838)	(7,794,692)	(2,037,061)	(4,307,259)
Income before corporate income tax		2,032,945,754	2,551,901,703	1,379,083,009	1,248,278,416
Corporate income tax		(123,395,957)	(102,740,644)	(55,416,632)	(55,958,923)
Net income for the year		1,909,549,797	2,449,161,059	1,323,666,377	1,192,319,493
Net income attributable to:					
Equity holders of the parent		1,909,549,797	2,449,161,059	1,323,666,377	1,192,319,493
Earnings per share					
21					
Basic earnings per share					
Net income attributable to equity holders of the parent		2.30	2.95	1.59	1.44
Weighted average number of ordinary shares (shares)		830,133,221	830,008,503	830,133,221	830,008,503
Diluted earnings per share					
Net income attributable to equity holders of the parent		2.30	2.95	1.59	1.43
Weighted average number of ordinary shares (shares)		830,133,221	830,999,660	830,133,221	830,999,660

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of cash flows

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities				
Net income before tax	2,032,945,754	2,551,901,703	1,379,083,009	1,248,278,416
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation	961,806,047	847,581,697	231,461,199	198,990,353
Amortisation expenses	2,362,431	1,898,549	236,577	128,087
Doubtful accounts (reversal)	5,444,051	5,341,822	-	(1,860,518)
Loss (gain) from obsolete and slow moving inventories	87,166,166	(46,928,494)	99,023,226	(8,795,246)
Loss (gain) on disposals of equipment	(320,555)	2,885,983	(73,357)	(915,115)
Loss from impairment of assets	772,798	1,784,178	772,798	1,784,178
Provision for product warranty	26,840,913	27,716,005	-	-
Guarantee expenses (reversal)	(25,471,539)	14,532,889	(25,471,539)	14,532,889
Loss on cease of operation of subsidiary	3,755,548	-	3,191,757	-
Loss on tax assessment	-	150,465,664	-	150,465,664
Revaluation gain on investment	5,156,400	-	-	-
Unrealised gain on exchange	(29,865,817)	(8,311,813)	(847,494)	(4,138,419)
Unrealised loss on forward contracts	17,014,103	-	4,704,000	-
Dividend income from subsidiary companies	-	-	(439,999,998)	(562,499,997)
Interest expenses	3,003	2,213,747	165,903	2,342,629
Income from operating activities before changes in operating assets and liabilities	3,087,609,303	3,551,081,930	1,252,246,081	1,038,312,921
Operating assets (increase) decrease				
Trade accounts receivable	897,624,331	9,326,281	417,437,412	(82,271,228)
Inventories	57,603,092	269,915,199	(234,121,193)	129,532,383
Other current assets	33,612,548	10,513,060	14,010,510	(11,918,050)
Other non-current assets	342,359	20,649,804	-	6,527,846
Operating liabilities increase (decrease)				
Trade accounts payable	(439,333,481)	(213,008,534)	(62,994,807)	(301,602,818)
Accrued expenses	29,431,773	6,134,879	(2,137,177)	4,844,950
Advances received from customers	7,200,471	10,635,447	(10,930,197)	(1,034,162)
Other current liabilities	(6,121,696)	(214,620,779)	230,301	(15,197,896)
Cash from operating activities	3,667,968,700	3,450,627,287	1,373,740,930	767,193,946
Cash paid for interest expenses	(3,003)	(2,212,384)	(3,003)	(2,212,384)
Cash paid for corporate income tax	(122,206,337)	(123,137,490)	(57,347,448)	(33,578,598)
Net cash from operating activities	3,545,759,360	3,325,277,413	1,316,390,479	731,402,964

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash flows from investing activities				
Increase in short-term investments	(392,579,672)	-	-	-
Decrease in advances to subsidiaries	-	-	3,808,517	2,775,288
Dividend income from subsidiary companies	-	-	439,999,998	562,499,997
Return on investment from a liquidated subsidiary	-	-	811,869	-
Acquisition of property, plant and equipment	(1,448,372,862)	(1,271,094,848)	(323,660,026)	(530,369,533)
Proceeds from disposals of equipment	<u>7,170,877</u>	<u>231,734,603</u>	<u>1,411,215</u>	<u>3,619,996</u>
Net cash from (used in) investing activities	<u>(1,833,781,657)</u>	<u>(1,039,360,245)</u>	<u>122,371,573</u>	<u>38,525,748</u>
Cash flows from financing activities				
Increase (decrease) in short-term loans and advances from subsidiary companies	-	-	(385,139)	385,139
Cash received from share capital increase	1,210,260	41,244,064	1,210,260	41,244,064
Decrease in share subscription received in advance before registration	-	(5,729,310)	-	(5,729,310)
Cash paid for purchase of treasury shares	(41,036,725)	-	(41,036,725)	-
Dividend paid	<u>(1,079,353,028)</u>	<u>(827,124,690)</u>	<u>(1,079,353,028)</u>	<u>(827,124,690)</u>
Net cash used in financing activities	<u>(1,119,179,493)</u>	<u>(791,609,936)</u>	<u>(1,119,564,632)</u>	<u>(791,224,797)</u>
Increase (decrease) in cash and cash equivalents	592,798,210	1,494,307,232	319,197,420	(21,296,085)
Translation adjustment	<u>337,068,524</u>	<u>(225,636,084)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	929,866,734	1,268,671,148	319,197,420	(21,296,085)
Cash and cash equivalents at beginning of the year	<u>3,386,431,294</u>	<u>2,117,760,146</u>	<u>291,662,787</u>	<u>312,958,872</u>
Cash and cash equivalents at end of the year (Note 6)	<u><u>4,316,298,028</u></u>	<u><u>3,386,431,294</u></u>	<u><u>610,860,207</u></u>	<u><u>291,662,787</u></u>
Supplemental cash flow information				
Non-cash related transaction from investing activities				
Net increase (decrease) in accounts payable for purchase of plant and equipment	(150,685,802)	119,361,060	(40,109,378)	(32,738,230)
Revaluation loss on investments	(24,799,189)	-	-	-

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2008 and 2007

(Unit: Baht)

