

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

Review report of Independent Auditor

To the Shareholders of Hana Microelectronics Public Company Limited

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

I did not review the financial statements of an overseas subsidiary company whose financial statements are included in the consolidated financial statements. This subsidiary company had the total assets as at 30 September 2008 of approximately Baht 252 million, representing 2% of the consolidated total and total revenues for the three-month and nine-month periods then ended of approximately Baht 32 million and Baht 95 million, representing 1% and 1% of the consolidated total, respectively. The financial statements of this subsidiary company were reviewed by other auditor and I have already obtained the review report from that auditor. Therefore, my report related to any amounts and particulars of this subsidiary company as included in the consolidated financial statements, are based solely upon the review report of that auditor.

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

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

The consolidated financial statements of Hana Microelectronics Public Company Limited and its subsidiaries, and 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 report of the other auditor, 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. The consolidated and separate balance sheets as at 31 December 2007, as presented herein for comparative purposes, formed an integral part of the financial statements which that auditor audited and reported on.

The consolidated statements of income for the three-month and nine-month periods ended 30 September 2007, the consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended of Hana Microelectronics Public Company Limited and its subsidiaries and the separate financial statements of Hana Microelectronics Public Company Limited, as presented herein for comparative purposes, formed an integral part of the interim financial statements which were reviewed by the aforementioned auditor who reported, under her report dated 13 November 2007, that based on her review and the report of the other auditor, nothing had come to her attention that caused her to believe that those financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited
Bangkok: 14 November 2008

Hana Microelectronics Public Company Limited and its subsidiaries

Balance sheets

(Unit: Thousand Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		As at	As at	As at	As at
		<u>30 September 2008</u>	<u>31 December 2007</u>	<u>30 September 2008</u>	<u>31 December 2007</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Assets					
Current assets					
Cash and cash equivalents	2	3,905,419	3,386,431	406,719	291,663
Short-term investments	4	300,480	-	-	-
Trade accounts receivable	5				
Subsidiary companies	3	-	-	20,228	23,952
Other companies - net		2,103,400	2,449,540	717,529	910,415
Trade accounts receivable - net		2,103,400	2,449,540	737,757	934,367
Advances to subsidiary company	3	-	-	-	3,808
Inventories - net	6	2,305,856	2,205,351	861,941	653,795
Other current assets					
Advances		28,483	41,118	14,567	19,329
Withholding tax deducted at source		9,135	7,787	4,461	4,238
Input tax refundable		20,024	58,066	6,449	6,332
Income tax refundable		19,412	19,412	19,412	19,412
Others		65,575	36,180	1,633	6,687
Total other current assets		142,629	162,563	46,522	55,998
Total current assets		8,757,784	8,203,885	2,052,939	1,939,631
Non-current assets					
Investments in subsidiary companies	7	-	-	3,427,502	3,431,506
Other long-term investment		97	97	97	97
Property, plant and equipment - net	8	5,877,969	5,566,939	1,580,882	1,531,455
Other non-current assets		2,166	2,531	1,329	1,329
Total non-current assets		5,880,232	5,569,567	5,009,810	4,964,387
Total current assets		14,638,016	13,773,452	7,062,749	6,904,018

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

Hana Microelectronics Public Company Limited and its subsidiaries

Balance sheets (continued)

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	As at	As at	As at	As at
	<u>Note</u> <u>30 September 2008</u> (Unaudited but reviewed)	<u>31 December 2007</u> (Audited)	<u>30 September 2008</u> (Unaudited but reviewed)	<u>31 December 2007</u> (Audited)
Liabilities and shareholders' equity				
Current liabilities				
Trade accounts payable				
Subsidiary companies	3	-	63,857	67,755
Other companies		1,597,121	535,603	414,323
Total trade accounts payable		1,597,121	599,460	482,078
Advances from subsidiary company	3	-	-	385
Other current liabilities				
Other payable		247,568	35,984	57,986
Accrued expenses		275,937	69,566	29,573
Corporate income tax payable		41,237	20,928	43,113
Advances received from customers		126,783	15,906	21,891
Provision for loss on tax assessment	14.5	150,466	150,466	150,466
Provision for product warranty		134,627	-	-
Others		88,146	51,366	41,081
Total other current liabilities		1,064,764	344,216	344,110
Total current liabilities		2,661,885	943,676	826,573
Total liabilities		2,661,885	943,676	826,573
Shareholders' equity				
Share capital				
Registered				
1,000,000,000 ordinary shares of Baht 1 each		1,000,000	1,000,000	1,000,000
Issued and fully paid-up				
830,474,960 ordinary shares of Baht 1 each				
(31 December 2007: 830,405,960 ordinary shares				
of Baht 1 each)	9	830,475	830,475	830,406
Share premium		1,723,219	1,723,219	1,722,078
Revaluation loss on investments	4	(9,540)	-	-
Translation adjustment		168,674	-	-
Retained earnings				
Appropriated - statutory reserve		322,201	100,000	100,000
Unappropriated		9,096,077	3,465,379	3,424,961
Excess of cost of investments over net book				
value of the subsidiary companies		(154,975)	-	-
Total shareholders' equity		11,976,131	6,119,073	6,077,445
Total liabilities and shareholders' equity		14,638,016	7,062,749	6,904,018
		-	-	-

