

Hana Microelectronics Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2009 and 2008

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 2009 and 2008, 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 an overseas subsidiary company, whose financial statements are included in the consolidated financial statements. This subsidiary company had the total assets as at 31 December 2009 of approximately Baht 231 million, representing 2 percent of the consolidated total (2008: Baht 232 million, representing 2 percent of the consolidated total) and total revenues for the year then ended of approximately Baht 104 million, representing 1 percent of the consolidated total (2008: Baht 126 million, representing 1 percent of the consolidated total). The financial statements of this subsidiary company were audited by the auditor of this subsidiary company and I had obtained the reports from its auditor. My opinion, insofar as it related to any amounts and particulars included for this subsidiary company, was based solely upon the reports of the other auditor.

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 auditor, 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 2009 and 2008, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited
Bangkok: 23 February 2010

Hana Microelectronics Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Assets					
Current assets					
Cash and cash equivalents	6	4,272,065,032	4,316,298,028	902,743,530	610,860,207
Short-term investments - net	8	1,729,128,825	362,624,083	-	-
Trade accounts receivable					
Subsidiary companies	7, 9	-	-	20,880,768	23,130,836
Other companies - net	9	2,293,059,875	1,540,272,213	1,052,953,820	495,876,686
Trade accounts receivable - net		2,293,059,875	1,540,272,213	1,073,834,588	519,007,522
Inventories - net	10	1,756,823,504	2,060,582,235	527,897,418	788,892,584
Other current assets					
Advances		8,717,817	22,110,159	558,722	10,003,985
Input tax refundable		28,093,285	41,962,825	6,311,780	5,101,548
Income tax refundable		8,136,856	19,411,601	8,136,856	19,411,601
Others		61,210,454	53,230,380	12,681,164	9,086,685
Total other current assets		106,158,412	136,714,965	27,688,522	43,603,819
Total current assets		10,157,235,648	8,416,491,524	2,532,164,058	1,962,364,132
Non-current assets					
Investments in subsidiary companies	11	-	-	3,427,501,838	3,427,501,838
Other long-term investment		97,000	97,000	97,000	97,000
Property, plant and equipment - net	12	5,605,406,696	5,874,216,967	1,558,823,046	1,578,017,533
Intangible assets - net	13	16,414,386	18,617,162	3,461,499	3,179,693
Other non-current assets		31,746,870	2,188,367	1,328,750	1,328,750
Total non-current assets		5,653,664,952	5,895,119,496	4,991,212,133	5,010,124,814
Total assets		15,810,900,600	14,311,611,020	7,523,376,191	6,972,488,946

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 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Liabilities and shareholders' equity					
Current liabilities					
Short-term loan from financial institution	14	43,906,080	-	-	-
Trade accounts payable					
Subsidiary companies	7	-	-	19,778,378	33,211,536
Other companies		1,506,486,045	1,087,988,180	559,629,383	387,032,570
Total trade accounts payable		1,506,486,045	1,087,988,180	579,407,761	420,244,106
Advances received from subsidiary company	7	-	-	74	74
Short-term provisions					
Provision for loss on tax assessment	25.5	150,465,664	150,465,664	150,465,664	150,465,664
Provision for product warranty		173,002,377	151,951,401	-	-
Others		9,276,526	10,779,847	-	-
Total short-term provisions		332,744,567	313,196,912	150,465,664	150,465,664
Other current liabilities					
Other payable		512,109,568	140,591,070	42,600,033	17,876,367
Accrued expenses		151,780,909	156,440,510	22,941,621	27,985,286
Corporate income tax payable		108,304,631	70,103,655	88,538,735	40,783,989
Advances received from customers		114,606,139	109,934,299	9,216,145	11,671,943
Others		34,676,389	35,878,399	13,724,729	21,529,604
Total other current liabilities		921,477,636	512,947,933	177,021,263	119,847,189
Total current liabilities		2,804,614,328	1,914,133,025	906,894,762	690,557,033
Total liabilities		2,804,614,328	1,914,133,025	906,894,762	690,557,033

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 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Shareholders' equity					
Share capital					
Registered					
1,000,000,000 ordinary shares of Baht 1 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid-up					
830,474,960 ordinary shares of Baht 1 each		830,474,960	830,474,960	830,474,960	830,474,960
Share premium		1,723,218,982	1,723,218,982	1,723,218,982	1,723,218,982
Unrealised gain (loss) - revaluation gain (deficit) on					
change in value of investments	8	68,996,217	(24,799,189)	-	-
Translation adjustment		(14,397,097)	310,585,278	-	-
Retained earnings					
Appropriated - statutory reserve	16	320,218,399	322,419,837	100,000,000	100,000,000
Appropriated - reserve for treasury shares	17	262,987,260	41,036,725	262,987,260	41,036,725
Unappropriated		10,077,774,811	9,390,553,682	3,962,787,487	3,628,237,971
Excess of cost of investments over net book					
value of the subsidiary companies	24	-	(154,975,555)	-	-
Total shareholders' equity		<u>13,269,273,532</u>	<u>12,438,514,720</u>	<u>6,879,468,689</u>	<u>6,322,968,638</u>
Treasury shares	17	<u>(262,987,260)</u>	<u>(41,036,725)</u>	<u>(262,987,260)</u>	<u>(41,036,725)</u>
Total shareholders' equity - net		<u>13,006,286,272</u>	<u>12,397,477,995</u>	<u>6,616,481,429</u>	<u>6,281,931,913</u>
Total liabilities and shareholders' equity		<u>15,810,900,600</u>	<u>14,311,611,020</u>	<u>7,523,376,191</u>	<u>6,972,488,946</u>
		-	-	-	-

