

HANA MICROELECTRONICS PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARIES  
REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2007 AND 2006

## Report of Independent Auditor

To The Shareholders of Hana Microelectronics Public Company Limited

I have audited the accompanying consolidated balance sheets of Hana Microelectronics Public Company Limited and its subsidiaries as at 31 December 2007 and 2006, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years 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 management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I did not audit the financial statements of two overseas subsidiary companies. These subsidiary companies have the total assets as at 31 December 2007 of approximately Baht 257 million, representing 2 percent of the consolidated total and total revenues for the year then ended of approximately Baht 121 million, representing 0.8 percent of the consolidated total (2006 : the total assets of approximately Baht 340 million, representing 3 percent of the consolidated total and total revenues for the year then ended of approximately Baht 170 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 received 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 report of the other auditors.

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

In my opinion, based on my audits and the reports of the other 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 2007 and 2006, the results of their operations, and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the matter as discussed in Note 4 to the financial statements whereby, effective 1 January 2007, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method. The Company has thus restated the separate financial statements as at 31 December 2006 and for the year then ended to reflect this accounting change.

Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

Ernst & Young Office Limited

Bangkok : 28 February 2008

HANA MICROELECTRONICS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	61	3,386,431,294	2,117,760,146	291,662,787	312,958,872
Trade accounts receivable	8				
Subsidiary companies	7	-	-	23,951,993	23,414,247
Other companies		2,457,148,319	2,459,616,036	910,415,371	832,035,609
Total		2,457,148,319	2,459,616,036	934,367,364	855,449,856
Less : Allowance for doubtful accounts		-7,608,389	-2,266,567	-	-1,860,518
Trade accounts receivable - net		2,449,539,930	2,457,349,469	934,367,364	853,589,338
Short-term loan and advances to related parties - net	7	-	-	3,808,517	6,583,805
Inventories - net	9	2,205,351,493	2,428,338,198	653,794,617	774,531,754
Other current assets					
Advances		41,118,265	58,470,888	19,329,244	5,752,461
Withholding tax deducted at source		7,786,942	8,041,298	4,238,317	4,238,317
Input tax refundable		58,065,704	33,158,320	6,331,669	7,715,285
Income tax refundable		19,411,601	19,411,601	19,411,601	19,411,601
Others		36,179,951	57,942,944	6,687,504	6,262,843
Total other current assets		162,562,463	177,025,051	55,998,335	43,380,507
<b>TOTAL CURRENT ASSETS</b>		<b>8,203,885,180</b>	<b>7,180,472,864</b>	<b>1,939,631,620</b>	<b>1,991,044,276</b>
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiary companies	16	-	-	3,431,505,464	3,431,505,464
Investment in associated company	11	-	-	-	-
Other long-term investment		97,000	97,000	97,000	97,000
Property, plant and equipment - net	12	5,566,938,667	5,143,006,710	1,531,455,010	1,270,169,436
Other non-current assets		2,530,726	23,180,530	1,328,750	7,856,596
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,569,566,393</b>	<b>5,166,284,240</b>	<b>4,964,386,224</b>	<b>4,709,628,496</b>
<b>TOTAL ASSETS</b>		<b>13,773,451,573</b>	<b>12,346,757,104</b>	<b>6,904,017,844</b>	<b>6,700,672,772</b>

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 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Trade accounts payable					
Subsidiary companies	7	-	-	67,755,268	134,901,787
Other companies		1,519,427,697	1,738,248,854	414,322,992	654,977,379
Total trade accounts payable		1,519,427,697	1,738,248,854	482,078,260	789,879,166
Advances from subsidiary companies	7	-	-	385,213	74
Other current liabilities					
Other payable		291,276,872	171,915,812	57,985,745	90,723,975
Accrued expenses		126,459,129	122,424,078	29,572,855	26,827,733
Withholding tax payable		4,134,205	40,534,391	394,498	37,509,328
Corporate income tax payable		69,312,195	84,644,210	43,112,965	20,681,695
Advances received		117,626,441	91,428,187	21,891,235	23,825,521
Provision for loss on tax assessment	23.5	150,465,664	-	150,465,664	-
Provision for product warranty		124,969,945	104,706,388	-	-
Others		78,931,069	121,216,867	40,686,380	34,489,808
Total other current liabilities		963,175,520	736,869,933	344,109,342	234,058,060
TOTAL CURRENT LIABILITIES		2,482,603,217	2,475,118,787	826,572,815	1,023,937,300
TOTAL LIABILITIES		2,482,603,217	2,475,118,787	826,572,815	1,023,937,300

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 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
<b>SHAREHOLDERS' EQUITY</b>					
Share capital					
Registered					
1,000,000,000 ordinary shares of Baht 1 each		1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid-up	15				
830,405,960 ordinary shares of Baht 1 each					
(2006 : 825,218,290 ordinary shares of Baht 1 each)		830,405,960	825,218,290	830,405,960	825,218,290
Share subscription received in advance before registration		-	5,729,310	-	5,729,310
Share premium		1,722,077,722	1,686,021,328	1,722,077,722	1,686,021,328
Translation adjustment		-26,723,246	211,617,838	-	-
Retained earnings					
Appropriated - statutory reserve	15	322,301,438	320,100,000	100,000,000	100,000,000
Unappropriated		8,601,512,037	6,981,677,106	3,424,961,347	3,059,766,544
Excess of cost of investments over net book value of the subsidiary companies		-158,725,555	-158,725,555	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>11,290,848,356</b>	<b>9,871,638,317</b>	<b>6,077,445,029</b>	<b>5,676,735,472</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>13,773,451,573</b>	<b>12,346,757,104</b>	<b>6,904,017,844</b>	<b>6,700,672,772</b>
		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