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

Directors

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries**Income statements****For the three-month periods ended 30 September 2008 and 2007**

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

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues					
Sales		4,060,739	4,096,653	1,457,977	1,552,458
Gain on sale of investment in an associate		-	504,595	-	-
Bad debt recovery		-	28,922	-	-
Other income					
Interest income		5,503	10,527	879	62
Rental income		1,289	1,260	4,642	4,613
Gain on exchange		-	8,832	-	-
Dividend income		9	9	9	100,009
Others		56,400	77,357	11,166	7,436
Total other income		63,201	97,985	16,696	112,120
Total revenues		4,123,940	4,728,155	1,474,673	1,664,578
Expenses					
Cost of sales		3,235,373	3,299,687	1,144,228	1,253,672
Selling and administrative expenses		252,681	200,253	24,155	39,574
Provision for loss on tax assessment	14.5	-	150,466	-	150,466
Guarantee expense		-	14,533	-	14,533
Loss on cease of operation of a subsidiary		3,752	-	3,188	-
Loss on exchange		13,787	-	6,397	2,242
Total expenses		3,505,593	3,664,939	1,177,968	1,460,487
Income before interest expenses and corporate income tax					
		618,347	1,063,216	296,705	204,091
Interest expenses		-	(1,431)	(13)	(1,427)
Corporate income tax		(38,080)	(28,134)	(14,897)	(18,852)
Net income for the period		580,267	1,033,651	281,795	183,812
Net income attributable to:					
Equity holders of the parent		580,267	1,033,651	281,795	183,812
Earnings per share					
11					
Basic earnings per share					
Net income attributable to equity holders of the parent (Baht)		0.70	1.25	0.34	0.22
Weighted average number of ordinary shares (Thousand shares)		830,475	830,232	830,475	830,232
Diluted earnings per share					
Net income attributable to equity holders of the parent (Baht)		0.70	1.24	0.34	0.22
Weighted average number of ordinary shares (Thousand shares)		830,475	831,277	830,475	831,277

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries**Income statements****For the nine-month periods ended 30 September 2008 and 2007**

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

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues					
Sales		11,660,945	11,631,418	4,302,479	4,232,008
Gain on sale of investment in an associate		-	504,595	-	-
Bad debt recovery		-	28,922	-	-
Other income					
Interest income		26,166	29,546	4,774	890
Rental income		3,744	3,675	13,803	13,734
Gain on exchange		86,939	115,379	-	-
Dividend income		18	19	440,018	562,519
Reversal of guarantee expense		25,472	-	25,472	-
Others		174,145	187,382	30,943	16,249
Total other income		<u>316,484</u>	<u>336,001</u>	<u>515,010</u>	<u>593,392</u>
Total revenues		<u>11,977,429</u>	<u>12,500,936</u>	<u>4,817,489</u>	<u>4,825,400</u>
Expenses					
Cost of sales		9,641,978	9,769,765	3,528,585	3,557,090
Selling and administrative expenses		665,688	662,430	120,021	116,923
Provision for loss on tax assessment	14.5	-	150,466	-	150,466
Guarantee expense		-	14,533	-	14,533
Loss on cease of operation of a subsidiary		3,752	-	3,192	-
Loss on exchange		-	-	10,621	957
Total expenses		<u>10,311,418</u>	<u>10,597,194</u>	<u>3,662,419</u>	<u>3,839,969</u>
Income before interest expenses and corporate income tax					
corporate income tax		1,666,011	1,903,742	1,155,070	985,431
Interest expenses		-	(2,217)	(163)	(2,341)
Corporate income tax		(92,193)	(65,735)	(35,136)	(31,107)
Net income for the period		<u>1,573,818</u>	<u>1,835,790</u>	<u>1,119,771</u>	<u>951,983</u>
Net income attributable to:					
Equity holders of the parent		<u>1,573,818</u>	<u>1,835,790</u>	<u>1,119,771</u>	<u>951,983</u>
Earnings per share					
11					
Basic earnings per share					
Net income attributable to equity holders of the parent (Baht)		<u>1.90</u>	<u>2.22</u>	<u>1.35</u>	<u>1.15</u>
Weighted average number of ordinary shares (Thousand shares)		<u>830,435</u>	<u>828,590</u>	<u>830,435</u>	<u>828,590</u>
Diluted earnings per share					
Net income attributable to equity holders of the parent (Baht)		<u>1.90</u>	<u>2.21</u>	<u>1.35</u>	<u>1.15</u>
Weighted average number of ordinary shares (Thousand shares)		<u>830,435</u>	<u>829,739</u>	<u>830,435</u>	<u>829,739</u>