Consolidated financial statements												
	Note	Issued and paid up share capital	Share subscription received in advance before registration	Share premium	Revaluation deficit on changes in value of investments	Translation adjustment	Retained earnings			Excess of cost of investments over net book value of the subsidiary companies	Treasury shares	Total
							Statutory reserve	Reserve for treasury shares	Unappropriated			
Balance as at 31 December 2006		825,218,290	5,729,310	1,686,021,328	-	211,617,838	320,100,000	-	6,981,677,106	(158,725,555)	-	9,871,638,317
Expenses recognised directly in equity:												
Translation adjustment		-	-	-	-	(238,341,084)	-	-	-	-	-	(238,341,084)
Net expenses recognised directly in equity		-	-	-	-	(238,341,084)	-	-	-	-	-	(238,341,084)
Net income for the year		-	-	-	-	-	-	-	2,449,161,059	-	-	2,449,161,059
Total income (expenses) for the year		-	-	-	-	(238,341,084)	-	-	2,449,161,059	-	-	2,210,819,975
Dividend paid	24	-	-	-	-	-	-	-	(827,124,690)	-	-	(827,124,690)
Ordinary shares issued during the year		5,187,670	-	36,056,394	-	-	-	-	-	-	-	41,244,064
Share subscription received in advance before registration		-	(5,729,310)	-	-	-	-	-	-	-	-	(5,729,310)
Unappropriated retained earnings transferred to statutory reserve	16	-	-	-	-	-	2,201,438	-	(2,201,438)	-	-	-
Balance as at 31 December 2007		<u>830,405,960</u>	<u>-</u>	<u>1,722,077,722</u>	<u>-</u>	<u>(26,723,246)</u>	<u>322,301,438</u>	<u>-</u>	<u>8,601,512,037</u>	<u>(158,725,555)</u>	<u>-</u>	<u>11,290,848,356</u>

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

Consolidated financial statements												
	Note	Issued and paid up share capital	Share subscription received in advance before registration	Share premium	Revaluation	Translation adjustment	Retained earnings			Excess of cost of investments over net book value of the subsidiary companies	Treasury shares	Total
					deficit on changes in value of investments		Appropriated		Reserve for			
							Statutory reserve	treasury shares	Unappropriated			
Balance as at 31 December 2007		830,405,960	-	1,722,077,722	-	(26,723,246)	322,301,438	-	8,601,512,037	(158,725,555)	-	11,290,848,356
Income (expenses) recognised directly in equity:												
Investments in available-for-sale securities												
Loss recognised in shareholders' equity	8	-	-	-	(24,799,189)	-	-	-	-	-	-	(24,799,189)
Translation adjustment		-	-	-	-	337,308,524	-	-	-	-	-	337,308,524
Net income (expenses) recognised directly in equity		-	-	-	(24,799,189)	337,308,524	-	-	-	-	-	312,509,335
Net income for the year		-	-	-	-	-	-	-	1,909,549,797	-	-	1,909,549,797
Total income (expenses) for the year		-	-	-	(24,799,189)	337,308,524	-	-	1,909,549,797	-	-	2,222,059,132
Dividend paid	24	-	-	-	-	-	-	-	(1,079,353,028)	-	-	(1,079,353,028)
Ordinary shares issued during the year		69,000	-	1,141,260	-	-	-	-	-	-	-	1,210,260
Unappropriated retained earnings												
transferred to statutory reserve	16	-	-	-	-	-	218,399	-	(218,399)	-	-	-
transferred to treasury stock reserve	17	-	-	-	-	-	-	41,036,725	(41,036,725)	-	-	-
Decrease in excess of cost of investment over net book value of the subsidiary companies		-	-	-	-	-	-	-	-	3,750,000	-	3,750,000
Reversal of statutory reserve from liquidation of subsidiary		-	-	-	-	-	(100,000)	-	100,000	-	-	-
Treasury shares	17	-	-	-	-	-	-	-	-	-	(41,036,725)	(41,036,725)
Balance as at 31 December 2008		<u>830,474,960</u>	<u>-</u>	<u>1,723,218,982</u>	<u>(24,799,189)</u>	<u>310,585,278</u>	<u>322,419,837</u>	<u>41,036,725</u>	<u>9,390,553,682</u>	<u>(154,975,555)</u>	<u>(41,036,725)</u>	<u>12,397,477,995</u>

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

		Separate financial statements						
				<u>Retained earnings</u>				
				<u>Appropriated</u>				
		Issued and	Share subscription	Share	Reserve for		Treasury	
		paid up	received in advance		treasury shares	Unappropriated	shares	Total
<u>Note</u>	<u>share capital</u>	<u>before registration</u>	<u>premium</u>	<u>Statutory reserve</u>	<u>treasury shares</u>	<u>Unappropriated</u>	<u>shares</u>	<u>Total</u>
Balance as at 31 December 2006	825,218,290	5,729,310	1,686,021,328	100,000,000	-	3,059,766,544	-	5,676,735,472
Net income for the year	-	-	-	-	-	1,192,319,493	-	1,192,319,493
Total income for the year	-	-	-	-	-	1,192,319,493	-	1,192,319,493
Dividend paid	-	-	-	-	-	(827,124,690)	-	(827,124,690)
Ordinary shares issued during the year	5,187,670	-	36,056,394	-	-	-	-	41,244,064
Share subscription received in advance before registration	-	(5,729,310)	-	-	-	-	-	(5,729,310)
Balance as at 31 December 2007	<u>830,405,960</u>	<u>-</u>	<u>1,722,077,722</u>	<u>100,000,000</u>	<u>-</u>	<u>3,424,961,347</u>	<u>-</u>	<u>6,077,445,029</u>

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

		Separate financial statements							
				Retained earnings					
		Issued and	Share subscription	Appropriated			Treasury		
		paid up	received in advance	Share	Reserve for		shares	Total	
Note		share capital	before registration	premium	Statutory reserve	treasury shares	Unappropriated		
	Balance as at 31 December 2007	830,405,960	-	1,722,077,722	100,000,000	-	3,424,961,347	-	6,077,445,029
	Net income for the year	-	-	-	-	-	1,323,666,377	-	1,323,666,377
	Total income for the year	-	-	-	-	-	1,323,666,377	-	1,323,666,377
	Dividend paid	-	-	-	-	-	(1,079,353,028)	-	(1,079,353,028)
	Ordinary shares issued during the year	69,000	-	1,141,260	-	-	-	-	1,210,260
	Unappropriated retained earnings								
	transferred to reserve for treasury shares	-	-	-	-	41,036,725	(41,036,725)	-	-
	Treasury shares	-	-	-	-	-	-	(41,036,725)	(41,036,725)
	Balance as at 31 December 2008	830,474,960	-	1,723,218,982	100,000,000	41,036,725	3,628,237,971	(41,036,725)	6,281,931,913

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

Hana Microelectronics Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 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 is at 10/4 Moo 3, Vibhavadi - Rangsit Road, Kwang Talad Bangkhen, Khet Laksi, Bangkok.