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 DIRECTORS  
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HANA MICROELECTRONICS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
<b>REVENUES</b>					
Sales		15,635,567,759	15,005,012,392	5,710,226,133	4,657,015,066
Other income					
Interest income		49,596,493	56,747,717	1,467,055	5,976,775
Dividend income from subsidiaries	16	-	-	562,499,997	729,999,995
Rental income		4,901,304	4,929,332	18,312,504	18,340,532
Gain on exchange		179,659,245	100,133,794	3,649,311	-
Others		231,569,997	170,876,984	24,327,519	23,730,176
Total		465,727,039	332,687,827	610,256,386	778,047,478
<b>TOTAL REVENUES</b>		<b>16,101,294,798</b>	<b>15,337,700,219</b>	<b>6,320,482,519</b>	<b>5,435,062,544</b>
<b>EXPENSES</b>					
Cost of sales		13,076,195,749	12,169,351,579	4,742,846,905	3,976,251,966
Selling and administrative expenses		863,573,894	799,538,810	162,016,016	128,907,654
Loss on exchange		-	-	-	38,669,014
<b>TOTAL EXPENSES</b>		<b>13,939,769,643</b>	<b>12,968,890,389</b>	<b>4,904,862,921</b>	<b>4,143,828,634</b>
<b>INCOME FROM OPERATIONS</b>		<b>2,161,525,155</b>	<b>2,368,809,830</b>	<b>1,415,619,598</b>	<b>1,291,233,910</b>
<b>EXCEPTIONAL ITEMS :</b>					
Provision (reversal of provision) for loss on tax assessment	22, 23.5	-150,465,664	13,425,703	-150,465,664	-
Guarantee expense	23.5	-14,532,889	-18,818,650	-14,532,889	-18,818,650
Gain on sale of investment in an associate	11	528,666,919	-	-	-
Bad debt recovery	11	28,921,929	-	-	-
<b>INCOME BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX</b>		<b>2,554,115,450</b>	<b>2,363,416,883</b>	<b>1,250,621,045</b>	<b>1,272,415,260</b>
<b>INTEREST EXPENSES</b>		<b>-2,213,747</b>	<b>-270</b>	<b>-2,342,629</b>	<b>-15,462</b>
<b>CORPORATE INCOME TAX</b>		<b>-102,740,644</b>	<b>-147,219,241</b>	<b>-55,958,923</b>	<b>-30,252,288</b>
<b>NET INCOME FOR THE YEAR</b>		<b>2,449,161,059</b>	<b>2,216,197,372</b>	<b>1,192,319,493</b>	<b>1,242,147,510</b>
<b>EARNINGS PER SHARE</b>					
<b>Basic earnings per share</b>					
Net income		2.95	2.71	1.44	1.52
Weighted average number of ordinary shares (shares)		830,008,503	817,022,097	830,008,503	817,022,097
<b>Diluted earnings per share</b>					
Net income		2.95	2.70	1.43	1.51
Weighted average number of ordinary shares (shares)		830,999,660	821,980,821	830,999,660	821,980,821

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 2007 AND 2006

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006 (Restated)
<b>Cash flow from operating activities</b>				
Net income	2,449,161,059	2,216,197,372	1,192,319,493	1,242,147,510
Adjustments to reconcile net income to net cash provided by (paid from) operating activities :-				
Depreciation	849,480,247	718,763,698	199,118,440	154,064,987
Increase (decrease) in allowance for doubtful accounts	5,341,822	-2,706,809	-1,860,518	1,860,518
Increase (decrease) in allowance for obsolete inventories	-46,928,494	83,330,638	-8,795,246	14,670,100
Loss (gain) on disposal of fixed assets	2,885,983	-7,268,255	-915,115	-7,186,590
Reversal of (loss on) impairment of fixed assets	1,784,178	-3,572,335	1,784,178	-3,572,335
Provision for product warranty	27,716,005	30,110,779	-	-
Guarantee expense	14,532,889	18,818,650	14,532,889	18,818,650
Provision (reversal of provision) for loss on tax assessment	150,465,664	-13,425,703	150,465,664	-
Unrealized gain on exchange	-8,311,813	-44,768,094	-4,138,419	-6,956,836
Dividend income from subsidiary companies	-	-	-562,499,997	-729,999,995
Profit from operating activities before changes in operating assets and liabilities	3,446,127,540	2,995,479,941	980,011,369	683,846,009
Operating assets (increase) decrease				
Trade accounts receivable	9,326,281	-369,673,986	-82,271,228	-247,063,090
Inventories	269,915,199	-954,193,018	129,532,383	-326,877,601
Other current assets	8,474,608	52,791,959	-12,671,066	-3,389,470
Other non-current assets	20,649,804	45,133,692	6,527,846	11,095,654
Operating liabilities increase (decrease)				
Trade accounts payable	-213,008,534	243,138,384	-301,602,818	375,554,566
Accrued expenses	6,134,879	49,810,547	4,844,950	-1,616,636
Withholding tax payable	-36,400,186	2,526,343	-37,114,830	103,906
Corporate income tax payable	-15,332,015	21,295,203	22,431,270	11,717,970
Advance received	10,635,447	52,476,609	-1,034,162	-4,656,326
Prepaid expense	139,337	-	139,337	-
Other current liabilities	-62,023,886	-106,400,356	-10,128,317	1,584,380
Net cash from operating activities	3,444,638,474	2,032,385,318	698,664,734	500,299,362