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries**Statements of cash flows****For the nine-month periods ended 30 September 2008 and 2007**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities				
Net income before tax	1,666,011	1,901,525	1,154,907	983,090
Adjustments to reconcile net income to net cash provided by (paid from) operating activities:				
Depreciation	712,151	621,767	172,792	144,358
Doubtful accounts (reversal)	7,324	(2,251)	-	(1,861)
Provision for loss from obsolete inventories	49,962	54,613	54,486	17,888
Loss from impairment of assets	773	1,784	773	1,784
Gain on disposals of equipment	(138)	(897)	(169)	(769)
Provision for product warranty	19,796	20,720	-	-
Guarantee expenses (reversal)	(25,472)	14,533	(25,472)	14,533
Loss on cease of operation of subsidiary	3,752	-	3,192	-
Dividend income from subsidiary companies	-	-	(440,000)	(562,500)
Revaluation gain on investments	(246)	-	-	-
Unrealized loss (gain) on exchange	(3,786)	16,239	1,449	15,436
Unrealized loss on forward contracts	44,199	-	38,108	-
Provision for loss on tax assessment	-	150,466	-	150,466
Interest expenses	-	2,217	163	2,341
Income from operating activities before changes in operating assets and liabilities	2,474,326	2,780,716	960,229	764,766
Operating assets (increase) decrease				
Trade accounts receivable	335,026	182,167	196,431	(16,491)
Inventories	(150,467)	141,334	(262,632)	102,708
Other current assets	23,042	13,260	8,745	858
Other non-current assets	365	(4,241)	-	6,528
Operating liabilities increase (decrease)				
Trade accounts payable	76,398	(450,725)	118,084	(305,787)
Accrued expenses	147,940	133,109	38,455	42,278
Advances received from customers	8,310	9,116	(5,465)	2,236
Other current liabilities	(14,448)	(27,307)	(2,913)	(24,672)
Cash from operating activities	2,900,492	2,777,429	1,050,934	572,424
Cash paid for interest expenses	-	(2,103)	-	(2,103)
Cash paid for corporate income tax	(121,218)	(121,320)	(57,145)	(33,394)
Net cash from operating activities	2,779,274	2,654,006	993,789	536,927

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries**Statements of cash flows (continued)****For the nine-month periods ended 30 September 2008 and 2007**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash flows from investing activities				
Increase in short-term investments	(309,774)	-	-	-
Decrease (increase) in short-term loans and advances to related parties	-	-	3,808	(55)
Dividend income from subsidiary companies	-	-	440,000	562,500
Return on investment from a liquidated subsidiary	-	-	812	-
Acquisitions of property, plant and equipment	(1,070,487)	(986,068)	(246,236)	(408,516)
Proceeds from disposals of equipment	2,961	203,651	1,411	3,305
Net cash from (used in) investing activities	(1,377,300)	(782,417)	199,795	157,234
Cash flows from financing activities				
Decrease in advances from subsidiary company	-	-	(385)	-
Cash received from share capital increase	1,210	39,624	1,210	39,624
Decrease in share subscription received in advance before registration	-	(5,729)	-	(5,729)
Dividend paid	(1,079,353)	(827,125)	(1,079,353)	(827,125)
Net cash used in financing activities	(1,078,143)	(793,230)	(1,078,528)	(793,230)
	323,831	1,078,359	115,056	(99,069)
Translation adjustment	195,157	(148,070)	-	-
Net increase (decrease) in cash and cash equivalents	518,988	930,289	115,056	(99,069)
Cash and cash equivalents at beginning of the period	3,386,431	2,117,760	291,663	312,959
Cash and cash equivalents at end of the period (Note 2)	3,905,419	3,048,049	406,719	213,890
Supplemental cash flow information				
Non-cash related transaction from investing activities				
Net increase (decrease) in other accounts payable for purchases of plant and equipment	(43,710)	244,854	(22,002)	(34,910)
Revaluation loss on investments	(9,540)	-	-	-

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the nine-month periods ended 30 September 2008 and 2007