1.2 Economic crisis

The financial crisis experienced by the United States of America over the past year has had a far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, a tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has substantially affected the business and financial plans of Thailand enterprises and asset value. Despite efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to normalcy. These financial statements have been prepared on the bases of facts currently known to the Company, and on estimates and assumptions currently considered appropriate. However, they could be adversely affected by an array of future events.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession 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 14 September 2001, 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 such financial statements in Thai language.

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		
			2008	2007	2008	2007	2008	2007	
			Percent	Percent	Percent	Percent	Percent	Percent	
<u>Held by the Company</u>									
Hana Trading Company Limited	Deregistered	Thailand	-	100	-	-	-	-	-
Hana Semiconductor (BKK) Company Limited	Manufacturing of electronic components	Thailand	100	100	4	4	11	12	
Omac Sales Limited	Trading of electronic components	Hong Kong	100	100	4	2	-	-	
Hana Microelectronics International Company Limited	Holding company	British Virgin Islands	100	100	5	4	-	1	
Hana Microelectronics Investments Company Limited	Holding company and trading of electronic components	British Virgin Islands	100	100	-	1	1	-	
Hana Technologies Group Limited	Holding company	Cayman Islands	100	100	-	-	-	-	
Hana Semiconductor Investments Limited	Deregistered	British Virgin Islands	-	100	-	-	-	-	
Hana Semiconductor (Ayuthaya) Company Limited	Manufacturing of electronic components	Thailand	58	58	16	17	17	17	
<u>Held through the subsidiary companies</u>									
Hana Semiconductor International Limited	Trading of electronics components	British Virgin Islands	100	100	4	6	21	20	
Hana Semiconductor Holding Limited	Holding company	British Virgin Islands	100	100	-	-	-	-	
Hana Technologies Investments Limited	Holding company	Cayman Islands	100	100	-	-	-	-	
Hana Semiconductor Enterprises Company Limited	Deregistered	British Virgin Island	-	100	-	-	-	-	
Hana Microelectronics Company Limited (Shanghai)	Dormant	China	100	100	3	3	-	-	
Hana Microdisplay Technologies, Inc.	Manufacturing 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 Island	100	100	-	-	-	-	
Hana Macao Commercial Offshore Limited	Customer services	Macao	100	100	-	-	-	-	
Hana Microelectronics (Jiaxing) Company Limited	Manufacturing of electronic components	China	100	100	26	24	1	1	
Hana Semiconductor (Ayuthaya) Company Limited	Manufacturing of electronic components	Thailand	42	42	11	12	12	13	

- b) Subsidiaries are fully consolidated as from the date of acquisition, 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 for the same reporting period as the parent company, using consistent significant accounting policies.
 - d) The financial statements of overseas subsidiary companies are translated into Thai Baht at the average exchange rate on the balance sheet date as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences are shown under the caption of "Translation adjustment" in shareholders' equity.
 - e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
 - f) The excess of cost of investments in subsidiary companies over the net book value of the subsidiary companies at acquisition date has been charged as a deduction directly against the shareholders' equity in the consolidated financial statements (The transaction occurred prior to 2000).
- 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

3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of the following new accounting standards.

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 standards and believes that TAS 33 (revised 2007) and TAS 49 (revised 2007) are not relevant to the business of the Company, while the other standards described above do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Interest income

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

Rental income

Rental income is recognised on an accrual basis.

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 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.

4.5 Investments

- a) Investments in securities held for trading of a subsidiary are stated at fair value. Gains or losses arising from changes in the carrying amounts of securities are included in determining income.
- b) Investments in available-for-sale securities of a subsidiary are stated at fair value. Changes in the carrying amounts of securities are recorded as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.
- c) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- d) 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 Exchange of Thailand and the Stock Exchange in overseas.

4.6 Property, plant and equipment and depreciation

Property is stated at cost. Plant 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 estimated useful lives as follows:

Leasehold improvements	-	period of lease
Building	-	20 years
Installation	-	10 years
Other assets	-	5 - 15 years

Depreciation is included in determining income.

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

4.7 Intangible assets

Intangible assets are measured at cost on the date of acquisition. Following initial recognition, 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 the income statement.

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

	<u>Useful lives</u>
Computer software	5 - 10 years

4.8 Related party transactions

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

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

4.9 Foreign currencies

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 balance sheet date.

Gains and losses on exchange are included in determining income.

4.10 Impairment of assets

At each reporting date, 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 the income statement.

4.11 Employee benefits

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

4.12 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 stock, losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock and retained earnings, consecutively.

4.13 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.

4.14 Income tax

Income tax is provided in the accounts based on taxable profits determined in accordance with tax legislation.

4.15 Derivatives - forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet date. Gains and losses from the translation are included in determining income.

5. 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. 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 exercise 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 treats 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.

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 salvage values of the Company’s plant and equipment and to review estimate useful lives and salvage 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.

6. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2008 and 2007 as reflected in the balance sheets and cash flow statements consist of the following:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash in hand and at banks	3,254,203,134	3,149,596,639	200,860,207	191,662,787
Investment in money market funds	710,000,000	65,846,235	360,000,000	-
Fixed deposits with maturity not over				
3 months	<u>352,094,894</u>	<u>170,988,420</u>	<u>50,000,000</u>	<u>100,000,000</u>
Cash and cash equivalents	<u>4,316,298,028</u>	<u>3,386,431,294</u>	<u>610,860,207</u>	<u>291,662,787</u>

7. 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)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	4,886	5,389	129	28	Prices agreed between the parties due to the uniqueness of products sold to each customer.
Sales of fixed assets	304	235	-	-	Market price
Rental income	13	13	13	13	Contract price
Interest income	1	3	-	-	Interest at fixed deposit rate
Purchase of materials	2,138	2,639	296	313	Cost plus mark up
Purchase of fixed assets	317	237	12	2	Market price
Service fee expenses	57	83	7	19	Rates stipulated in the agreement

As at 31 December 2008 and 2007, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Baht)