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 2007 AND 2006

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006 (Restated)
<b>Cash flow from investing activities</b>				
Decrease in short-term loans and advances to related parties	-	-	2,775,288	17,437,311
Dividend income from subsidiary companies	-	-	562,499,997	729,999,995
Proceeds from sales of equipment	231,734,603	114,105,008	3,619,996	14,030,637
Acquisition of property, plant and equipment	-1,390,455,909	-1,923,640,751	-497,631,303	-477,464,547
Translation adjustment	-225,636,084	-529,204,843	-	-
Net cash from (used in) investing activities	<u>-1,384,357,390</u>	<u>-2,338,740,586</u>	<u>71,263,978</u>	<u>284,003,396</u>
<b>Cash flow from financing activities</b>				
Increase (decrease) in short-term loans and advances from subsidiary companies	-	-	385,139	-1,751,992
Cash received from increase in share capital	41,244,064	281,700,603	41,244,064	281,700,603
Increase (decrease) in share subscription received in advance before registration	-5,729,310	-2,098,540	-5,729,310	-2,098,540
Dividend paid	-827,124,690	-1,144,907,616	-827,124,690	-1,144,907,616
Net cash used in financing activities	<u>-791,609,936</u>	<u>-865,305,553</u>	<u>-791,224,797</u>	<u>-867,057,545</u>
Net cash and cash equivalents increase (decrease)	<u>1,268,671,148</u>	<u>-1,171,660,821</u>	<u>-21,296,085</u>	<u>-82,754,787</u>
Cash and cash equivalents at beginning of the year	2,117,760,146	3,289,420,967	312,958,872	395,713,659
Cash and cash equivalents at end of the year (Note 6.1)	<u>3,386,431,294</u>	<u>2,117,760,146</u>	<u>291,662,787</u>	<u>312,958,872</u>
<b>Supplemental cash flow information :-</b>				
Cash paid during the year for :				
Interest expenses	2,212,384	270	2,212,384	70
Corporate income tax	123,137,490	216,164,487	33,578,598	18,475,150
Non-cash transactions :				
Payable for acquisition of plant and equipment increase (decrease)	119,361,060	-79,372,648	-32,738,230	32,678,432

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 2007 AND 2006

(Unit : Baht)

		Consolidated financial statements							
		Share capital issued and paid up	Share subscription received in advance before registration	Share premium	Translation adjustment	Retained earnings		Excess of cost of investments over net book value of the subsidiary companies	Total
Note						Appropriated - Statutory reserve	Unappropriated		
	Balance as at 31 December 2005	806,166,890	7,827,850	1,423,372,125	746,325,281	268,570,432	5,961,916,918	-158,725,555	9,055,453,941
	Translation adjustment	-	-	-	-534,707,443	-	-	-	-534,707,443
	Net income for the year	-	-	-	-	-	2,216,197,372	-	2,216,197,372
	Dividend paid	-	-	-	-	-	-1,144,907,616	-	-1,144,907,616
	Ordinary shares issued during the year	19,051,400	-	-	-	-	-	-	19,051,400
	Share subscription received in advance before registration	-	-2,098,540	-	-	-	-	-	-2,098,540
	Share premium	-	-	262,649,203	-	-	-	-	262,649,203
	Transfer to statutory reserve	-	-	-	-	51,529,568	-51,529,568	-	-
	Balance as at 31 December 2006	<u>825,218,290</u>	<u>5,729,310</u>	<u>1,686,021,328</u>	<u>211,617,838</u>	<u>320,100,000</u>	<u>6,981,677,106</u>	<u>-158,725,555</u>	<u>9,871,638,317</u>
	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
	Translation adjustment	-	-	-	-238,341,084	-	-	-	-238,341,084
	Net income for the year	-	-	-	-	-	2,449,161,059	-	2,449,161,059
	Dividend paid	-	-	-	-	-	-827,124,690	-	-827,124,690
	Ordinary shares issued during the year	5,187,670	-	-	-	-	-	-	5,187,670
	Share subscription received in advance before registration	-	-5,729,310	-	-	-	-	-	-5,729,310
	Share premium	-	-	36,056,394	-	-	-	-	36,056,394
	Transfer to statutory reserve	-	-	-	-	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>-26,723,246</u>	<u>322,301,438</u>	<u>8,601,512,037</u>	<u>-158,725,555</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  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

1. GENERAL INFORMATION

Hana Microelectronics Public Company Limited (“The Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacturer and distribution of electronic components and its registered address is at No. 10/4 Moo 3, Vibhavadi - Rangsit Road, Kwang Talad Bangkhen, Laksi, Bangkok.

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. The presentation of the financial statements 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 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 and the following subsidiary companies:

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	
			2007	2006	2007	2006	2007	2006
			Percent	Percent	Percent	Percent	Percent	Percent
<b>Held by the Company</b>								
Hana Trading Company Limited	Dormant	Thailand	100	100	-	-	-	-
Hana Semiconductor (BKK) Company Limited	Manufacturing of electronic components	Thailand	100	100	4	6	12	13

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets		Revenues	
					as a percentage to the consolidated total as at		as a percentage to the consolidated total for the year ended	
					31 December	31 December	31 December	31 December
2007	2006	2007	2006	2007	2006	2007	2006	
			Percent	Percent	Percent	Percent	Percent	Percent
<b>Held by the Company (continued)</b>								
Omac Sales Limited	Trading of electronic components	Hong Kong	100	100	2	1	-	-
Hana Microelectronics International Company Limited	Trading of electronic components	British Virgin Islands	100	100	4	6	1	14
Hana Microelectronics Investments Company Limited	Holding company and trading of electronic components	British Virgin Islands	100	100	1	-	-	-
Hana Technologies Group Limited	Holding company	Cayman Islands	100	100	-	-	-	-
Hana Semiconductor Investments Limited	Holding company	British Virgin Islands	100	100	-	-	-	-
Hana Semiconductor (Ayuthaya) Company Limited	Manufacturing of electronic components	Thailand	58	58	17	17	17	20
<b>Held through the subsidiary companies</b>								
Hana Semiconductor International Limited	Trading of electronics components	British Virgin Islands	100	100	6	5	20	7
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	Trading	British Virgin Island	100	100	-	-	-	-
Hana Microelectronics Company Limited (Shanghai)	Manufacturing of electronic components	China	100	100	3	8	-	-
Hana Microdisplay Technologies, Inc.	Manufacturing of electronic components	USA	100	100	2	3	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	24	17	1	1
Hana Semiconductor (Ayuthaya) Company Limited	Manufacturing of electronic components	Thailand	42	42	12	12	13	14

On 29 December 2006, Board of Director's Meeting of Hana Semiconductor Investments Company Limited, a subsidiary company, passed a special resolution to reduce its share capital from USD 31 million or equivalent Baht 1,225 million (3,089,284 ordinary shares of USD 10 each) to USD 100 or equivalent Baht 3,626 (10 ordinary shares of USD 10 each).