(Unit: Thousand Baht)

Consolidated financial statements									
	Share capital issued and paid up	Share subscription received in advance before registration	Share premium	Revaluation loss on investments	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 2006	825,218	5,729	1,686,021	-	211,618	320,100	6,981,677	(158,725)	9,871,638
Ordinary shares issued during the period	5,110	-	34,514	-	-	-	-	-	39,624
Decrease in share subscription received in advance before registration	-	(5,729)	-	-	-	-	-	-	(5,729)
Translation adjustment	-	-	-	-	(159,110)	-	-	-	(159,110)
Dividend paid	13	-	-	-	-	-	(827,125)	-	(827,125)
Net income for the period	-	-	-	-	-	-	1,835,790	-	1,835,790
Balance as of 30 September 2007	830,328	-	1,720,535	-	52,508	320,100	7,990,342	(158,725)	10,755,088
Balance as at 31 December 2007	830,406	-	1,722,078	-	(26,723)	322,301	8,601,512	(158,725)	11,290,849
Ordinary shares issued during the period	69	-	1,141	-	-	-	-	-	1,210
Reversal of statutory reserve from liquidation of subsidiary	-	-	-	-	-	(100)	100	-	-
Adjustment of fair value of investments	4	-	-	(9,540)	-	-	-	-	(9,540)
Translation adjustment	-	-	-	-	195,397	-	-	-	195,397
Dividend paid	13	-	-	-	-	-	(1,079,353)	-	(1,079,353)
Net income for the period	-	-	-	-	-	-	1,573,818	-	1,573,818
Decrease in excess of cost of investment over net book value of the subsidiary companies	-	-	-	-	-	-	-	3,750	3,750
Balance as at 30 September 2008	830,475	-	1,723,219	(9,540)	168,674	322,201	9,096,077	(154,975)	11,976,131

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries
Statements of changes in shareholders' equity (continued)
For the nine-month periods ended 30 September 2008 and 2007

(Unit: Thousand Baht)

Separate financial statements						
	Share capital	Share subscription		Retained earnings		
	issued	received in advance	Share	Appropriated -		
Note	and paid up	before registration	premium	statutory reserve	Unappropriated	Total
Balance as at 31 December 2006	825,218	5,729	1,686,021	100,000	3,059,767	5,676,735
Ordinary shares issued during the period	5,110	-	34,514	-	-	39,624
Decrease in share subscription received in advance before registration	-	(5,729)	-	-	-	(5,729)
Dividend paid	-	-	-	-	(827,125)	(827,125)
Net income for the period	-	-	-	-	951,983	951,983
Balance as at 30 September 2007	830,328	-	1,720,535	100,000	3,184,625	5,835,488
Balance as at 31 December 2007	830,406	-	1,722,078	100,000	3,424,961	6,077,445
Ordinary shares issued during the period	69	-	1,141	-	-	1,210
Dividend paid	-	-	-	-	(1,079,353)	(1,079,353)
Net income for the period	-	-	-	-	1,119,771	1,119,771
Balance as at 30 September 2008	830,475	-	1,723,219	100,000	3,465,379	6,119,073

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

Hana Microelectronics Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 2008 and 2007

1. General information

1.1 Corporate information

Hana Microelectronics Public Company Limited (“the Company”) was incorporated as a limited company under Thai law and transformed to be a public limited company under the Public Limited Companies Act on 27 January 1993. The Company is principally engaged in the manufacturer of electronic components and its registered address at No. 10/4 Moo 3, Vibhavadi - Rangsit Road, Kwang Talad Bangkhen, Laksi, Bangkok.

1.2 Economic crisis

The financial crisis experienced by the United States of America over the past year has had far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has affected substantially 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 its 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.

1.3 Basis for the preparation of interim financial statements

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

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

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

1.4 Basis of consolidation

These consolidated interim financial statements include the financial statements of Hana Microelectronics Public Company Limited and its subsidiaries and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2007. During the current period, there were changes in the group structure due to the liquidation of the subsidiaries, as discussed in Note 7.

1.5 Accounting standards which are effective for the current year

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

(Unaudited but reviewed)

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

1.6 Significant accounting policies

These interim financial statements are prepared by using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2007. During the current period, a subsidiary has invested in trading and available-for-sale securities and has adopted the following accounting policies for its investments.

Investments

- a) Investments in securities held for trading 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, are stated at fair value. Changes in the carrying amounts of securities are recorded as separate item in shareholders' equity until the securities are sold, when the changes are then included in determining income.