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

Directors

Hana Microelectronics Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Revenues					
Sales		13,457,941,436	15,105,711,728	5,748,316,268	5,648,568,190
Other income					
Interest income		82,548,448	76,705,010	4,840,542	7,372,306
Gain on exchange		139,173,583	75,924,455	-	-
Dividend income		42,421,726	18,000	621,558,000	440,017,998
Reversal of guarantee expenses	25.5	-	25,471,539	-	25,471,539
Others		213,589,941	229,156,678	53,074,706	60,473,132
Total other income		477,733,698	407,275,682	679,473,248	533,334,975
Total revenues		13,935,675,134	15,512,987,410	6,427,789,516	6,181,903,165
Expenses					
Cost of sales		10,956,720,032	12,544,342,939	4,557,890,554	4,611,322,354
Selling expenses		159,263,314	178,578,317	26,941,333	29,817,389
Administrative expenses		520,097,503	636,182,880	136,889,339	121,731,350
Management benefit expenses	7	73,934,619	84,264,221	7,561,925	12,207,307
Loss on exchange		-	-	42,825,558	22,512,938
Other expenses		46,752,961	26,840,913	-	-
Total expenses		11,756,768,429	13,470,209,270	4,772,108,709	4,797,591,338
Operating income		2,178,906,705	2,042,778,140	1,655,680,807	1,384,311,827
Gain (loss) on liquidation of subsidiary companies	11	28,543,180	(3,755,548)	-	(3,191,757)
Income before finance cost and corporate income tax		2,207,449,885	2,039,022,592	1,655,680,807	1,381,120,070
Finance cost		(6,784,291)	(6,076,838)	(1,975,042)	(2,037,061)
Income before corporate income tax		2,200,665,594	2,032,945,754	1,653,705,765	1,379,083,009
Corporate income tax		(157,710,021)	(123,395,957)	(116,195,922)	(55,416,632)
Net income for the year		2,042,955,573	1,909,549,797	1,537,509,843	1,323,666,377
Net income attributable to:					
Equity holders of the parent		2,042,955,573	1,909,549,797	1,537,509,843	1,323,666,377
Earnings per share					
20					
Basic earnings per share					
Net income attributable to equity holders of the parent (Baht)		2.53	2.30	1.90	1.59
Weighted average number of ordinary shares (shares)		808,585,721	830,133,221	808,585,721	830,133,221

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

Hana Microelectronics Public Company Limited and its subsidiaries

Cash flow statements

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Cash flows from operating activities				
Net income before tax	2,200,665,594	2,032,945,754	1,653,705,765	1,379,083,009
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation	1,005,338,368	961,730,829	251,772,621	231,385,981
Amortisation expenses	3,154,162	2,437,649	365,584	311,795
Doubtful accounts (reversal)	(6,637,530)	5,444,051	-	-
Loss from obsolete and slow moving inventories (reversal)	(17,801,167)	87,166,166	9,635,529	99,023,226
Loss (gain) on disposals of equipment	831,784	(320,555)	2,308,814	(73,357)
Loss from impairment of assets	12,714,020	772,798	12,714,020	772,798
Short-term provisions	33,770,406	26,840,913	-	-
Reversal of guarantee expenses	-	(25,471,539)	-	(25,471,539)
Loss (gain) on liquidation of subsidiary companies	(28,543,180)	3,755,548	-	3,191,757
Gain on sales of short-term investments	(13,841,697)	-	-	-
Revaluation loss (gain) on investments in securities held for trading	(49,319,459)	5,156,400	-	-
Unrealised gain on exchange	(6,662,736)	(29,865,817)	(3,072,768)	(847,494)
Unrealised loss on forward contracts	9,674,206	17,014,103	-	4,704,000
Dividend income from subsidiary companies	-	-	(621,000,000)	(439,999,998)
Dividend income from other companies	(42,421,726)	(18,000)	(558,000)	(18,000)
Interest income from short-term investments	(43,125,798)	-	-	-
Interest expenses	539,330	3,003	-	165,903
Income from operating activities before changes in operating assets and liabilities	3,058,334,577	3,087,591,303	1,305,871,565	1,252,228,081
Operating assets (increase) decrease				
Trade accounts receivable	(741,703,184)	897,624,331	(550,560,644)	417,437,412
Inventories	321,559,898	57,603,092	251,359,637	(234,121,193)
Other current assets	959,933	33,612,548	(10,309,816)	14,010,510
Other non-current assets	38,745	342,359	-	-
Operating liabilities increase (decrease)				
Trade accounts payable	423,086,418	(439,333,481)	157,750,776	(62,994,807)
Accrued expenses	(4,801,307)	29,431,773	(5,185,371)	(2,137,177)
Advances received from customers	8,429,404	7,200,471	(1,711,126)	(10,930,197)
Other current liabilities	(27,332,338)	(6,121,696)	(7,804,875)	230,301
Cash from operating activities	3,038,572,146	3,667,950,700	1,139,410,146	1,373,722,930
Cash paid for interest expenses	(539,330)	(3,003)	-	(3,003)
Cash paid for corporate income tax	(106,381,698)	(122,206,337)	(55,313,824)	(57,347,448)
Net cash from operating activities	2,931,651,118	3,545,741,360	1,084,096,322	1,316,372,479

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

Hana Microelectronics Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Cash flows from investing activities				
Increase in short-term investments	(1,357,187,796)	(392,579,672)	-	-
Proceeds from sales of short-term investments	147,639,616	-	-	-
Interest income from short-term investments	43,125,798	-	-	-
Decrease in advances to subsidiaries	-	-	-	3,808,517
Return on investments from the liquidated subsidiary companies	72,403,317	-	-	811,869
Dividend income from subsidiary companies	-	-	621,000,000	439,999,998
Dividend income from other companies	42,421,726	18,000	558,000	18,000
Acquisitions of property, plant and equipment	(401,829,791)	(1,437,692,684)	(219,243,276)	(320,933,616)
Proceeds from disposals of equipment	35,988,409	7,170,877	9,079,994	1,411,215
Increase in intangible assets	(951,386)	(10,680,178)	(647,390)	(2,726,410)
Increase in other non-current assets	(29,597,248)	-	-	-
Net cash from (used in) investing activities	(1,447,987,355)	(1,833,763,657)	410,747,328	122,389,573
Cash flows from financing activities				
Increase in short-term loan from financial institution	43,906,080	-	-	-
Decrease advances from subsidiary companies	-	-	-	(385,139)
Cash received from share capital increase	-	1,210,260	-	1,210,260
Cash paid for purchase of treasury shares	(221,950,535)	(41,036,725)	(221,950,535)	(41,036,725)
Dividend paid	(981,009,792)	(1,079,353,028)	(981,009,792)	(1,079,353,028)
Net cash used in financing activities	(1,159,054,247)	(1,119,179,493)	(1,202,960,327)	(1,119,564,632)
Increase in cash and cash equivalents	324,609,516	592,798,210	291,883,323	319,197,420
Translation adjustment	(368,842,512)	337,068,524	-	-
Net increase (decrease) in cash and cash equivalents	(44,232,996)	929,866,734	291,883,323	319,197,420
Cash and cash equivalents at beginning of year	4,316,298,028	3,386,431,294	610,860,207	291,662,787
Cash and cash equivalents at end of year (Note 6)	4,272,065,032	4,316,298,028	902,743,530	610,860,207
	-	-	-	-
Supplemental cash flow information				
Non-cash related transactions from investing activities				
Net increase (decrease) in accounts payable for purchase of plant and equipment	371,518,498	(150,685,802)	24,723,666	(40,109,378)
Revaluation loss on available for sale investments	93,795,406	(24,799,189)	-	-