- b) 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 have been shown under the caption of "Translation adjustment" in the shareholders' equity.
  - c) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
  - d) Investments in the subsidiary companies as recorded in the Company's books of account are eliminated against the equity of the subsidiary companies. Intercompany profit as included in the outstanding balance of inventories and sales of assets has no material effect on the consolidated financial statements.
  - e) 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

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

a) Accounting Standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated Financial Statements and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries and associates in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 as discussed in Note 4.

b) Accounting Standards which are not 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 will become 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 they will not have any significant impact on the financial statements for the year in which they are initially applied.

#### 4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES IN THE SEPARATE FINANCIAL STATEMENTS

During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements”, under which investments in subsidiaries are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the previous period’s separate financial statements as though the investments in the subsidiaries had originally been recorded using the cost method. The change has the effect of decreasing net income in the separate income statements for the year ended 31 December 2007 and 2006 by Baht 1,257 million (Baht 1.51 per share) and Baht 974 million (Baht 1.19 per share), respectively. The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiaries” in the separate statements of changes in shareholders’ equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries in the Company’s separate financial statements, with no effect to the consolidated financial statements.

## 5. SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Revenue recognition

#### *Sales of goods*

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

#### *Interest and rental income*

Interest and rental income are recognised on an accrual basis.

#### *Dividends*

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

### 5.2 Cash and cash equivalents

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

### 5.3 Trade accounts receivable

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

## 5.4 Inventories

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

Allowance for obsolete inventories is set up for obsolete, slow-moving and deteriorated inventories.

## 5.5 Investments

- a) Investments in available-for-sale securities 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.

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.

- b) Investments in associate are accounted for in the consolidated financial statement using the equity method.
- c) Investments in subsidiaries are accounted for in the Company's separate financial statements using the cost method.

## 5.6 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 for land and construction in progress and machinery under installation.

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

## 5.8 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

## 5.9 Impairment of assets

The Company and the subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and the subsidiaries make an estimate of the asset's recoverable amount (An asset's recoverable amount is the higher of fair value less costs to sell and its value in use). Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

## 5.10 Employee benefits

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

## 5.11 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, the Company and its subsidiaries also record provision for product warranty, which is estimated by reference to obligation for product warranty under manufacturing contract.

## 5.12 Income tax

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

### 5.13 Financial instruments

Financial instruments carried in the balance sheets include cash and cash equivalents, trade accounts receivable, investments and trade accounts payable. Accounting policy for financial instruments are disclosed in the related accounting policy.

The Company and its subsidiaries have no policy to speculate in or engage in the trading of any financial derivative instruments.

### 5.14 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

## 6. ADDITIONAL CASH FLOW STATEMENT INFORMATION

Cash and cash equivalents as at 31 December 2007 and 2006 as reflected in the balance sheets and cash flow statements consist of the following :-

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Cash in hand and at banks	3,149,596,639	2,069,564,860	191,662,787	312,958,872
Investment in money market funds	65,846,235	36,995,530	-	-
Fixed deposit with maturity not over 3 months	170,988,420	11,199,756	100,000,000	-
Cash and cash equivalents	<u>3,386,431,294</u>	<u>2,117,760,146</u>	<u>291,662,787</u>	<u>312,958,872</u>

## 7. RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries had significant business transactions with related parties. These transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those companies. Below is a summary of those transactions.

(Unit : Million Baht)

	Separate financial statements		Transfer Pricing Policies
	<u>2007</u>	<u>2006</u>	
<u>Transactions with subsidiary companies</u> (eliminated from the consolidated financial statements)			
Sales of goods	28	11	Prices agreed by the parties since the products sold to each customer are unique.
Sales of fixed assets	-	13	Cost
Rental income	13	13	Contract price
Interest income	-	2	Interest at fixed deposit rate
Purchase of raw materials	313	271	Cost, Cost plus mark up 2 percent
Service fee paid	19	25	Rates stipulated in the agreement
Purchase of fixed assets	2	1	Net book value plus margin

The balances of accounts as at 31 December 2007 and 2006 between the Company and those related companies are as follow :

(Unit : Baht)

	Consolidated financial statements	
	<u>2007</u>	<u>2006</u>
1) <u>Short-term loan to related party - associated company</u>		
Advanced Interconnect Technologies Limited	-	77,581,732
Less : Allowance for doubtful accounts	-	(77,581,732)
Total short-term loan to related party - associated company	-	-

(Unit : Baht)