2. Supplemental cash flow information

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash and deposits at banks	3,435,419	2,454,335	156,719	213,890
Investment in money market fund	470,000	-	250,000	-
Fixed deposits with maturity not over 3 months	-	593,714	-	-
Cash and cash equivalents	<u>3,905,419</u>	<u>3,048,049</u>	<u>406,719</u>	<u>213,890</u>

(Unaudited but reviewed)

3. Related party transactions

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

(Unit: Million Baht)

	Separate financial statements				Pricing policies
	For the three-month periods ended		For the nine-month periods ended		
	30 September		30 September		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
Transactions with subsidiaries (eliminated from the consolidation)					
Sales	32	6	93	11	Prices agreed between the parties due to the uniqueness of products sold to each customer
Rental income	3	3	10	10	Contract price
Purchase of materials	97	174	298	206	Cost, Cost plus 2% mark up
Service fee expenses	1	2	5	15	Rates stipulated in the agreement
Purchase of fixed assets	-	2	-	2	Net book value plus margin

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

(Unit: Thousand Baht)

	Separate financial statements	
	30 September	31 December
	<u>2008</u>	<u>2007</u>
Trade accounts receivable - subsidiary companies		
Hana Microelectronics Investment Company Limited	9,524	6,335
Omac Sales Limited	6,880	15,707
Hana Microdisplay Technologies, Inc.	2,586	776
Hana Semiconductor (BKK) Company Limited	1,204	1,134
Hana Microelectronics International Company Limited	34	-
Total trade accounts receivable - subsidiary companies	<u>20,228</u>	<u>23,952</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements	
	30 September	31 December
	2008	2007
Advances to subsidiary company		
Hana Semiconductor (Ayutthaya) Company Limited	-	3,808
Total advances to subsidiary company	<u>-</u>	<u>3,808</u>
Trade accounts payable - subsidiary companies		
Omac Sales Limited	53,774	49,305
Hana Semiconductor (Ayutthaya) Company Limited	3,172	12,692
Hana Semiconductor International Company Limited	3,071	1,333
Hana Microdisplay Technologies, Inc.	2,307	1,094
Hana Microelectronics, Inc.	1,533	3,331
Total trade accounts payable - subsidiary companies	<u>63,857</u>	<u>67,755</u>
Advances from subsidiary company		
Hana Semiconductor (BKK) Company Limited	-	385
Total advances from subsidiary company	<u>-</u>	<u>385</u>

Directors' and management's remuneration

During the three-month and nine-month periods ended 30 September 2008, the Company and its subsidiaries paid salaries and meeting allowances to their directors and management totaling Baht 8 million and Baht 20 million, respectively (the Company only: Baht 4 million and Baht 9 million, respectively). (2007: Baht 7 million and Baht 17 million, respectively, the Company only: Baht 3 million and Baht 7 million, respectively).

(Unaudited but reviewed)

4. Short-term Investments

(Unit: Thousand Baht)

Consolidated financial
statements

30 September 2008

	Cost/ Carrying value	Fair value
Securities held for trading		
Overseas marketable equity securities	34,116	34,362
Add: Revaluation gain on investments	246	-
Securities held for trading	<u>34,362</u>	<u>34,362</u>
Available-for-sale securities		
Overseas corporate bonds	275,658	266,118
Less: Revaluation loss on investments	(9,540)	-
Available-for-sale securities	<u>266,118</u>	<u>266,118</u>
Total short-term investments	<u>300,480</u>	<u>300,480</u>

During the current period, Hana Microelectronics International Company Limited, an overseas subsidiary company, had invested in private corporate bonds issued by various overseas companies and a corporate bond listed in Luxemburg Stock Exchange through the two overseas banks. These investments are classified as available-for-sale investments. As at 30 September 2008, the subsidiary had assessed the fair value of the bonds by referring to the value quoted by the bankers in which the fair value had decreased by HK\$ 2.2 million or equivalent to Baht 9.5 million. The changes in the fair value of such bonds are shown as a separate item in the shareholders' equity.

In addition, this subsidiary had invested in mutual fund of a company listed on Cayman Island Stock Exchange. This investment was held for trading purpose.