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2009 and 2008

(Unit: Baht)

Consolidated financial statements											
	Note	Issued and		Revaluation gain	Translation	Retained earnings			Excess of cost of investments over net book value of the subsidiary companies	Treasury shares	Total
		paid up	Share premium	(deficit) from changes in fair value of investment		Appropriated					
						Statutory reserve	Reserve for treasury shares	Unappropriated			
share capital	share capital	premium	value of investment	adjustment	Statutory reserve	Reserve for treasury shares	Unappropriated	subsidiary companies	shares	Total	
Balance as at 31 December 2007		830,405,960	1,722,077,722	-	(26,723,246)	322,301,438	-	8,601,512,037	(158,725,555)	-	11,290,848,356
Income (expenses) recognised directly in equity:											
Investments in available-for-sale securities											
Loss recognised in shareholders' equity	8	-	-	(24,799,189)	-	-	-	-	-	-	(24,799,189)
Translation adjustment		-	-	-	337,308,524	-	-	-	-	-	337,308,524
Net income (expenses) recognised directly in equity		-	-	(24,799,189)	337,308,524	-	-	-	-	-	312,509,335
Net income for the year		-	-	-	-	-	-	1,909,549,797	-	-	1,909,549,797
Total net income (expenses) for the year		-	-	(24,799,189)	337,308,524	-	-	1,909,549,797	-	-	2,222,059,132
Ordinary shares issued during the year		69,000	1,141,260	-	-	-	-	-	-	-	1,210,260
Dividend paid	23	-	-	-	-	-	-	(1,079,353,028)	-	-	(1,079,353,028)
Unappropriated retained earnings											
transferred to statutory reserve		-	-	-	-	218,399	-	(218,399)	-	-	-
transferred to treasury stock reserve	17	-	-	-	-	-	41,036,725	(41,036,725)	-	-	-
Reversal of statutory reserve from liquidation of subsidiary		-	-	-	-	(100,000)	-	100,000	-	-	-
Decrease in excess of cost of investments over net book value											
of the subsidiary companies		-	-	-	-	-	-	-	3,750,000	-	3,750,000
Treasury shares	17	-	-	-	-	-	-	-	-	(41,036,725)	(41,036,725)
Balance as at 31 December 2008		<u>830,474,960</u>	<u>1,723,218,982</u>	<u>(24,799,189)</u>	<u>310,585,278</u>	<u>322,419,837</u>	<u>41,036,725</u>	<u>9,390,553,682</u>	<u>(154,975,555)</u>	<u>(41,036,725)</u>	<u>12,397,477,995</u>

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

Consolidated financial statements											
	Note	Issued and paid up share capital	Share premium	Revaluation gain	Translation adjustment	Retained earnings			Excess of cost of investments over net book value of the subsidiary companies	Treasury shares	Total
				(deficit) from changes in fair value of investment		Appropriated		Unappropriated			
						Statutory reserve	Reserve for treasury shares				
Balance as at 31 December 2008		830,474,960	1,723,218,982	(24,799,189)	310,585,278	322,419,837	41,036,725	9,390,553,682	(154,975,555)	(41,036,725)	12,397,477,995
Income (expenses) recognised directly in equity:											
Investments in available-for-sale securities											
Gain recognised in shareholders' equity	8	-	-	93,795,406	-	-	-	-	-	-	93,795,406
Translation adjustment		-	-	-	(324,982,375)	-	-	-	-	-	(324,982,375)
Net income (expenses) recognised directly in equity		-	-	93,795,406	(324,982,375)	-	-	-	-	-	(231,186,969)
Net income for the year		-	-	-	-	-	-	2,042,955,573	-	-	2,042,955,573
Total net income (expenses) for the year		-	-	93,795,406	(324,982,375)	-	-	2,042,955,573	-	-	1,811,768,604
Dividend paid	23	-	-	-	-	-	-	(981,009,792)	-	-	(981,009,792)
Unappropriated retained earnings											
transferred to statutory reserve		-	-	-	-	489,100	-	(489,100)	-	-	-
transferred to treasury stock reserve	17	-	-	-	-	-	221,950,535	(221,950,535)	-	-	-
Reversal of statutory reserve from liquidation of subsidiary		-	-	-	-	(2,690,538)	-	2,690,538	-	-	-
Offset the excess of cost of investments over net book value of the subsidiary companies											
against retained earnings	24	-	-	-	-	-	-	(154,975,555)	154,975,555	-	-
Treasury shares	17	-	-	-	-	-	-	-	-	(221,950,535)	(221,950,535)
Balance as at 31 December 2009		<u>830,474,960</u>	<u>1,723,218,982</u>	<u>68,996,217</u>	<u>(14,397,097)</u>	<u>320,218,399</u>	<u>262,987,260</u>	<u>10,077,774,811</u>	<u>-</u>	<u>(262,987,260)</u>	<u>13,006,286,272</u>

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2009 and 2008

(Unit: Baht)

Consolidated financial statements												
	Note	Issued and		Revaluation gain	Translation	Retained earnings			Excess of cost of investments over net book value of the subsidiary companies	Treasury shares	Total	
		paid up	Share premium	(deficit) from changes in fair value of investment		Appropriated	Statutory reserve	Reserve for treasury shares				Unappropriated
Balance as at 31 December 2007		830,405,960	1,722,077,722	-	(26,723,246)	322,301,438	-	8,601,512,037	(158,725,555)	-	11,290,848,356	
Income (expenses) recognised directly in equity:												
Investments in available-for-sale securities												
Loss recognised in shareholders' equity	8	-	-	(24,799,189)	-	-	-	-	-	-	(24,799,189)	
Translation adjustment		-	-	-	337,308,524	-	-	-	-	-	337,308,524	
Net income (expenses) recognised directly in equity		-	-	(24,799,189)	337,308,524	-	-	-	-	-	312,509,335	
Net income for the year		-	-	-	-	-	-	1,909,549,797	-	-	1,909,549,797	
Total net income (expenses) for the year		-	-	(24,799,189)	337,308,524	-	-	1,909,549,797	-	-	2,222,059,132	
Ordinary shares issued during the year		69,000	1,141,260	-	-	-	-	-	-	-	1,210,260	
Dividend paid	23	-	-	-	-	-	-	(1,079,353,028)	-	-	(1,079,353,028)	
Unappropriated retained earnings												
transferred to statutory reserve		-	-	-	-	218,399	-	(218,399)	-	-	-	
transferred to treasury stock reserve	17	-	-	-	-	-	41,036,725	(41,036,725)	-	-	-	
Reversal of statutory reserve from liquidation of subsidiary		-	-	-	-	(100,000)	-	100,000	-	-	-	
Decrease in excess of cost of investments over net book value												
of the subsidiary companies		-	-	-	-	-	-	-	3,750,000	-	3,750,000	
Treasury shares	17	-	-	-	-	-	-	-	-	(41,036,725)	(41,036,725)	
Balance as at 31 December 2008		<u>830,474,960</u>	<u>1,723,218,982</u>	<u>(24,799,189)</u>	<u>310,585,278</u>	<u>322,419,837</u>	<u>41,036,725</u>	<u>9,390,553,682</u>	<u>(154,975,555)</u>	<u>(41,036,725)</u>	<u>12,397,477,995</u>	