	Separate financial statements	
	<u>2008</u>	<u>2007</u>
Trade accounts receivable - subsidiary companies		
Hana Microelectronics Investments Company Limited	16,189,377	6,334,767
Hana Microdisplay Technologies, Inc.	4,009,837	776,433
Omac Sales Limited	1,695,073	15,707,064
Hana Semiconductor (BKK) Company Limited	1,201,241	1,133,729
Hana Microelectronics International Company Limited	34,750	-
Hana Semiconductor (Ayuthaya) Company Limited	558	-
Total trade accounts receivable - subsidiary companies	23,130,836	23,951,993

(Unit: Baht)

	Separate financial statements	
	<u>2008</u>	<u>2007</u>
Advances to subsidiary company		
Hana Semiconductor (Ayutthaya) Company Limited	-	3,808,517
Total advances to subsidiary company	-	3,808,517
Trade accounts payable - subsidiary companies		
Omac Sales Limited	23,892,724	49,305,520
Hana Microdisplay Technologies, Inc.	3,204,825	1,094,125
Hana Semiconductor International Limited	3,064,309	1,333,154
Hana Microelectronics, Inc.	2,013,609	3,330,609
Hana Semiconductor (Ayutthaya) Company Limited	1,031,789	12,691,860
Hana Semiconductor (BKK) Company Limited	4,280	-
Total trade accounts payable - subsidiary companies	33,211,536	67,755,268
Advances from subsidiary companies		
Hana Semiconductor (BKK) Company Limited	-	385,139
Hana Technologies Group Limited	74	74
Total advances from subsidiary companies	74	385,213

Directors' and management's remuneration

In 2008, the Company and its subsidiaries paid salaries, bonus, meeting allowances and gratuities to their directors and management totaling Baht 84 million (the Company only: Baht 12 million) (2007: Baht 85 million, the Company only: Baht 14 million).

8. Short-term Investments

(Unit: Thousand Baht)

Consolidated financial
statements
31 December 2008

	Cost/	
	Carrying value	Fair value
Securities held for trading		
Overseas marketable equity securities	34,956,375	28,351,334
Domestic marketable equity securities	11,083,002	12,084,279
Credit linked note	34,956,375	34,956,375
Less: Revaluation deficit on investments	(5,603,764)	-
Securities held for trading - net	<u>75,391,988</u>	<u>75,391,988</u>
Available-for-sale securities		
Overseas marketable corporate bonds	247,478,253	219,398,898
Quoted bond	64,553,031	67,833,197
Less: Revaluation deficit on investments	(24,799,189)	-
Available-for-sale securities - net	<u>287,232,095</u>	<u>287,232,095</u>
Total short-term investments - net	<u><u>362,624,083</u></u>	<u><u>362,624,083</u></u>

During the current year, Hana Microelectronics International Company Limited, an overseas subsidiary company, had invested in mutual fund of a company listed on Cayman Island Stock Exchange, warrants of a company listed on Thailand Stock Exchange including the Credit linked note through an overseas bank. These investments are held for trading purpose. As at 31 December 2008, this subsidiary had assessed the fair value of the equity securities by referring to the latest bid price as quoted on the Stock Exchange for mutual fund and warrants and by referring to the value quoted by the bank for Credit linked note, in which the fair value had decreased by HK\$ 1.2 million or equivalent to Baht 5.6 million was assessed. The changes in fair value of these investments were recognised in the income statement during the year.

In addition, this subsidiary had invested in private corporate bonds issued by various companies listed in overseas Stock Exchanges and one quoted bond through the two overseas banks. These investments are classified as available-for-sale investments. As at 31 December 2008, the subsidiary had assessed the fair value of the bonds by referring to the value quoted by Bloomberg in which the fair value had decreased by HKD 5.5 million or equivalent to Baht 24.8 million. The changes in the fair value of such bonds are shown as a separate item in the shareholders' equity.

9. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2008 and 2007, aged on the basis of due dates, are summarised below.

<u>Age of receivable</u>	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Accounts receivable - subsidiary companies</u>				
Not yet due	-	-	5,401,034	12,218,967
Past due				
Up to 3 months	-	-	16,316,484	3,840,539
3 - 6 months	-	-	919,421	5,315,907
6 - 12 months	-	-	261,489	2,576,580
Over 12 months	-	-	232,408	-
Total accounts receivable - subsidiary companies	-	-	23,130,836	23,951,993
<u>Accounts receivable - other companies</u>				
Not yet due	954,069,714	1,644,231,648	394,339,208	693,069,900
Past due				
Up to 3 months	560,700,996	785,568,297	101,528,429	210,821,195
3 - 6 months	30,274,195	20,921,189	9,049	5,108,293
6 - 12 months	7,013,470	5,295,242	-	(102,610)
Over 12 months	1,266,278	1,131,943	-	1,518,593
Total accounts receivable - other companies	1,553,324,653	2,457,148,319	495,876,686	910,415,371
Less: Allowance for doubtful accounts	(13,052,440)	(7,608,389)	-	-
Total trade accounts receivable - other companies - net	1,540,272,213	2,449,539,930	495,876,686	910,415,371
Total trade accounts receivable - net	<u>1,540,272,213</u>	<u>2,449,539,930</u>	<u>519,007,522</u>	<u>934,367,364</u>

10. Inventories

(Unit: Baht)

Consolidated financial statements										
Allowance for diminution in inventory value										
Cost	Reduction cost to net		Damaged inventories		Slow-moving inventories		Inventories - net			
	2008	2007	2008	2007	2008	2007	2008	2007		
Finished goods	743,437,107	634,824,297	-	-	(152,610,995)	(92,174,956)	(1,023,092)	(2,699,051)	589,803,020	539,950,290
Work in process	139,879,648	217,067,955	(35,226,645)	-	-	-	-	-	104,653,003	217,067,955
Raw materials	1,387,701,189	1,410,828,001	-	-	(61,249,470)	(70,708,100)	(43,986,343)	(41,348,272)	1,282,465,376	1,298,771,629
Goods in transit	83,660,836	149,561,619	-	-	-	-	-	-	83,660,836	149,561,619
Total	2,354,678,780	2,412,281,872	(35,226,645)	-	(213,860,465)	(162,883,056)	(45,009,435)	(44,047,323)	2,060,582,235	2,205,351,493

(Unit: Baht)