(Unaudited but reviewed)

5. Trade accounts receivable

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
<u>Aging</u>				
<u>Trade accounts receivable - subsidiary companies</u>				
Less than 3 months	-	-	16,640	16,059
3 - 6 months	-	-	2,254	5,316
6 - 12 months	-	-	570	2,577
More than 12 months	-	-	764	-
Total trade accounts receivable - subsidiary companies	-	-	20,228	23,952
<u>Trade accounts receivable - other companies</u>				
Less than 3 months	2,090,501	2,429,800	717,529	903,891
3 - 6 months	21,675	20,921	-	5,108
6 - 12 months	4,840	5,295	-	(103)
More than 12 months	1,316	1,132	-	1,519
Total trade accounts receivable - other companies	2,118,332	2,457,148	717,529	910,415
Less: Allowance for doubtful accounts	(14,932)	(7,608)	-	-
Total trade accounts receivable - other companies, net	2,103,400	2,449,540	717,529	910,415
Total trade accounts receivable - net	2,103,400	2,449,540	737,757	934,367

(Unaudited but reviewed)

6. Allowance for diminution in value of inventory

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

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 31 December 2007	206,930	98,958
Add: Allowance made during the period	73,851	78,378
Less: Write-off obsolete and damaged inventories	(23,892)	(23,892)
Translation adjustment	3	-
Balance as at 30 September 2008	<u>256,892</u>	<u>153,444</u>

7. Investments in subsidiary companies

(Unit: Thousand Baht)

Company's name	Separate financial statements						
	Paid up capital	Percentage of shareholding		Investment value under cost method		Dividend received for the nine-month period ended	
		30 September 2008	31 December 2007	30 September 2008	31 December 2007	30 September 2008	30 September 2007
	<u>2008</u>	Percent	Percent	2008	2007	2008	2007
Hana Trading Company Limited	250	-	100	-	4,000	-	-
Hana Semiconductor (BKK) Company Limited	1,000,000	100	100	1,011,100	1,011,100	300,000	370,000
Omac Sales Limited	325	100	100	273,492	273,492	-	-
Hana Microelectronics International Company Limited	-	100	100	-	-	-	-
Hana Microelectronics Investment Company Limited	-	100	100	-	-	-	-
Hana Technologies Group Limited	-	100	100	-	-	-	-
Hana Semiconductor Investments Company Limited	4	-	100	-	4	-	-
Hana Semiconductor (Ayutthaya) Company Limited	1,200,000	58	58	2,142,910	2,142,910	140,000	192,500
Total investments in subsidiary companies				<u>3,427,502</u>	<u>3,431,506</u>	<u>440,000</u>	<u>562,500</u>

On 21 December 2007, the Extraordinary General Meeting of shareholders of Hana Trading Company Limited, a subsidiary company, passed a special resolution to dissolve the subsidiary and the subsidiary filed for deregistration with the Ministry of Commerce on 7 January 2008 and registered for liquidation on 2 July 2008. The Company received return on its investment in this subsidiary of Baht 0.8 million.

(Unaudited but reviewed)

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

8. Property, plant and equipment

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

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 31 December 2007	5,566,939	1,531,455
Acquisitions during the period - at cost	909,151	224,234
Construction in progress transferred in during the period	402,511	145,460
Construction in progress transferred out during the period	(402,511)	(145,460)
Disposals during the period - net book value at disposal date	(2,823)	(1,242)
Depreciation for the period	(712,151)	(172,792)
Allowance for impairment during the period	(773)	(773)
Translation adjustment	117,626	-
Net book value as at 30 September 2008	<u>5,877,969</u>	<u>1,580,882</u>

9. Share capital

Issued and paid-up capital

During the current period, 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 30 September 2008 to be Baht 830,474,960 (830,474,960 ordinary shares of Baht 1 each).

10. Warrants

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

11. Earnings per share

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

Diluted earnings per share is calculated by dividing net income for the period by the weighted average number of ordinary shares in issue during the period plus the weighted average number of ordinary shares which would need to be issued to convert of all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

(Unaudited but reviewed)

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

Consolidated financial statements					
For the three-month periods ended 30 September					
Net income		Weighted average number of ordinary shares		Earnings per share	
2008	2007	2008	2007	2008	2007
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
Basic earnings per share					
Net income attributable to equity holders of the parent					
580,267	1,033,651	830,475	830,232	0.70	1.25
Effect of dilutive potential ordinary shares					
Warrants to the directors and employees of the Company 25,956,100 units (2007: 28,777,800 units)					
-	-	-	1,045		
Diluted earnings per share					
(Net income of ordinary shareholders assuming the exercise of warrants)					
Net income attributable to equity holders of the parent					
580,267	1,033,651	830,475	831,277	0.70	1.24

Consolidated financial statements					
For the nine-month periods ended 30 September					
Net income		Weighted average number of ordinary shares		Earnings per share	
2008	2007	2008	2007	2008	2007
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
Basic earnings per share					
Net income attributable to equity holders of the parent					
1,573,818	1,835,790	830,435	828,590	1.90	2.22
Effect of dilutive potential ordinary shares					
Warrants to the directors and employees of the Company 25,956,100 units (2007: 28,777,800 units)					
-	-	-	1,149		
Diluted earnings per share					
(Net income of ordinary shareholders assuming the exercise of warrants)					
Net income attributable to equity holders of the parent					
1,573,818	1,835,790	830,435	829,739	1.90	2.21