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

Consolidated financial statements											
	Note	Issued and		Revaluation gain	Translation	Retained earnings			Excess of cost of investments over net book value of the subsidiary companies	Treasury shares	Total
		paid up	Share premium	(deficit) from changes in fair value of investment		Appropriated					
						Statutory reserve	Reserve for treasury shares	Unappropriated			
share capital	share capital	premium	value of investment	adjustment	Statutory reserve	Reserve for treasury shares	Unappropriated	subsidiary companies	shares	Total	
Balance as at 31 December 2008		830,474,960	1,723,218,982	(24,799,189)	310,585,278	322,419,837	41,036,725	9,390,553,682	(154,975,555)	(41,036,725)	12,397,477,995
Income (expenses) recognised directly in equity:											
Investments in available-for-sale securities											
Gain recognised in shareholders' equity	8	-	-	93,795,406	-	-	-	-	-	-	93,795,406
Translation adjustment		-	-	-	(324,982,375)	-	-	-	-	-	(324,982,375)
Net income (expenses) recognised directly in equity		-	-	93,795,406	(324,982,375)	-	-	-	-	-	(231,186,969)
Net income for the year		-	-	-	-	-	-	2,042,955,573	-	-	2,042,955,573
Total net income (expenses) for the year		-	-	93,795,406	(324,982,375)	-	-	2,042,955,573	-	-	1,811,768,604
Dividend paid	23	-	-	-	-	-	-	(981,009,792)	-	-	(981,009,792)
Unappropriated retained earnings											
transferred to statutory reserve		-	-	-	-	489,100	-	(489,100)	-	-	-
transferred to treasury stock reserve	17	-	-	-	-	-	221,950,535	(221,950,535)	-	-	-
Reversal of statutory reserve from liquidation of subsidiary		-	-	-	-	(2,690,538)	-	2,690,538	-	-	-
Offset the excess of cost of investments over net book value of the subsidiary companies											
against retained earnings	24	-	-	-	-	-	-	(154,975,555)	154,975,555	-	-
Treasury shares	17	-	-	-	-	-	-	-	-	(221,950,535)	(221,950,535)
Balance as at 31 December 2009		<u>830,474,960</u>	<u>1,723,218,982</u>	<u>68,996,217</u>	<u>(14,397,097)</u>	<u>320,218,399</u>	<u>262,987,260</u>	<u>10,077,774,811</u>	<u>-</u>	<u>(262,987,260)</u>	<u>13,006,286,272</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 2009 and 2008

1. General 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 operates its business in Thailand and it is principally engaged in the manufacture of electronic component Its registered address is at 10/4 Moo 3, Vibhavadi - Rangsit Road, Kwang Talad Bangkhen, Khet Laksi, Bangkok.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Hana Microelectronics Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total as at 31 December		Revenues as a percentage to the consolidated total for the year ended 31 December	
			2009	2008	2009	2008	2009	2008
			Percent	Percent	Percent	Percent	Percent	Percent
<u>Held by the Company</u>								
Hana Semiconductor (BKK) Company Limited	Manufacture of electronic components	Thailand	100	100	3	4	8	11
Omac Sales Limited	Trading of electronic components	Hong Kong	100	100	1	4	-	-
Hana Microelectronics International Company Limited	Holding company	British Virgin Islands	100	100	13	5	2	-
Hana Microelectronics Investments Company Limited	Holding company and trading of electronic components	British Virgin Islands	100	100	-	-	2	1
Hana Technologies Group Limited	Holding company	Cayman Islands	100	100	-	-	-	-
Hana Semiconductor (Ayuthaya) Company Limited	Manufacture of electronic components	Thailand	58	58	16	16	17	17
<u>Held through the subsidiary companies</u>								
Hana Semiconductor International Limited	Trading of electronics components	British Virgin Islands	100	100	4	4	18	21
Hana Semiconductor Holding Limited	Holding company	British Virgin Islands	100	100	-	-	-	-
Hana Technologies Investments Limited	Holding company	Cayman Islands	100	100	-	-	-	-
Hana Microelectronics Company Limited (Shanghai)	Liquidated	China	-	100	-	3	-	-
Hana Microdisplay Technologies, Inc.	Manufacture of electronic components	USA	100	100	2	2	1	1
Hana Microelectronics, Inc.	Agent and customer services	USA	100	100	-	-	-	-
Hana Microelectronics Enterprises Company Limited	Holding company	British Virgin Island	100	100	-	-	-	-
Hana Macao Commercial Offshore Limited	Customer services	Macao	100	100	-	-	-	-
Hana Microelectronics (Jiaxing) Company Limited	Manufacture of electronic components	China	100	100	23	26	1	1
Hana Semiconductor (Ayuthaya) Company Limited	Manufacture of electronic components	Thailand	42	42	12	11	12	12

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

3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows:

3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for the Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007) Impairment of Assets

TFRS 5 (revised 2007) Non-current Assets Held for Sale and Discontinued
Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007) and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007) and Accounting Treatment Guidance for Leasehold Right do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company, while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Interest income

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

Rental income

Rental income is recognised on an accrual basis.

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

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

Allowance for diminution in inventory value is set up for obsolete, slow-moving or deteriorated inventories.

4.5 Investments

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

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand and the Stock Exchange in foreign countries.

4.6 Property, plant and equipment and depreciation

Property is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the estimated useful lives as follows:

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

Depreciation is included in determining income.

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

4.7 Intangible assets

Intangible assets are measured at cost on the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

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

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

4.8 Related party transactions

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

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

4.9 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

4.10 Impairment of assets

At each reporting date, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

4.11 Employee benefits

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

4.12 Treasury share

Treasury share is stated at cost and is presented as a reduction from shareholders' equity. Gains on disposal of treasury share is determined by reference to its carrying amount and are taken to premium on treasury stock, losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock and retained earnings, consecutively.

4.13 Provisions

Provisions are recognised when the Company and the subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

In addition, its subsidiaries also record provision for product warranty, which is estimated by reference to obligation for product warranty under manufacturing contract.