Separate financial statements										
Allowance for diminution in inventory value										
Cost	Reduction cost to net		Damaged inventories		Slow-moving inventories		Inventories - net			
	2008	2007	2008	2007	2008	2007	2008	2007		
Finished goods	357,898,543	286,140,596	-	-	(151,494,992)	(67,256,201)	(384,347)	(2,438,986)	206,019,204	216,445,409
Work in process	48,136,024	66,092,408	-	-	-	-	-	-	48,136,024	66,092,408
Raw materials	578,023,373	393,883,404	-	-	(27,655,266)	(10,705,713)	(18,446,316)	(18,556,795)	531,921,791	364,620,896
Goods in transit	2,815,565	6,635,904	-	-	-	-	-	-	2,815,565	6,635,904
Total	986,873,505	752,752,312	-	-	(179,150,258)	(77,961,914)	(18,830,663)	(20,995,781)	788,892,584	653,794,617

11. Investments in subsidiaries

(Unit: Baht)

Separate financial statements								
Company's name	Paid up capital		Shareholding percentage		Cost		Dividend received during the year ended 31 December	
	2008	2007	2008	2007	2008	2007	2008	2007
			Percent	Percent				
Hana Trading Company Limited	-	250,000	-	100	-	4,000,000	-	-
Hana Semiconductor (BKK) Company Limited	1,000,000,000	1,000,000,000	100	100	1,011,100,000	1,011,100,000	300,000,000	370,000,000
Omac Sales Limited	325,375	325,375	100	100	273,491,816	273,491,816	-	-
Hana Microelectronics International Company Limited	51	51	100	100	51	51	-	-
Hana Microelectronics Investment Company Limited	51	51	100	100	111	111	-	-
Hana Technologies Group Limited	74	74	100	100	74	74	-	-
Hana Semiconductor Investments Limited	-	3,626	-	100	-	3,626	-	-
Hana Semiconductor (Ayuthaya) Company Limited	1,200,000,000	1,200,000,000	58	58	2,142,909,786	2,142,909,786	139,999,998	192,499,997
Total investments in subsidiaries					3,427,501,838	3,431,505,464	439,999,998	562,499,997

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 and registered for liquidation on 2 July 2008. The Company received return on its investment in this subsidiary of Baht 0.8 million.

On 1 May 2008, the two overseas subsidiaries 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.

12. Property, plant and equipment

(Unit: Baht)

	Consolidated financial statements									
	Land	Building	Leasehold improvement	Installation	Machinery and equipment	Office furniture and equipment	Vehicles	Others	Construction in progress and machinery under installation	Total
Cost										
31 December 2007	168,027,175	1,517,528,930	148,696,880	460,225,492	7,224,695,100	376,039,142	53,464,530	13,757,123	221,352,915	10,183,787,287
Purchase/transfer in	-	153,310,442	218,256	49,508,452	824,854,709	36,591,539	14,630,039	-	659,672,372	1,738,785,809
Disposal/transfer out	-	(347,890)	(42,239)	(42,368)	(64,470,417)	(5,560,432)	(9,314,983)	-	(609,819,306)	(689,597,635)
Translation adjustment	-	56,356,557	2,953,301	-	130,277,536	4,424,431	1,892,136	1,441,237	5,230,190	202,575,388
31 December 2008	168,027,175	1,726,848,039	151,826,198	509,691,576	8,115,356,928	411,494,680	60,671,722	15,198,360	276,436,171	11,435,550,849
Accumulated depreciation										
31 December 2007	-	340,836,067	111,233,338	283,697,160	3,469,243,043	279,104,155	25,120,653	13,757,123	-	4,522,991,539
Depreciation for the year	-	82,093,387	6,123,062	35,724,508	783,092,807	38,431,995	16,340,288	-	-	961,806,047
Accumulated depreciation for disposed assets	-	(23,483)	-	(33,329)	(57,069,245)	(5,301,796)	(9,028,492)	-	-	(71,456,345)
Translation adjustment	-	7,214,801	1,116,274	-	28,101,346	2,043,764	748,691	1,441,237	-	40,666,113
31 December 2008	-	430,120,772	118,472,674	319,388,339	4,223,367,951	314,278,118	33,181,140	15,198,360	-	5,454,007,354
Allowance for impairment loss										
31 December 2007	-	-	-	613,065	103,618,649	-	-	-	-	104,231,714
Increase during the year	-	-	-	-	772,798	-	-	-	-	772,798
Translation adjustment	-	-	-	-	1,330,084	-	-	-	-	1,330,084
31 December 2008	-	-	-	613,065	105,721,531	-	-	-	-	106,334,596
Net book value										
31 December 2007	168,027,175	1,176,692,863	37,463,542	175,915,267	3,651,833,408	96,934,987	28,343,877	-	221,352,915	5,556,564,034
31 December 2008	168,027,175	1,296,727,267	33,353,524	189,690,172	3,786,267,446	97,216,562	27,490,582	-	276,436,171	5,875,208,899
Depreciation for the year										
2007 (Baht 741 million included in manufacturing cost, and the balance in selling and administrative expenses)										847,581,697
2008 (Baht 834 million included in manufacturing cost, and the balance in selling and administrative expenses)										961,806,047

Separate financial statements

	Land	Building	Leasehold improvement	Installation	Machinery and equipment	Office furniture and equipment	Vehicles	Construction in progress and machinery under installation	Total
Cost									
31 December 2007	61,643,459	637,849,861	97,165,410	111,900,069	1,551,644,693	85,325,164	15,673,541	104,588,057	2,665,790,254
Purchase/transfer in	-	45,410,428	-	15,724,665	145,528,821	7,425,645	6,296,762	234,728,142	455,114,463
Disposal/transfer out	-	-	-	-	(19,776,717)	(52,088)	(3,400,478)	(172,344,708)	(195,573,991)
31 December 2008	61,643,459	683,260,289	97,165,410	127,624,734	1,677,396,797	92,698,721	18,569,825	166,971,491	2,925,330,726
Accumulated depreciation									
31 December 2007	-	158,516,631	80,162,077	43,380,500	768,822,868	66,950,715	9,338,268	-	1,127,171,059
Depreciation for the year	-	33,370,664	4,858,091	9,528,354	174,134,929	6,527,712	3,041,449	-	231,461,199
Accumulated depreciation for disposed assets	-	-	-	-	(17,646,784)	(5,522)	(3,360,752)	-	(21,013,058)
31 December 2008	-	191,887,295	85,020,168	52,908,854	925,311,013	73,472,905	9,018,965	-	1,337,619,200
Allowance for impairment loss									
31 December 2007	-	-	-	613,065	7,316,198	-	-	-	7,929,263
Increase during the year	-	-	-	-	772,798	-	-	-	772,798
31 December 2008	-	-	-	613,065	8,088,996	-	-	-	8,702,061
Net book value									
31 December 2007	61,643,459	479,333,230	17,003,333	67,906,504	775,505,627	18,374,449	6,335,273	104,588,057	1,530,689,932
31 December 2008	61,643,459	491,372,994	12,145,242	74,102,815	743,996,788	19,225,816	9,550,860	166,971,491	1,579,009,465
Depreciation for the year									
2007 (Baht 160 million included in manufacturing cost, and the balance in selling and administrative expenses)									198,990,353
2008 (Baht 174 million included in manufacturing cost, and the balance in selling and administrative expenses)									231,461,199

As at 31 December 2008, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 2,725 million (2007: Baht 2,097 million) and for the Company amounted to approximately Baht 509 million (2007: Baht 360 million).