(Unaudited but reviewed)

Separate financial statements					
For the three-month periods ended 30 September					
Net income		Weighted average number of ordinary shares		Earnings per share	
2008	2007	2008	2007	2008	2007
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
Basic earnings per share					
Net income attributable to equity holders of the parent					
281,795	183,812	830,475	830,232	<u>0.34</u>	<u>0.22</u>
Effect of dilutive potential ordinary shares					
Warrants to the directors and employees of the Company 25,956,100 units (2007: 28,777,800 units)					
-	-	-	1,045		
Diluted earnings per share (Net income of ordinary shareholders assuming the exercise of warrants)					
Net income attributable to equity holders of the parent					
<u>281,795</u>	<u>183,812</u>	<u>830,475</u>	<u>831,277</u>	<u>0.34</u>	<u>0.22</u>

Separate financial statements					
For the nine-month periods ended 30 September					
Net income		Weighted average number of ordinary shares		Earnings per share	
2008	2007	2008	2007	2008	2007
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
Basic earnings per share					
Net income attributable to equity holders of the parent					
1,119,771	951,983	830,435	828,590	<u>1.35</u>	<u>1.15</u>
Effect of dilutive potential ordinary shares					
Warrants to the directors and employees of the Company 25,956,100 units (2007: 28,777,800 units)					
-	-	-	1,149		
Diluted earnings per share (Net income of ordinary shareholders assuming the exercise of warrants)					
Net income attributable to equity holders of the parent					
<u>1,119,771</u>	<u>951,983</u>	<u>830,435</u>	<u>829,739</u>	<u>1.35</u>	<u>1.15</u>

For the three-month and nine-month periods ended 30 September 2008, the warrants were excluded from the calculation of the potential ordinary shares since their exercise price exceeds the weighted average fair value of the ordinary shares of the Company.

(Unaudited but reviewed)

12. Financial information by segment

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

(Unit: Million Baht)

	Consolidated for the three-month periods ended 30 September							
	Domestic		Foreign		Eliminated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	3,144	3,185	917	912	-	-	4,061	4,097
Intersegment revenues	101	96	1,187	1,185	(1,288)	(1,281)	-	-
Total revenues	<u>3,245</u>	<u>3,281</u>	<u>2,104</u>	<u>2,097</u>	<u>(1,288)</u>	<u>(1,281)</u>	<u>4,061</u>	<u>4,097</u>
Segment income	640	629	185	168			825	797
Unallocated income and expenses:								
Gain on sale of investment in an associate							-	504
Bad debt recovery							-	29
Other income							63	89
Gain (loss) on exchange							(14)	9
Selling and administrative expenses							(252)	(200)
Loss on cease of operation of a subsidiary							(4)	-
Provision for loss on tax assessment							-	(150)
Guarantee expense							-	(15)
Income before interest expense and corporate income tax							618	1,063
Interest expenses							-	(1)
Corporate income tax							(38)	(28)
Net income for the period							<u>580</u>	<u>1,034</u>

(Unaudited but reviewed)

(Unit: Million Baht)

Consolidated for the nine-month periods ended 30 September								
	Domestic		Foreign		Eliminated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	8,943	9,196	2,718	2,435	-	-	11,661	11,631
Intersegment revenues	323	213	3,461	3,487	(3,784)	(3,700)	-	-
Total revenues	<u>9,266</u>	<u>9,409</u>	<u>6,179</u>	<u>5,922</u>	<u>(3,784)</u>	<u>(3,700)</u>	<u>11,661</u>	<u>11,631</u>
Segment income	1,527	1,454	492	408			2,019	1,862
Unallocated income and expenses:								
Gain on sale of investment in an associate							-	504
Bad debt recovery							-	29
Other income							229	221
Gain on exchange							87	116
Selling and administrative expenses							(665)	(663)
Loss on cease of operation of a subsidiary							(4)	-
Provision for loss on tax assessment							-	(150)
Guarantee expense							-	(15)
Income before interest expense and corporate income tax							1,666	1,904
Interest expenses							-	(2)
Corporate income tax							(92)	(66)
Net income for the period							<u>1,574</u>	<u>1,836</u>

13. Dividend paid

During the nine-month periods ended 30 September 2008 and 2007, the Company and its subsidiaries had dividend payments as follows:

	Approved by	Total Dividends	Dividend per share
		Thousand Baht	Baht
<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	1.30
<u>For the year 2007</u>			
Dividends on 2006 income	Annual General Meeting of the shareholders on 30 April 2007	827,125	1.00