4.14 Income tax

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

4.15 Derivatives - forward exchange contracts

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

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in inventory value

In determining an allowance for diminution in inventory value, the management needs to make judgment in estimating loss from obsolescence and slow moving, and the reduction of net realisable value of inventories.

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of equity investments

The Company treats available-for-sale equity investments and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

Property plant and equipment and depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company’s plant and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying cost. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

6. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2009 and 2008 as reflected in the balance sheets and cash flow statements consist of the following:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash in hand and at banks	1,761,724,595	3,254,203,134	362,743,530	200,860,207
Bills of exchange	1,240,000,000	710,000,000	540,000,000	360,000,000
Fixed deposits with maturity				
not over 3 months	<u>1,270,340,437</u>	<u>352,094,894</u>	<u>-</u>	<u>50,000,000</u>
Cash and cash equivalents	<u><u>4,272,065,032</u></u>	<u><u>4,316,298,028</u></u>	<u><u>902,743,530</u></u>	<u><u>610,860,207</u></u>

7. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Separate financial statements		Transfer Pricing Policy
	<u>2009</u>	<u>2008</u>	
<u>Transactions with subsidiary companies</u>			
(eliminated from the consolidated financial statements)			
Sales of goods	182	129	Prices agreed between the parties due to the uniqueness of products sold to each customer.
Dividend income	621	440	Declared rate
Rental income	13	13	Contract price
Purchase of materials	80	296	Cost plus mark up
Purchase of fixed assets	14	12	Cost plus mark up
Service fee expenses	5	7	Rates stipulated in the agreement

As at 31 December 2009 and 2008, the balances of the accounts between the Company and those related parties are as follows:

	Separate financial statements	
	<u>2009</u>	<u>2008</u>
Trade accounts receivable - subsidiary companies		
Hana Microelectronics Investments Company Limited	13,341,319	16,189,377
Omac Sales Limited	4,219,397	1,695,073
Hana Microdisplay Technologies, Inc.	2,126,519	4,009,837
Hana Semiconductor (BKK) Company Limited	1,129,211	1,201,241
Hana Microelectronics International Company Limited	33,199	34,750
Hana Semiconductor International Limited	31,123	-
Hana Semiconductor (Ayuthaya) Company Limited	-	558
Total trade accounts receivable - subsidiary companies	20,880,768	23,130,836

(Unit: Baht)

	Separate financial statements	
	<u>2009</u>	<u>2008</u>
Trade accounts payable - subsidiary companies		
Omac Sales Limited	17,445,149	23,892,724
Hana Microelectronics, Inc.	1,037,313	2,013,609
Hana Semiconductor International Limited	586,988	3,064,309
Hana Semiconductor (Ayutthaya) Company Limited	562,992	1,031,789
Hana Microdisplay Technologies, Inc.	145,936	3,204,825
Hana Semiconductor (BKK) Company Limited	-	4,280
Total trade accounts payable - subsidiary companies	<u>19,778,378</u>	<u>33,211,536</u>
Advances from subsidiary company		
Hana Technologies Group Limited	<u>74</u>	<u>74</u>
Total advances from subsidiary company	<u>74</u>	<u>74</u>

Directors' and management's remuneration

In 2009, the Company and its subsidiaries paid salaries, bonus, meeting allowances and gratuities to their directors and management totaling Baht 73.9 million (the Company only: Baht 7.6 million) (2008: Baht 84.3 million, the Company only: Baht 12.2 million).

8. Short-term Investments

(Unit: Baht)

	Consolidated financial statements			
	31 December 2009		31 December 2008	
	Cost/ Carrying value	Fair value	Cost/ Carrying value	Fair value
Securities held for trading				
Overseas marketable equity securities	33,388,952	33,420,138	34,956,375	28,351,334
Domestic marketable equity securities	41,361,059	85,252,579	11,083,002	12,084,279
Credit linked note	33,388,952	33,181,941	34,956,375	34,956,375
Total	108,138,963	151,854,658	80,995,752	75,391,988
Less: Revaluation gain (deficit) on investments	43,715,695	-	(5,603,764)	-
Securities held for trading - net	151,854,658	151,854,658	75,391,988	75,391,988
Available-for-sale securities				
Overseas marketable corporate bonds	1,221,503,855	1,279,251,463	247,478,253	219,398,898
Quoted bonds	286,774,095	298,022,704	64,553,031	67,833,197
Total	1,508,277,950	1,577,274,167	312,031,284	287,232,095
Less: Revaluation gain (deficit) on investments	68,996,217	-	(24,799,189)	-
Available-for-sale securities - net	1,577,274,167	1,577,274,167	287,232,095	287,232,095
Total short-term investments - net	1,729,128,825	1,729,128,825	362,624,083	362,624,083

8.1 Securities held for trading

Since the third quarter of 2008, Hana Microelectronics International Company Limited, an overseas subsidiary company, had invested in mutual fund of a company listed on the Stock Exchange of Cayman Island, warrants and shares of a company listed on the Stock Exchange of Thailand (SET), including the Credit linked note through an overseas bank. These investments are held for trading purpose. During the current year, this subsidiary company additionally invested in shares of a company listed on the SET and sold the entire amount of warrants and partial shares invested in previous year, resulting in gain of HKD 2.6 million or equivalent to approximately Baht 11.6 million. In addition, the subsidiary had redeemed the Credit linked note invested in the previous year, resulting in gain of HKD 0.4 million or equivalent to Baht 1.7 million and invested in a new Credit linked note through an overseas bank.

As at 31 December 2009, the subsidiary had assessed the fair value of the equity securities for mutual fund and the remaining shares by referring to latest bid price as quoted on the Stock Exchange and for Credit linked note by referring to the value quoted by the bank, in which the fair value had increased by HKD 11.4 million or equivalent to approximately Baht 49.3 million. The changes in the fair value of these investments were recognised in the income statement during the year.

As at 31 December 2009, investments in securities held for trading of HKD 117 million, or equivalent to Baht 518 million, were used as security for short-term loan from financial institution as discussed in Note 14.

8.2 Available-for-sale securities

In addition, this subsidiary had invested in private corporate bonds issued by various companies listed on the overseas Stock Exchanges and quoted bonds through the three overseas banks. These investments are classified as available-for-sale investments. During the current year, the subsidiary additionally invested in both listed corporate bonds and quoted bonds through the three overseas banks and sold some of the bonds, resulting in gain of HKD 0.5 million or equivalent to approximately Baht 2.2 million.

As at December 31 2009, the subsidiary had assessed the fair value of the bonds by referring to the value quoted by Bloomberg in which the fair value had increased by HKD 21.5 million or equivalent to approximately Baht 93.8 million. The changes in the fair value of such bonds are shown as a separate item in the statement of changes in shareholders' equity.

9. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2009 and 2008, aged on the basis of due dates, are summarised below.

Age of receivable	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Accounts receivable - subsidiary companies</u>				
Not yet due	-	-	15,260,329	5,401,034
Past due				
Up to 3 months	-	-	4,325,251	16,316,484
3 - 6 months	-	-	593,365	919,421
6 - 12 months	-	-	436,316	261,489
Over 12 months	-	-	265,507	232,408
Total accounts receivable - subsidiary companies	-	-	20,880,768	23,130,836
<u>Accounts receivable - other companies</u>				
Not yet due	1,922,022,037	954,069,714	964,057,273	394,339,208
Past due				
Up to 3 months	359,036,611	560,700,996	88,631,874	101,528,429
3 - 6 months	9,381,923	30,274,195	264,293	9,049
6 - 12 months	3,265,939	7,013,470	380	-
Over 12 months	5,768,275	1,266,278	-	-
Total accounts receivable - other companies	2,299,474,785	1,553,324,653	1,052,953,820	495,876,686
Less: Allowance for doubtful accounts	(6,414,910)	(13,052,440)	-	-
Total trade accounts receivable - other companies - net	2,293,059,875	1,540,272,213	1,052,953,820	495,876,686
Total trade accounts receivable - net	<u>2,293,059,875</u>	<u>1,540,272,213</u>	<u>1,073,834,588</u>	<u>519,007,522</u>

10. Inventories

(Unit: Baht)

Consolidated financial statements										
Allowance for diminution in inventory value										
	Cost		Reduction cost to				Inventories - net			
	2009	2008	net realisable value		Damaged inventories		Slow-moving inventories		2009	2008
Finished goods	499,262,249	743,437,107	-	-	(139,438,485)	(152,610,995)	(1,040,394)	(1,023,092)	358,783,370	589,803,020
Work in process	225,926,393	139,879,648	-	(35,226,645)	-	-	-	-	225,926,393	104,653,003
Raw materials	1,201,808,686	1,387,701,189	-	-	(34,099,223)	(61,249,470)	(66,490,631)	(43,986,343)	1,101,218,832	1,282,465,376
Goods in transit	70,894,909	83,660,836	-	-	-	-	-	-	70,894,909	83,660,836
Total	1,997,892,237	2,354,678,780	-	(35,226,645)	(173,537,708)	(213,860,465)	(67,531,025)	(45,009,435)	1,756,823,504	2,060,582,235

(Unit: Baht)

Separate financial statements										
Allowance for diminution in inventory value										
	Cost		Reduction cost to				Inventories - net			
	2009	2008	net realisable value		Damaged inventories		Slow-moving inventories		2009	2008
Finished goods	249,766,034	357,898,543	-	-	(138,418,731)	(151,494,992)	(644,692)	(384,347)	110,702,611	206,019,204
Work in process	85,472,823	48,136,024	-	-	-	-	-	-	85,472,823	48,136,024
Raw materials	391,431,140	578,023,373	-	-	(29,942,102)	(27,655,266)	(38,610,925)	(18,446,316)	322,878,113	531,921,791
Goods in transit	8,843,871	2,815,565	-	-	-	-	-	-	8,843,871	2,815,565
Total	735,513,868	986,873,505	-	-	(168,360,833)	(179,150,258)	(39,255,617)	(18,830,663)	527,897,418	788,892,584

11. Investments in subsidiary companies

(Unit: Baht)

Company's name	Separate financial statements							
	Paid up capital		Shareholding percentage		Cost		Dividend received for the year ended 31 December	
	2009	2008	2009 Percent	2008 Percent	2009	2008	2009	2008
Hana Semiconductor (BKK) Company Limited	1,000,000,000	1,000,000,000	100	100	1,011,100,000	1,011,100,000	320,000,000	300,000,000
Omac Sales Limited	325,375	325,375	100	100	273,491,816	273,491,816	-	-
Hana Microelectronics International Company Limited	51	51	100	100	51	51	-	-
Hana Microelectronics Investment Company Limited	51	51	100	100	111	111	-	-
Hana Technologies Group Limited	74	74	100	100	74	74	-	-
Hana Semiconductor (Ayuthaya) Company Limited	1,200,000,000	1,200,000,000	58	58	2,142,909,786	2,142,909,786	301,000,000	139,999,998
Total investments in subsidiary companies					<u>3,427,501,838</u>	<u>3,427,501,838</u>	<u>621,000,000</u>	<u>439,999,998</u>

11.1 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.

11.2 On 1 May 2008, the two overseas subsidiaries which are Hana Semiconductor Investments Limited and Hana Semiconductor Enterprises Company Limited, had ceased their operations and had terminated their license with the BVI Government Register. The Company incurred loss on investments under equity method of approximately Baht 3.8 million, which was included in the 2008 consolidated income statement (under cost method in the separate income statement: loss of Baht 3.2 million).

11.3 During the current year, Hana Microelectronics Company Limited (Shanghai), a subsidiary company of Hana Microelectronics Investment Company Limited, registered for liquidation. Hana Microelectronics Investment Company Limited received return on its investment in this subsidiary of USD 12.2 million or equivalent to approximately Baht 416.0 million, resulting in gain on investment under equity method of approximately Baht 28.5 million, which was included in the 2009 consolidated income statement.

12. Property, plant and equipment

(Unit: Baht)