13. Intangible assets

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

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cost	26,555,884	16,942,856	3,197,017	1,537,757
Less: Accumulated amortisation	<u>(8,930,654)</u>	<u>(6,568,223)</u>	<u>(1,009,256)</u>	<u>(772,679)</u>
Net book value	<u>17,625,230</u>	<u>10,374,633</u>	<u>2,187,761</u>	<u>765,078</u>
Amortisation expenses included in the income statements for the year	<u>2,362,431</u>	<u>1,898,549</u>	<u>236,577</u>	<u>128,087</u>

14. Share capital

Issued and paid-up capital

As at 31 December 2008, the issued and paid-up share capital of the Company had increased from the exercise of warrants amounting to Baht 69,000. 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 31 December 2008 to be Baht 830,474,960 (830,474,960 ordinary shares of Baht 1 each).

15. Warrants

As at 31 December 2008, the outstanding warrants issued to the Company's employees and directors which remain unexercised are as follows:

1. 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

2. 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

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the year ended 31 December 2008, the Company expected that the warrant will not be exercised and had excluded the warrants from the calculation of dilutive potential ordinary shares for diluted earnings per share calculation.

16. 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.

17. Treasury shares

As at 31 December 2008, details of treasury shares are as follows:

	Consolidated and separate financial statements
Cost of treasury shares (Thousand Baht)	41,037
Number of treasury shares (Thousand shares)	4,477
Average price per share (Baht)	9.17
Percentage of treasury shares to the Company's shares in issue	0.54

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. During the year 2008, the Company has set aside approximately Baht 41 million as reserve for treasury shares.

18. Gain on sale of investment in an associate

On 20 April 2007, Unisem (M) Berhad entered into a sale and purchase agreement to acquire up to 100% of the paid up capital of Advanced Interconnect Technologies Limited, which was an associated company held by the Company's subsidiary, for a cash consideration of USD 70.25 million. The Company indirectly owned 23.4 percent of the equity of such associate at the time of sale. In July 2007, the sales and purchase transaction was completed and the Company's subsidiary received approximately USD 14.9 million or equivalent to approximately Baht 504.6 million. A further distribution of approximately USD 0.7 million or equivalent to approximately Baht 24.1 million was also received in December 2007 after expenses related to the transactions were finalised. Furthermore, another subsidiary received a loan repayment of USD 0.9 million or equivalent to approximately Baht 28.9 million from the associate. The subsidiaries had fully set up allowance for impairment of investment and recorded doubtful account on such loan in the past. Therefore, the proceeds from this associate were recorded as other income in the consolidated income statement for the year 2007.

19. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Salary and wages and other employee benefits	2,293,143,841	1,748,366,638	589,995,514	572,557,451
Directors' and management's remuneration	84,264,221	84,883,623	12,207,307	13,953,897
Depreciation	961,806,047	847,581,697	231,461,199	198,990,353
Loss on tax assessment	-	150,465,664	-	150,465,664
Loss on exchange	-	-	22,512,938	-
Product warranty expenses	26,840,913	27,716,005	-	-
Guarantee expenses	-	14,532,889	-	14,532,889
Raw materials and consumables used	8,834,858,000	9,582,682,000	3,559,986,000	3,826,649,000
Changes in inventories of finished goods and work in process	(31,424,503)	51,363,499	(53,801,563)	(31,305,765)

20. 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										
	8010/2536	8036/2536	1842/2539	1341/Or/2544	1455 (1)/2544	1597(1)/2544	1091(1)/2545	1642(2)/2546	1977(2)/2547	1328(2)/2548	2138(2)/2550
1. Certificate No.	8010/2536	8036/2536	1842/2539	1341/Or/2544	1455 (1)/2544	1597(1)/2544	1091(1)/2545	1642(2)/2546	1977(2)/2547	1328(2)/2548	2138(2)/2550
2. Promotional privileges for	Production of PCBA	Production of COB, PCBA	Production of PCBA	Production of Fiber Optic Device Air Pressure and Temperature Control and RFID	Production of Wireless sensor	Production of Smart card and Module for Smart Card	Production of LED ASSEMBLY	Production of Wireless sensor	Production of Flexible Circuit Board Assembly and electronic components for Interface Device	Production of PCBA, RFID, TAG Reader Hand Held, Internet Access	Production of PCBA
3. The significant privilege are											
3.1 Exemption of corporate income tax for net income from promotional privileges and exemption of income tax on dividends paid from the income of the operations throughout the period in which the corporate income tax is exempted.	8 years (expired)	8 years (expired)	8 years (expired)	8 years	8 years	8 years	8 years	8 years	8 years	8 years	8 years

Particulars	The Company										
3.2 Allowed for 5% of the increment in export income over the preceding year.	10 years (expired)	10 years (expired)	10 years (expired)	10 years	-	-	-	-	-	-	-
3.3 50 % exemption of corporate income tax for net income from the expired date of 3.1	5 years (expired)	5 years (expired)	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
3.4 Exemption of import duty on machinery as approved by the Board.	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted
3.5 2 times exemption of freight, electricity and pipe from the first operation date	10 years (expired)	10 years (expired)	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	6 January 1994	6 January 1994	10 January 1997	17 January 2002 (Transferred from Hana Microelectronics (NRIE) Co., Ltd. in 2002)	27 March 2002	17 November 2001	18 February 2002	30 June 2004	2 December 2004	24 March 2006	3 December 2007