	Separate financial statements	
	<u>2007</u>	<u>2006</u>
1) <u>Trade accounts receivable - subsidiary companies</u>		
Omac Sales Limited	15,707,064	15,865,985
Hana Microelectronics Investments Company Limited	6,334,767	-
Hana Semiconductor (BKK) Company Limited	1,133,729	2,018,188
Hana Microdisplay Technologies, Inc.	776,433	290,145
Hana Semiconductor International Limited	-	5,221,696
Hana Semiconductor (Ayuthaya) Company Limited	-	12,012
Hana Microelectronics Company Limited (Shanghai)	-	6,221
Total trade accounts receivable - subsidiary companies	<u>23,951,993</u>	<u>23,414,247</u>
2) <u>Advances to related party - subsidiary companies</u>		
Hana Semiconductor (Ayutthaya) Company Limited	3,808,517	5,548,471
Hana Semiconductor (BKK) Company Limited	-	1,035,334
Total advances to related party - subsidiary companies	<u>3,808,517</u>	<u>6,583,805</u>
3) <u>Trade accounts payable - subsidiary companies</u>		
Omac Sales Limited	49,305,520	85,475,855
Hana Semiconductor (Ayutthaya) Company Limited	12,691,860	23,760,875
Hana Microelectronics, Inc.	3,330,609	5,979,420
Hana Semiconductor International Limited	1,333,154	-
Hana Microdisplay Technologies, Inc.	1,094,125	3,063,491
Hana Microelectronics International Company Limited	-	16,249,913
Hana Microelectronics Investments Company Limited	-	352,364
Hana Microelectronics Company Limited (Shanghai)	-	19,869
Total trade accounts payable - subsidiary companies	<u>67,755,268</u>	<u>134,901,787</u>
4) <u>Advances from subsidiary companies</u>		
Hana Semiconductor (BKK) Company Limited	385,139	-
Hana Technologies Group Limited	74	74
Total advances from subsidiary companies	<u>385,213</u>	<u>74</u>

## Directors and management's remuneration

In 2007 the Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors and management totaling Baht 32 million (The Company only: Baht 14 million) (2006 : Baht 26 million, The Company only: Baht 13 million).

## 8 TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2007 and 2006 are aged, as follows :

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	(Unit : Baht)			
<u>Age of receivable</u>				
<u>Accounts receivable - subsidiary companies</u>				
Less than 3 months	-	-	16,059,506	17,919,025
3 - 6 months	-	-	5,315,907	5,217,742
6 - 12 months	-	-	2,576,580	271,259
Over 12 months	-	-	-	6,221
Total accounts receivable - subsidiary companies	-	-	23,951,993	23,414,247
<u>Accounts receivable - other companies</u>				
Less than 3 months	2,429,799,945	2,326,045,511	903,891,095	786,010,060
3 - 6 months	20,921,189	122,578,174	5,108,293	42,429,930
6 - 12 months	5,295,242	7,720,124	(102,610)	3,406,377
Over 12 months	1,131,943	3,272,227	1,518,593	189,242
Total accounts receivable - other companies	2,457,148,319	2,459,616,036	910,415,371	832,035,609
Less : Allowance for doubtful accounts	(7,608,389)	(2,266,567)	-	(1,860,518)
Total accounts receivable - other companies, net	2,449,539,930	2,457,349,469	910,415,371	830,175,091
Total trade accounts receivable - net	2,449,539,930	2,457,349,469	934,367,364	853,589,338

## 9. INVENTORIES

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Raw materials	1,410,828,001	1,612,772,352	393,883,404	556,985,602
Work in progress	217,067,955	251,128,968	66,092,408	71,341,779
Finished goods	634,824,297	652,126,783	286,140,596	249,585,460
Goods in transit	149,561,619	215,317,580	6,635,904	4,371,854
Total	2,412,281,872	2,731,345,683	752,752,312	882,284,695
Less : Allowance for damaged and slow-moving inventories	(206,930,379)	(303,007,485)	(98,957,695)	(107,752,941)
Inventories - net	2,205,351,493	2,428,338,198	653,794,617	774,531,754

## 10. INVESTMENTS IN SUBSIDIARIES

(Unit : Baht)

Company's name	Paid up capital	Shareholding percentage		Separate financial statements		Dividend received during the year ended 31 December	
				Cost			
		2007	2006	2007	2006	2007	2006
Hana Trading Company Limited	250,000	100	100	4,000,000	4,000,000	-	-
Hana Semiconductor (BKK) Company Limited	1,000,000,000	100	100	1,011,100,000	1,011,100,000	370,000,000	345,000,000
Omac Sales Limited	325,375	100	100	273,491,816	273,491,816	-	-
Hana Microelectronics International Company Limited	51	100	100	51	51	-	-
Hana Microelectronics Investment Company Limited	51	100	100	111	111	-	-
Hana Technologies Group Limited	74	100	100	74	74	-	-
Hana Semiconductor Investments Limited	3,626	100	100	3,626	3,626	-	-
Hana Semiconductor (Ayuthaya) Company Limited	1,200,000,000	58	58	2,142,909,786	2,142,909,786	192,499,997	384,999,995
Total investments				3,431,505,464	3,431,505,464	562,499,997	729,999,995

On 29 December 2006, Board of Directors Meeting of Hana Semiconductor Investments Company Limited, a subsidiary company, passed a special resolution to reduce its share capital from USD 31 million or equivalent to Baht 1,225 million (3,089,284 ordinary shares of USD 10 each) to USD 100 or equivalent Baht 3,626 (10 ordinary shares of USD 10 each).

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 is in the process of dissolution.

## 11. INVESTMENTS IN ASSOCIATE

Company's name	Shareholding percentage		(Unit : Baht)	
			Consolidated financial statements	
			Investment under equity method	
	2007	2006	2007	2006
Advanced Interconnect Technologies Limited (held through Hana Technologies Group Limited)	-	23.4	-	1,820,361,471
Add : Translation adjustment			-	49,368,569
Total investment in associated company			-	1,869,730,040
				(1,869,730,040
Less : Provision for diminution in value of investment			-	)
Total investment in associated company - net			-	-

On 10 February 2003, the Board of Directors of the Company approved to make the full provision for investment in Advanced Interconnect Technologies Limited, which was 43% indirectly held by the Company. The Company still indirectly owns shares in that associated company at 43% of its shares but the value of these shares have been written down to zero in the subsidiary company's accounts (and therefore the Company's consolidated accounts).

The Company took the abovementioned write-down together with allowance for doubtful account on the loan granted to that associated company by another subsidiary company since 2002.

However, in the year 2004 and the first quarter of 2005 the Company's management had received a notification of the increment in share capital of such associated company, resulting in the reduction of the Company's interest in that company from 43% to 38% in 2004 and to 23.4% since the first quarter of 2005.