(Unaudited but reviewed)

	Approved by	Total Dividends	Dividend per share
		Thousand Baht	Baht
<u>Subsidiary companies</u>			
Hana Semiconductor (BKK) Company Limited			
<u>For the year 2008</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 30 April 2008	150,000	1.50
Interim dividend in respect of the income for the period from 1 January 2008 to 30 April 2008	Meeting of the Board of Directors on 6 May 2008	150,000	1.50
Total for the year 2008		300,000	3.00
<u>For the year 2007</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 30 April 2007	170,000	1.70
Interim dividend in respect of the income for the period from 1 January 2007 to 30 April 2007	Meeting of the Board of Directors on 21 May 2007	100,000	1.00
Interim dividend in respect of the income for the period from 1 January 2007 to 30 June 2007	Meeting of the Board of Directors on 6 September 2007	100,000	1.00
Total for the year 2007		370,000	3.70
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	2.00
<u>For the year 2007</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 27 April 2007	330,000	2.75

14. Commitments and contingencies

14.1 Capital commitments

As at 30 September 2008, the Company and its subsidiaries had capital commitments for the constructions of factory buildings and acquisitions of machinery of approximately USD 4 million or equivalent to Baht 140 million.

14.2 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.

14.3 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.

14.4 Guarantees

As at 30 September 2008, there were outstanding bank guarantees of approximately Baht 182 million (the Company only: Baht 154 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business of the Company and the subsidiaries, the amount of which included guarantee for the tax assessment made by the Revenue Department as discussed in Note 14.5.

14.5 Tax assessment and litigation

- a) During the year 2003, the Company received a notification of a corporate income tax assessment for the year 1997 from the Revenue Department for not allocating interest expenses and loss on exchange rate of loans to the promoted operations, causing the under recording of corporate income tax for the year 1997, which together with related penalty and surcharge amounted to Baht 150 million. The Company did not agree with the assessment and appealed it to the Tax Tribunal. In November 2007, the Tax Tribunal rejected the appeal. Currently, the Company is in the process of appealing to the Tax Court. However, the Company has recorded provision for loss on tax assessment of approximately Baht 150 million and has placed a bank guarantee as security against the assessment.
- b) As at 31 December 2006, the Company had contingent liabilities from legal action which the Company disputed concerning the Company's purported obligations with regards to the liabilities of a former related company. The Company made full provision for estimated maximum payment in event of an unfavorable ruling by the court for approximately USD 1 million or equivalent Baht 31 million together with legal cost and interest at the rate of 10% per annum. In February 2008, the Company had made settlement agreement and general release for this case in which the Company already paid for such guarantee expenses of Baht 7.9 million. The Company had therefore reversed the remaining guarantee expenses of Baht 25.5 million as income in the income statement for the nine-month period ended 30 September 2008.

(Unaudited but reviewed)

15. Financial instruments

As at 30 September 2008, the Company and its subsidiary had outstanding forward exchange contracts, of which details are presented below.

<u>Sell amount</u>	<u>Maturity date</u>	<u>Contractual exchange rate per contracts</u>
(Million USD)		(Baht per foreign currency unit)
<u>The Company</u>		
20	30 December 2008	33.5700
20	30 December 2008	32.8750
<u>Subsidiary company</u>		
Hana Microelectronics International Company Limited		
10	22 July 2009	33.5400

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

<u>Linked asset</u>	<u>Notional amount</u>	<u>Maturity date</u>	<u>Yield to maturity</u>	<u>Fair value gain (loss)</u>
	(Million USD)		(Percent)	(Million Baht)
1-Year South Korean				
government bond	1	23 March 2009	1.40	(0.13)
2-Year China				
government bond	1	26 February 2010	1.05	3.61

16. Reclassification

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

17. Subsequent event

On 7 October 2008, the meeting of the Company's Board of Directors passed a resolution approving a share repurchase program, with amount of not more than Baht 1,600 million, in order to manage the Company's excess liquidity and to increase earnings per share to shareholders. Not more than 83 million shares, equivalent to 9.99% of total issued and paid-up shares of the Company, are to be repurchased and these shares are to be purchased from 22 October 2008 to 22 April 2009. The conditions and period to resale the treasury shares shall be determined by the Board of Directors, after 6 months from the date of completion the reacquisition of shares and not more than 3 years.

Cumulative numbers of shares repurchased up to 29 October 2008 are 240,000 shares of Baht 2,577,000, or equivalent to 0.03% of the total issued and paid-up shares of the Company.

18. Approval of interim financial statements

These interim financial statements were authorised for issue by the board of directors of the Company on 14 November 2008.