Particulars	Subsidiaries									
	Hana Semiconductor (BKK) Company Limited					Hana Semiconductor (Ayutthaya) Company Limited				
1. Certificate No.	1112/2541	1492/2541	2093(6)/2548	1186/Or/2543	1187/Or/2543	1154(1)/2544	1594(2)/2545	1133(4)/2548	2176(4)/2548	1817(2)/2550
2. Promotional privileges for	Production of Led, Opto and Microwave Amplifier	Production of Autoled (LED)	Production of Integrated Circuit (IC)	Production of Integrated Circuit (IC) and IC Dicing	Production of Integrated Circuit (IC) Wafer Probe test (Dice) and Wafer saw	Production of IC OPTO	Production of IC OPTO and Integrated Circuit (IC)	Production of Integrated Circuit (IC) and Integrated Module	Production of Integrated Circuit (IC)	Production of Integrated Circuit (IC)
3. The significant privilege are										
3.1 Exemption of corporate income tax for net income from promotional privileges and exemption of income tax on dividends paid from the income of the operations throughout the period in which the corporate income tax is exempted.	-	3 years (expired)	5 years	Until 9 October 2004 (expired)	7 years	7 years	7 years	8 years	8 years	7 years
3.2 Allowed for 5% of the increment in export income over the preceding year.	-	10 years	-	Until 9 October 2007 (expired)	10 years	-	-	-	-	-
3.3 Exemption of import duty on machinery as approved by the board.	Granted	Granted	Granted	-	Granted	Granted	Granted	Granted	Granted	Granted
4. Date of first earning operating income	1 April 1998	16 November 1998	20 April 2006	Transferred from Hana Semiconductor (BKK) Co., Ltd. in 1999	3 January 2544 (Transferred from Hana Semiconductor (BKK) Co., Ltd. in 1999)	22 May 2001	7 September 2003	3 January 2005	10 January 2006	Has not yet started utilising the privileges.

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

(Unit: Baht)

	Promoted operations		Non-promoted operations		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Sales						
Domestic sales	3,139	66,110	1,480,998	3,887,515	1,484,137	3,953,625
Export sales	<u>5,338,119,823</u>	<u>5,419,595,980</u>	<u>308,964,230</u>	<u>286,676,528</u>	<u>5,647,084,053</u>	<u>5,706,272,508</u>
Total sales	<u>5,338,122,962</u>	<u>5,419,662,090</u>	<u>310,445,228</u>	<u>290,564,043</u>	<u>5,648,568,190</u>	<u>5,710,226,133</u>

21. Earnings per share

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

Diluted earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares held by public and 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.

21.1 Weighted average number of ordinary shares

As at 31 December 2008 and 2007, the weighted average number of ordinary shares in the consolidated and separate financial statements is calculated as follows:

(Unit: Shares)

	Consolidated and separate financial statement	
	<u>2008</u>	<u>2007</u>
Balance brought forward	830,405,961	825,218,290
Add: Shares issued during the year	39,196	4,790,213
Less: Treasury shares	(311,936)	-
Weighted average number of ordinary shares	830,133,221	830,008,503
Add: Potential ordinary shares - share warrants	-	-
(2008: 25,956,100 shares, 2007: 28,699,600 shares)		991,157
Diluted weighted average number of ordinary shares	<u>830,133,221</u>	<u>830,999,660</u>

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the year ended 31 December 2008, the Company expected that the warrant will not be exercised, and had excluded the warrants from the calculation of potential diluted ordinary shares for diluted earnings per share calculation.

21.2 Reconciliation between basic earnings per share and diluted earnings per share is presented below:

Consolidated financial statements						
For the year ended 31 December						
Net income		Weighted average number of ordinary shares		Earnings per share		
<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht	
Basic earnings per share						
Net income attributable to equity holders of the parent						
1,909,550	2,449,161	830,133	830,009	2.30	2.95	
Effect of dilutive potential ordinary shares						
Warrants to the directors and employees of the Company 25,956,100 units (2007: 28,699,000 units)						
-	-	-	991			
Diluted earnings per share (Net income of ordinary shareholders assuming the exercise of warrants)						
Net income attributable to equity holders of the parent						
<u>1,909,550</u>	<u>2,449,161</u>	<u>830,133</u>	<u>831,000</u>	<u>2.30</u>	<u>2.95</u>	
Separate financial statements						
For the year ended 31 December						
Net income		Weighted average number of ordinary shares		Earnings per share		
<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht	
Basic earnings per share						
Net income attributable to equity holders of the parent						
1,323,666	1,192,319	830,133	830,009	1.59	1.44	
Effect of dilutive potential ordinary shares						
Warrants to the directors and employees of the Company 25,956,100 units (2007: 28,699,600 units)						
-	-	-	991			
Diluted earnings per share (Net income of ordinary shareholders assuming the exercise of warrants)						
Net income attributable to equity holders of the parent						
<u>1,323,666</u>	<u>1,192,319</u>	<u>830,133</u>	<u>831,000</u>	<u>1.59</u>	<u>1.43</u>	

22. Segment information

The Company and its subsidiaries mainly involve a single industry segment in electronic component and mainly carry on their business in the geographic areas in Thailand, Hong Kong, USA and China. Geographical segment information of the Company and its subsidiary companies for the years ended 31 December 2008 and 2007 are as follows:

(Unit: Million Baht)

	Consolidated financial statements							
	Domestic		Foreign		Eliminated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	11,555	12,215	3,551	3,421	-	-	15,106	15,636
Intersegment revenues	365	315	4,521	5,074	(4,886)	(5,389)	-	-
Total revenues	<u>11,920</u>	<u>12,530</u>	<u>8,072</u>	<u>8,495</u>	<u>(4,886)</u>	<u>(5,389)</u>	<u>15,106</u>	<u>15,636</u>
Segment income	1,952	2,012	610	547			2,562	2,559
Unallocated income and expenses:								
Gain on sale of investment in an associate							-	529
Bad debt recovery							-	29
Other income							407	466
Selling expenses							(179)	(179)
Administrative expenses							(720)	(652)
Loss on tax assessment							-	(150)
Other expenses							(31)	(42)
Finance cost							(6)	(8)
Corporate income tax							(123)	(103)
Net income for the year							<u>1,910</u>	<u>2,449</u>

	Consolidated financial statements				
	Domestic	Foreign	Eliminated	Total	
				2008	2007
Property, plant and equipment - net	4,059	1,816	-	5,875	5,557
Other assets	15,258	17,114	(23,935)	8,437	8,216
Total assets	<u>19,317</u>	<u>18,930</u>	<u>(23,935)</u>	<u>14,312</u>	<u>13,773</u>

Transfer prices between business segments are as set out in Note 7 to the financial statements.