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.

## 12. PROPERTY, PLANT AND EQUIPMENT

(Unit : Baht)

	Consolidated financial statements									
	Land	Building	Leasehold improvement	Installation	Machinery and equipment	Office furniture and equipment	Vehicles	Construction in progress and machinery under installation	Others	Total
<b>Cost :</b>										
31 December 2006	153,357,225	1,226,042,273	149,365,824	396,449,384	6,478,761,173	362,999,823	66,794,938	299,653,266	75,907,137	9,209,331,043
Purchase/transfer in	57,365,915	291,849,608	1,212,709	83,993,990	1,115,956,432	47,135,955	8,595,032	760,883,722	-	2,366,993,363
Disposal/transfer out	(42,695,965)	-	-	(8,650,000)	(349,073,682)	(29,059,948)	(21,758,885)	(839,057,594)	(61,236,590)	(1,351,532,664)
Translation adjustment	-	(362,951)	(1,881,653)	-	(19,592,814)	(1,017,725)	(166,555)	(126,479)	(913,424)	(24,061,601)
31 December 2007	<u>168,027,175</u>	<u>1,517,528,930</u>	<u>148,696,880</u>	<u>471,793,374</u>	<u>7,226,051,109</u>	<u>380,058,105</u>	<u>53,464,530</u>	<u>221,352,915</u>	<u>13,757,123</u>	<u>10,200,730,141</u>
<b>Accumulated depreciation :</b>										
31 December 2006	-	275,458,766	107,116,244	243,006,691	2,968,820,540	259,548,128	31,705,495	-	74,919,727	3,960,575,591
Depreciation for the year	-	65,026,898	5,894,902	44,911,974	689,012,061	33,487,942	10,173,475	-	972,995	849,480,247
Accumulated depreciation for disposed assets	-	-	-	(499,515)	(176,358,246)	(10,237,541)	(16,662,083)	-	(52,129,307)	(255,886,692)
Translation adjustment	-	350,403	(1,777,808)	-	(11,285,750)	(1,793,705)	(96,234)	-	(10,006,292)	(24,609,386)
31 December 2007	<u>-</u>	<u>340,836,067</u>	<u>111,233,338</u>	<u>287,419,150</u>	<u>3,470,188,605</u>	<u>281,004,824</u>	<u>25,120,653</u>	<u>-</u>	<u>13,757,123</u>	<u>4,529,559,760</u>
<b>Allowance for impairment loss :</b>										
31 December 2006	-	-	-	613,065	105,135,677	-	-	-	-	105,748,742
Increase during the year	-	-	-	-	1,784,178	-	-	-	-	1,784,178
Translation adjustment	-	-	-	-	(3,301,206)	-	-	-	-	(3,301,206)
31 December 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>613,065</u>	<u>103,618,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,231,714</u>
<b>Net book value :</b>										
31 December 2006	<u>153,357,225</u>	<u>950,583,507</u>	<u>42,249,580</u>	<u>152,829,628</u>	<u>3,404,804,956</u>	<u>103,451,695</u>	<u>35,089,443</u>	<u>299,653,266</u>	<u>987,410</u>	<u>5,143,006,710</u>
31 December 2007	<u>168,027,175</u>	<u>1,176,692,863</u>	<u>37,463,542</u>	<u>183,761,159</u>	<u>3,652,243,855</u>	<u>99,053,281</u>	<u>28,343,877</u>	<u>221,352,915</u>	<u>-</u>	<u>5,566,938,667</u>
<b>Depreciation for the year</b>										
2006 (Baht 590 million included in manufacturing cost, and the balance in selling and administrative expenses)										<u>718,763,698</u>
2007 (Baht 743 million included in manufacturing cost, and the balance in selling and administrative expenses)										<u>849,480,247</u>

(Unit : Baht)

## 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 2006	61,643,459	360,413,061	97,165,410	64,912,735	1,335,360,633	76,575,210	14,405,277	205,851,857	2,216,327,642
Purchase/transfer in	-	277,436,800	-	47,783,012	229,676,386	9,192,411	2,068,264	437,024,617	1,003,181,490
Disposal/transfer out	-	-	-	-	(13,032,096)	(60,608)	(800,000)	(538,288,417)	(552,181,121)
31 December 2007	<u>61,643,459</u>	<u>637,849,861</u>	<u>97,165,410</u>	<u>112,695,747</u>	<u>1,552,004,923</u>	<u>85,707,013</u>	<u>15,673,541</u>	<u>104,588,057</u>	<u>2,667,328,011</u>
Accumulated depreciation :									
31 December 2006	-	137,027,789	75,303,986	38,112,590	619,342,249	62,104,372	8,122,135	-	940,013,121
Depreciation for the year	-	21,488,842	4,858,091	5,448,089	160,036,351	5,270,935	2,016,132	-	199,118,440
Accumulated depreciation for disposed assets	-	-	-	-	(10,345,080)	(42,744)	(799,99)	-	(11,187,823)
31 December 2007	<u>-</u>	<u>158,516,631</u>	<u>80,162,077</u>	<u>43,560,679</u>	<u>769,033,520</u>	<u>67,332,563</u>	<u>9,338,268</u>	<u>-</u>	<u>1,127,943,738</u>
Allowance for impairment loss :									
31 December 2006	-	-	-	613,065	5,532,020	-	-	-	6,145,085
Increase during the year	-	-	-	-	1,784,178	-	-	-	1,784,178
31 December 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>613,065</u>	<u>7,316,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,929,263</u>
Net book value :									
31 December 2006	<u>61,643,459</u>	<u>223,385,272</u>	<u>21,861,424</u>	<u>26,187,080</u>	<u>710,486,364</u>	<u>14,470,838</u>	<u>6,283,142</u>	<u>205,851,857</u>	<u>1,270,169,436</u>
31 December 2007	<u>61,643,459</u>	<u>479,333,230</u>	<u>17,003,333</u>	<u>68,522,003</u>	<u>775,655,205</u>	<u>18,374,450</u>	<u>6,335,273</u>	<u>104,588,057</u>	<u>1,531,455,010</u>
Depreciation for the year									
2006 (Baht 118 million included in manufacturing cost, and the balance in selling and administrative expenses)									<u>154,064,987</u>
2007 (Baht 162 million included in manufacturing cost, and the balance in selling and administrative expenses)									<u>199,118,440</u>

As at 31 December 2007, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 2,097 million (2006 : Baht 1,445 million) and the Company only Baht 360 million (2006 : Baht 256 million).

## 13. SHARE CAPITAL

### Issued and paid-up capital

As at 31 December 2007, the issued and paid-up share capital was increased from the exercise of warrants amounting to Baht 5,187,670 bringing the issued and paid-up share capital to Baht 830,405,960. The Company has already registered such share capital increase with the Ministry of Commerce.

## 14. WARRANTS

As at 31 December 2007, the outstanding warrants issued to the Company's employees and directors which remain unexercised were as follow:-

### 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	:	2,743,500 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

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the year ended 31 December 2007, the Company expected no exercise of the warrant and excluded the warrants for the calculation of dilutive potential ordinary shares for diluted earnings per share calculation.

## 15. 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.

## 16. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Number of employees at the end of year (Persons)	9,312	10,538	3,188	3,752
Employee costs for the year (Million Baht)	2,134	2,126	579	537

## 17. PROMOTIONAL PRIVILEGES

The Company and its subsidiaries have been granted 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 follow:

Particulars	The Company										
	8010/2536	8036/2536	1842/2539	1341/01/2544	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	1341/01/2544	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
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 follow :

	(Unit : Baht)					
	Promoted operations		Non-promoted operations		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Sales						
Domestic sales	66,110	869,782	3,887,515	-	3,953,625	869,782
Export	5,419,595,980	4,456,363,705	286,676,528	199,781,579	5,706,272,508	4,656,145,284
Total sales	<u>5,419,662,090</u>	<u>4,457,233,487</u>	<u>290,564,043</u>	<u>199,781,579</u>	<u>5,710,226,133</u>	<u>4,657,015,066</u>

## 18 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares 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 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.

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	
	2007 Thousand Baht	2006 Thousand Baht	2007 Thousand Shares	2006 Thousand Shares	2007 Baht	2006 Baht
Basic earnings per share						
Net income	2,449,161	2,216,197	830,009	817,022	2.95	2.71
Effect of dilutive potential ordinary shares						
Warrants 28,699,600 units (2006 : 31,191,374 units)	-	-	991	4,959		
Diluted earnings per share						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	2,449,161	2,216,197	831,000	821,981	2.95	2.70

	Separate financial statements					
	For the year ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Thousand Baht	Thousand Baht (Restated)	Thousand Shares	Thousand Shares	Baht	Baht	
Basic earnings per share						
Net income	1,192,319	1,242,147	830,009	817,022	1.44	1.52
Effect of dilutive potential ordinary shares						
Warrants 28,699,600 units (2006 : 31,191,374 units)	-	-	991	4,959		
Diluted earnings per share						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares						
Net income	<u>1,192,319</u>	<u>1,242,147</u>	<u>831,000</u>	<u>821,981</u>	<u>1.43</u>	<u>1.51</u>

## 19. 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 year ended 31 December 2007 and 2006 are as follows :

(Unit : Million Baht)

Consolidated financial statements					
	Domestic	Foreign	Eliminate	Total	
				2007	
				2006	
Revenue from external customers	12,215	3,421	-	15,636	15,005
Intersegment revenues	315	5,074	(5,389)	-	-
Total revenues	<u>12,530</u>	<u>8,495</u>	<u>(5,389)</u>	<u>15,636</u>	<u>15,005</u>
Segment profit	2,012	547		2,559	2,836
Unallocated income and expenses:					
Other income				286	233
Gain on exchange				180	100
Selling and administrative expenses				(864)	(800)
Income from operations				<u>2,161</u>	<u>2,369</u>
Exceptional items					
Provision (reversal of provision) for loss on tax assessment				(150)	13
Guarantee expense				(15)	(19)
Gain on sale of investment in an associate				529	-
Bad debt recovery				29	-
Income before interest expenses and corporate income tax				<u>2,554</u>	<u>2,363</u>
Interest expenses				(2)	-
Corporate income tax				(103)	(147)
Net income for the year				<u>2,449</u>	<u>2,216</u>

(Unit : Million Baht)

Consolidated financial statements					
	Domestic	Foreign	Eliminate	Total	
				2007	
				2006	
Property, plant and equipment - net	4,091	1,476	-	5,567	5,143
Unallocated assets	14,872	19,606	(26,272)	8,206	7,204
Total assets	<u>18,963</u>	<u>21,082</u>	<u>(26,272)</u>	<u>13,773</u>	<u>12,347</u>

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

## 20. PROVIDENT FUND

The Company, the subsidiary companies 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 subsidiary companies contributed to the fund monthly at the rates of 3-7.5 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 2007, total amount of approximately of Baht 33 million (2006 : Baht 30 million) had been contributed to the fund by the Company and its subsidiary companies, and Baht 10 million had been contributed by the Company (2006 : Baht 8 million).