23. 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 2008, total amount of approximately of Baht 36 million (2007: Baht 33 million) had been contributed to the fund by the Company and its subsidiaries, and Baht 10 million had been contributed by the Company (2007: Baht 10 million).

24. Dividend paid

During the year 2008 and 2007, the Company and its subsidiaries had dividend payments as follows:

	Approved by	Total dividends	(Unit: Baht) Dividend per share
<u>The Company</u>			
<u>For the year 2008</u>			
Dividends on 2007 income	Annual General Meeting of the shareholders on 30 April 2008	1,079,353,028	1.30
Total for the year 2008		<u>1,079,353,028</u>	<u>1.30</u>
<u>For the year 2007</u>			
Dividends on 2006 income	Annual General Meeting of the shareholders on 30 April 2007	827,124,690	1.00
Total for the year 2007		<u>827,124,690</u>	<u>1.00</u>
<u>Subsidiary companies</u>			
<u>Hana Semiconductor (BKK) Company Limited</u>			
<u>For the year 2008</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders 30 April 2008	150,000,000	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	150,000,000	1.50
Total for the year 2008		<u>300,000,000</u>	<u>3.00</u>
<u>For the year 2007</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders 30 April 2007	170,000,000	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	100,000,000	1.00
Interim dividend in respect of the income for the period from 1 January 2007 to 30 June 2007	Board of Director's Meeting on 6 September 2007	100,000,000	1.00
Total for the year 2007		<u>370,000,000</u>	<u>3.70</u>

			(Unit: Baht)
			Dividend per
			share
	Approved by	Total dividends	
Hana Semiconductor (Ayutthaya) Company Limited			
<u>For the year 2008</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 25 April 2008	240,000,000	2.00
Total for the year 2008		<u>240,000,000</u>	<u>2.00</u>
<u>For the year 2007</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 27 April 2007	330,000,000	2.75
Total for the year 2007		<u>330,000,000</u>	<u>2.75</u>

25. Commitments and contingent liabilities

25.1 Capital commitments

As at 31 December 2008, the Company and its subsidiaries had capital commitment of approximately USD 1.3 million or equivalent to Baht 47 million, relating to the construction of factory buildings and acquisition of machinery.

25.2 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.

25.3 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.

25.4 Guarantees

As at 31 December 2008, there were outstanding bank guarantees of approximately Baht 187 million (2007: Baht 181 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 25.5) and Baht 42 million to guarantee electricity usage, among others.

25.5 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. The Company expects that the Supreme Court will reverse the judgment of the Central Tax Court and return the assessed amount plus interest 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.

- 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 other income in the income statement for the year ended 31 December 2008.

26. Financial instruments

26.1 Financial risk management and policies

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investments, and accounts payable. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and the subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and the 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 balance sheets.

Interest rate risk

The Company's and the subsidiaries' exposure to interest rate risk relates primarily to their cash at banks. However, since cash at banks 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 2008 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	Floating	Non-interest	Total	Effective interest rate
	one year	interest rate	bearing		
	(Million Baht)				(% p.a.)
Financial Assets					
Cash and cash equivalents	1,981	2,283	52	4,316	0.50 - 2.55
Short-term investments	35	-	328	363	LIBOR + 1.65
Trade accounts receivable	-	-	1,540	1,540	-
Financial Liabilities					
Trade accounts payable	-	-	1,088	1,088	-

	Separate financial statements				
	Fixed				
	interest rate				
	within	Floating	Non-interest		Effective
	one year	interest rate	bearing	Total	interest rate
(Million Baht)					
					(% p.a.)
Financial Assets					
Cash and cash equivalents	410	199	2	611	0.50 - 0.75
Trade accounts receivable	-	-	519	519	-
Investments in subsidiary companies	-	-	3,428	3,428	-
Financial Liabilities					
Trade accounts payable	-	-	420	420	-

Foreign currency risk

The Company's and the 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 2008 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2008
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US Dollar	1,408	842	34.9438
New Taiwan Dollar	4	-	1.0578
Singapore Dollar	-	11	24.2207

Forward exchange contracts outstanding as at 31 December 2008 are summarised below.

Foreign currency	Sold amount	Contractual exchange rate - sold amount
	(Million)	(Baht per 1 foreign currency unit)
US Dollar	50	33.54 - 34.92

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 31 December 2008 are as follows:

Linked asset	Notional amount (Million USD)	Maturity date	Yield to maturity (Percent)	Fair value gain (loss) (Million Baht)
1-Year South Korean government bond	1	23 March 2009	1.40	-
2-Year China government bond	1	26 February 2010	1.05	3.3

26.2 Fair value

Since the majority of the Company's and the subsidiaries' financial instruments are short-term in nature which 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 balance sheets.

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.

27. Capital management

The primary objective of the Company's and its subsidiaries' capital management is to ensure that they have an appropriate financial structure and preserve the ability to continue its business as a going concern.

According to the balance sheet as at 31 December 2008, the Group's debt-to-equity ratio was 0.2:1 (2007: 0.2:1) and the Company's was 0.1:1 (2007: 0.1:1).

28. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2007 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Property, plant and equipment - net	5,556,564,034	5,566,938,667	1,530,689,932	1,531,455,010
Intangible assets - net	10,374,633	-	765,078	-

During the year 2008, the Company and its subsidiaries recorded computer software as intangible assets in accordance with TAS 51 "Intangible Assets". Thus, the reclassification for the year 2007 has been made to previously reported figures.

29. Subsequent event

On 27 February 2009, the meeting of the Board of Directors of the Company No. 1/2009 passed some resolutions as follows:

- 1) Approved the dividend payment from the 2008 income to the Company's shareholders at Baht 1.20 per share. The dividend will be paid on 14 May 2009.
- 2) Approved to offset the excess of cost of investments over net book value of the subsidiary companies amounted to Baht 154,975,555, which the Company has already deducted in the consolidated shareholders' equity as at 31 December 2008, against the unappropriated retained earnings in the consolidated shareholders' equity.

The dividend payment and the offsetting of the excess of cost of investments over net book value of the subsidiary companies will subsequently be proposed for approval in the Annual General Meeting of the Company's shareholders.

30. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2009.