## 21. DIVIDEND PAID

During the year 2007 and 2006, 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 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>For the year 2006</u>			
Dividends on 2005 income	Annual General Meeting of the shareholders on 28 April 2006	732,577,221	0.90
Dividends on the unappropriated retained earnings	Board of Director's Meeting on 13 November 2006	412,330,395	0.50
Total for the year 2006		<u>1,144,907,616</u>	<u>1.40</u>

	Approved by	Total Dividends	(Unit : Baht) Dividend per share
<b><u>Subsidiary companies</u></b>			
<b>Hana Semiconductor (BKK) Company Limited</b>			
<b><u>For the year 2007</u></b>			
Dividends on the unappropriated retained earnings	Board of Director's Meeting on 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		370,000,000	3.70
<b><u>For the year 2006</u></b>			
Interim dividend in respect of net income as at April 2006	Board of Director's Meeting on 16 May 2006	175,000,000	1.75
Interim dividend in respect of net income as at September 2006	Board of Director's Meeting on 7 November 2006	170,000,000	1.70
Total for the year 2006		345,000,000	3.45
<b>Hana Semiconductor (Ayutthaya) Company Limited</b>			
<b><u>For the year 2007</u></b>			
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		330,000,000	2.75
<b><u>For the year 2006</u></b>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 20 April 2006	360,000,000	3.00
Interim dividend in respect of the income for the period from 1 January 2006 to 30 September 2006	Board of Director's Meeting on 2 November 2006	300,000,000	2.50
Total for the year 2006		660,000,000	5.50

## 22. PROVISION FOR LOSS ON TAX ASSESSMENT OF A SUBSIDIARY COMPANY

Hana Semiconductor (BKK) Company Limited, a subsidiary company, has estimated loss on tax assessment of Baht 103 million since that company received the tax assessment notification for corporate income tax for the year 1996 and VAT for January and September, 1996 from the Revenue Department. The case has been relieved by the Revenue Department upon the placement of bank guarantee by such company. In May 2005, the Central Tax Court judged that the subsidiary company was liable for the payment under the tax assessment notification which the subsidiary company had appealed to the Supreme Court in the same year. In July 2006, the Supreme Court had insisted the judgment of the Central Tax Court for this case that the subsidiary company to pay for such tax together with related penalty and surcharge. The subsidiary company had already paid for such tax together with related penalty and surcharge in 2006.

In addition, during the year 2003, losses from prior years' tax adjustments together with related penalties and surcharges amounting to Baht 157 million have been recorded by such subsidiary company, as a result the recognition of interest income from the investment in a related company of which the value is higher than net book value in the determination of corporate income tax for the years 1994, 1995 and 1997. The subsidiary company paid such tax during the year 2003. During the year 2004, the subsidiary company received a notification of additional penalties and surcharges related to such corporate income tax of Baht 20 million from the Revenue Department which the subsidiary company had appealed to reduce such additional penalties and surcharges to the Revenue Department. The subsidiary company had recorded estimated loss on tax assessment as an exceptional item in 2004. In July 2006, the Revenue Department had the judgment for this case that the subsidiary company to pay for such additional penalties and surcharges of Baht 7 million. The subsidiary company reversed estimated loss on tax assessment of Baht 13 million and recorded it as an exceptional item in consolidated income statements.

## 23. COMMITMENTS AND CONTINGENT LIABILITIES

### 23.1 Capital commitments

As at 31 December 2007, the Company and its subsidiaries had capital commitment of approximately Baht 231 million and USD 1.5 million or equivalent to Baht 50.8 million, relating to the construction of factory buildings and acquisition of machinery.

### 23.2 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.

### 23.3 Marketing supportive service agreement

Since the year 2001, the Company and four other 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.

### 23.4 Guarantees

As at 31 December 2007, there were outstanding bank guarantees of approximately Baht 181 million (2006 : Baht 182 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, and to be security for the tax assessment of a subsidiary company made by the Revenue Department as discussed in Note 23.5.

## 23.5 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, as at 31 December 2007, 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 disputes concerning the Company's purported obligations in 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.

## 24 FINANCIAL INSTRUMENTS

### 24.1 Financial risk management and policies

The Company's 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 bank 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 2007 classified by type of interest rates are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	Consolidated financial statements				
	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
<b>Financial Assets</b>					
Cash and cash equivalents	1,371	1,793	222	3,386	0.5 - 4.75
Trade accounts receivable	-	-	2,450	2,450	-
<b>Financial Liabilities</b>					
Trade accounts payable	-	-	1,519	1,519	-

Separate financial statements

	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	(Million Baht)				
<b>Financial Assets</b>					
Cash and cash equivalents	100	190	2	292	0.5 - 0.75
Trade accounts receivable	-	-	934	934	-
Investments in subsidiary companies	-	-	3,432	3,432	-
<b>Financial Liabilities</b>					
Trade accounts payable	-	-	482	482	-

### Foreign currency risk

The Company 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 it considers appropriate. Generally, the forward contracts will mature within one year.

As at 31 December 2007, the outstanding balances of the Company and the subsidiaries' financial assets and liabilities denominated in foreign currencies are as follows: -

Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Exchange rate As at 31 December 2007 (Baht per 1 foreign currency unit)	
			Buying rate	Selling rate
US Dollar	2,118	1,275	33.6496	33.8850
Japanese Yen	-	6	0.2951	0.2997
Singapore Dollar	-	13	23.1221	23.5108

Foreign exchange contracts outstanding at 31 December 2007 are summarized below.

Foreign currency	Sold amount (Million)	Maturity date	Contractual exchange rate for amount sold (Baht per 1 foreign currency unit)
US dollar	20	30 June 2008	33.56

## 24.2 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.

## 25. SUBSEQUENT EVENT

On 28 February 2008, the meeting of the Board of Directors of the Company No. 1/2008 passed some resolutions as follows :-

- 1) Approved the dividend payment from the 2007 income to the Company's shareholders at Baht 1.30 per share. The dividend will be paid on 22 May 2008.
- 2) Approved the issuance of 20,000,000 warrants, with an exercise price of no lower than market price, and 41,000,000 warrants, with an exercise price of lower than market price to be offered to directors and employees of the Company and its subsidiaries.

The dividend payment and the issuance of warrants will subsequently be proposed for approval in the Annual General Meeting of the Company's shareholders.

## 26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2008.