Consolidated financial statements										
	Land	Building	Leasehold improvement	Installation	Machinery and equipment	Office furniture and equipment	Vehicles	Others	Construction in progress and machinery under installation	Total
Cost										
31 December 2008	168,027,175	1,726,848,039	151,826,198	508,624,426	8,115,356,928	411,494,680	60,671,722	15,198,360	276,436,171	11,434,483,699
Additions	-	10,604,938	224,984	14,514,631	527,714,465	27,105,150	2,272,207	-	273,800,113	856,236,488
Disposals	(10,649,925)	(166,627)	(11,524,317)	-	(42,936,756)	(1,076,718)	(8,615,260)	(15,198,360)	(11,941,127)	(102,109,090)
Transfer in (out)	-	123,385,299	-	11,983,591	218,810,184	1,471,164	1,743,360	-	(357,393,598)	-
Translation adjustment	-	(24,970,182)	(2,172,633)	-	(73,365,291)	(2,506,635)	(734,103)	-	(1,551,522)	(105,300,366)
31 December 2009	157,377,250	1,835,701,467	138,354,232	535,122,648	8,745,579,530	436,487,641	55,337,926	-	179,350,037	12,083,310,731
Accumulated depreciation										
31 December 2008	-	430,120,772	118,472,674	319,313,121	4,223,367,951	314,278,118	33,181,140	15,198,360	-	5,453,932,136
Depreciation for the year	-	89,587,501	6,048,633	38,021,656	825,730,807	36,757,334	9,192,437	-	-	1,005,338,368
Accumulated depreciation for disposed assets	-	(166,627)	(11,524,316)	-	(18,800,200)	(887,654)	(6,770,603)	(15,198,360)	-	(53,347,760)
Translation adjustment	-	(4,392,761)	(1,356,230)	-	(24,359,985)	(1,649,229)	(359,665)	-	-	(32,117,870)
31 December 2009	-	515,148,885	111,640,761	357,334,777	5,005,938,573	348,498,569	35,243,309	-	-	6,373,804,874
Allowance for impairment loss										
31 December 2008	-	-	-	613,065	105,721,531	-	-	-	-	106,334,596
Translation adjustment	-	-	-	-	(2,235,435)	-	-	-	-	(2,235,435)
31 December 2009	-	-	-	613,065	103,486,096	-	-	-	-	104,099,161
Net book value										
31 December 2008	168,027,175	1,296,727,267	33,353,524	188,698,240	3,786,267,446	97,216,562	27,490,582	-	276,436,171	5,874,216,967
31 December 2009	157,377,250	1,320,552,582	26,713,471	177,174,806	3,636,154,861	87,989,072	20,094,617	-	179,350,037	5,605,406,696
Depreciation for the year										
2008 (Baht 834 million included in manufacturing cost, and the balance in selling and administrative expenses)										961,730,829
2009 (Baht 860 million included in manufacturing cost, and the balance in selling and administrative expenses)										1,005,338,368

(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 2008	61,643,459	683,260,289	97,165,410	126,557,584	1,677,396,797	92,698,721	18,569,825	166,971,491	2,924,263,576
Additions	-	8,549,338	-	2,826,488	29,894,974	8,720,551	-	193,975,591	243,966,942
Disposals	(10,649,925)	-	(11,524,317)	-	(8,401,728)	(8,120)	(10,000)	-	(30,594,090)
Transfer in (out)	-	120,181,157	-	9,788,195	131,444,377	-	-	(261,413,729)	-
31 December 2009	50,993,534	811,990,784	85,641,093	139,172,267	1,830,334,420	101,411,152	18,559,825	99,533,353	3,137,636,428
Accumulated depreciation									
31 December 2008	-	191,887,295	85,020,168	52,833,636	925,311,013	73,472,905	9,018,965	-	1,337,543,982
Depreciation for the year	-	38,982,993	4,858,091	10,648,673	187,180,541	7,093,568	3,008,755	-	251,772,621
Accumulated depreciation for disposed assets	-	-	(11,524,316)	-	(7,666,625)	(4,342)	(9,999)	-	(19,205,282)
31 December 2009	-	230,870,288	78,353,943	63,482,309	1,104,824,929	80,562,131	12,017,721	-	1,570,111,321
Allowance for impairment loss									
31 December 2008	-	-	-	613,065	8,088,996	-	-	-	8,702,061
31 December 2009	-	-	-	613,065	8,088,996	-	-	-	8,702,061
Net book value									
31 December 2008	61,643,459	491,372,994	12,145,242	73,110,883	743,996,788	19,225,816	9,550,860	166,971,491	1,578,017,533
31 December 2009	50,993,534	581,120,496	7,287,150	75,076,893	717,420,495	20,849,021	6,542,104	99,533,353	1,558,823,046
Depreciation for the year									
2008 (Baht 174 million included in manufacturing cost, and the balance in selling and administrative expenses)									231,385,981
2009 (Baht 187 million included in manufacturing cost, and the balance in selling and administrative expenses)									251,772,621

As at 31 December 2009, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 3,148 million (2008: Baht 2,725 million) and for the Company amounted to approximately Baht 568 million (2008: Baht 509 million).

13. Intangible assets

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

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cost	28,574,420	27,623,034	4,911,557	4,264,167
Less: Accumulated amortisation	<u>(12,160,034)</u>	<u>(9,005,872)</u>	<u>(1,450,058)</u>	<u>(1,084,474)</u>
Net book value	<u>16,414,386</u>	<u>18,617,162</u>	<u>3,461,499</u>	<u>3,179,693</u>
Amortisation expenses included in the income statements for the year	<u>3,154,162</u>	<u>2,437,649</u>	<u>365,584</u>	<u>311,795</u>

14. Short-term loan from financial institution

During the current year, Hana Microelectronics International Company Limited, an overseas subsidiary company, entered into a loan agreement with an overseas commercial bank to borrow short-term loan of HKD 10.2 million or equivalent to approximately Baht 43.9 million. The short-term loan bears interest at the rate of 4.35% per annum and is secured by the pledge of the investments held under the account of the lender by the subsidiary company.

15. Warrants

As at 31 December 2009, the outstanding warrants issued to the Company's employees and directors which remain unexercised are as follows:

Outstanding unexercised warrants	:	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

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the year ended 31 December 2009, the Company expected that the warrants will not be exercised and had excluded the warrants from the calculation of dilutive potential ordinary shares for diluted earnings per share calculation.

16. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

17. Treasury shares

As at 31 December 2009 and 2008, details of treasury shares are as follows:

	Consolidated and separate financial statements	
	<u>2009</u>	<u>2008</u>
Cost of treasury shares (Thousand Baht)	262,987	41,037
Number of treasury shares (Thousand shares)	25,596	4,477
Average price per share (Baht)	10.27	9.17
Percentage of treasury shares to the Company's shares in issue	3.08	0.54

A resolution of a meeting of the Company's Board of Directors No. 4/2551 held on 7 October 2008 approved the repurchase of shares of the Company in order to manage its excess cash, increase earnings per share and to maximise shareholder benefits, with a budget of not more than Baht 1,600 million. The repurchase shall not more than 83 million shares, equivalent to 9.99% of total issued and paid-up shares of the Company. The period of repurchase of shares is from 22 October 2008 to 22 April 2009 and these shares are to be sold after 6 months from the date of completing the repurchase of shares, but not more than 3 years. During the current year, the Company repurchased 21.12 million ordinary shares with total cost of Baht 221.95 million (2008: 4.48 million ordinary shares with total cost of Baht 41.04 million).

Under the Notification of the Office of the Securities and Exchange Commission No. Gor Lor Tor. Chor. Sor. (Wor) 2/2548 and the Notification of the Federation of Accounting Professions No. Sor. Sor Wor Bor Chor. 016/2548, public limited company is required to set aside retained earnings in an amount equal to the amount paid for treasury shares until either the shares are sold or paid-up capital is reduced by cancellation of any remaining unsold shares. During the current year, the Company has set aside Baht 221.95 million as reserve for treasury shares (2008: Baht 41.04 million). As at 31 December 2009, reserve for treasury shares amounted to Baht 262.99 million (2008: Baht 41.04 million).

18. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Raw materials and consumables used	7,643,770,510	8,834,858,000	3,507,481,000	3,559,986,000
Changes in inventories of finished goods and work in process	158,128,113	(31,424,503)	70,795,710	(53,801,563)
Salary and wages and other employee benefits	1,920,550,641	2,293,143,841	580,988,765	589,995,514
Management benefit expenses	73,934,619	84,264,221	7,561,925	12,207,307
Depreciation	1,005,338,368	961,730,829	251,772,621	231,385,981
Loss on exchange	-	-	42,825,558	22,512,938
Product warranty expenses	28,093,879	26,840,913	-	-

19. Promotional privileges

The Company and its subsidiaries have received promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment. Subject to certain imposed conditions, significant privileges are as follows:

Particulars	The Company											
	8010/2536	8036/2536	1842/2539	1341/Or/2544	1455 (1)/2544	1597(1)/2544	1091(1)/2545	1642(2)/2546	1977(2)/2547	1328(2)/2548	2138(2)/2550	1887(1)/2552
1. Certificate No.												
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	Production of PCBA	Production of Semi Conductor i.e. wireless sensor
3. The significant privilege are												
3.1 Exemption from corporate income tax on net income derived from the promoted operation and exemption from income tax on dividends paid from the promoted operations which are tax exempted 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	8 years

Particulars	The Company												
3.2 5% allowance of the increment in export income over the preceding years.	10 years (expired)	10 years (expired)	10 years (expired)	10 years	-	-	-	-	-	-	-	-	-
3.3 50 % reduction of the normal corporate income tax rate for net income derived after the expiry date in 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	5 years	5 years
3.4 Exemption from import duty on machinery as approved by the Board.	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted
3.5 2 times deduction of transportation, electricity and water expenses from the first earning operating income	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	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	2 December 2009	

Particulars	Subsidiaries									
	Hana Semiconductor (BKK) Company Limited			Hana Semiconductor (Ayutthaya) Company Limited						
1. Certificate No.	1112/2541	1492/2541	2093(6)/2548	1187/Or/2543	1154(1)/2544	1594(2)/2545	1133(4)/2548	2176(4)/2548	1817(2)/2550	1034(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) 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)	Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested)
3. The significant privilege are										
3.1 Exemption from corporate income tax on net income derived from the promoted operation and exemption from income tax on dividends paid from the promoted operations which are tax exempted throughout the period in which the corporate income tax is exempted.	-	3 years (expired)	5 years	7 years (expired)	7 years (expired)	7 years	8 years	8 years	7 years	8 years
3.2 5% allowance of the increment in export income over the preceding years.	-	10 years	-	10 years	-	-	-	-	-	-
3.3 Exemption from import duty on machinery as approved by the Board.	Granted	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	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.	Has not yet started utilising the privileges.

During the year 2009, the Company was approved by the Board of investment to cancel the promotion certificate no. 8010/2536 and 8036/2536.

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

(Unit: Baht)

	Promoted operations		Non-promoted operations		Total	
	2009	2008	2009	2008	2009	2008
Sales						
Domestic sales	133,365	3,139	69,220	1,480,998	202,585	1,484,137
Export sales	5,455,292,671	5,338,119,823	292,821,012	308,964,230	5,748,113,683	5,647,084,053
Total sales	5,455,426,036	5,338,122,962	292,890,232	310,445,228	5,748,316,268	5,648,568,190

20. Earnings per share

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

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

Weighted average number of ordinary shares

The weighted average number of ordinary shares in the consolidated and separate financial statements for the years ended 31 December 2009 and 2008 is calculated as follows:

(Unit: Shares)

	Consolidated and separate financial statements	
	2009	2008
Balance brought forward (net of treasury shares)	825,997,860	830,405,961
Add: Shares issued during the year	-	39,196
Less: Treasury shares	(17,412,139)	(311,936)
Weighted average number of ordinary shares	808,585,721	830,133,221

As at 31 December 2009, there were outstanding warrants of 20,000,000 warrants (2008: 25,956,100 warrants). However, the warrants were excluded from the calculation of potential diluted ordinary shares for diluted earnings per share calculation for the years ended 31 December 2009 and 2008 since their exercise price exceeded the weighted average fair value of the ordinary shares of the Company.

21. 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, the United States of America and China. Geographical segment information of the Company and its subsidiaries as at and for the years ended 31 December 2009 and 2008 are as follows:

(Unit: Million Baht)

	Consolidated financial statements							
	Domestic		Foreign		Eliminated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from external customers	10,640	11,555	2,818	3,551	-	-	13,458	15,106
Intersegment revenues	195	365	3,288	4,521	(3,483)	(4,886)	-	-
Total revenues	10,835	11,920	6,106	8,072	(3,483)	(4,886)	13,458	15,106
Segment income	1,949	1,952	552	610			2,501	2,562
Unallocated income and expenses:								
Other income							339	331
Gain (loss) on liquidation of subsidiary companies							29	(4)
Gain on exchange							139	76
Selling expenses							(159)	(179)
Administrative expenses							(520)	(636)
Management benefit expenses							(74)	(84)
Other expenses							(47)	(27)
Finance cost							(7)	(6)
Corporate income tax							(158)	(123)
Net income for the year							2,043	1,910

(Unit: Million Baht)

	Consolidated financial statements							
	Domestic		Foreign		Eliminated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Property, plant and equipment - net	4,011	4,058	1,594	1,816	-	-	5,605	5,874
Other assets	16,724	15,259	16,507	17,114	(23,025)	(23,935)	10,206	8,438
Total assets	20,735	19,317	18,101	18,930	(23,025)	(23,935)	15,811	14,312

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

22. Provident fund

The Company, the subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company or the subsidiaries contribute to the fund monthly at the rates of 3.0 - 7.5 percent of basic salary. The fund, which is managed by SCB Asset Management Company Limited, will be paid to employees upon terminating in accordance with the fund rules. During the year 2009, total amount of approximately of Baht 40 million (2008: Baht 36 million) had been contributed to the fund by the Company and its subsidiaries, and Baht 16 million had been contributed by the Company (2008: Baht 10 million).

23. Dividend paid

During the year 2009 and 2008, 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 2009</u>			
Dividends on 2008 income	Annual General Meeting of the shareholders on 30 April 2009	981,009,792	1.20
Total for the year 2009		<u>981,009,792</u>	<u>1.20</u>
<u>For the year 2008</u>			
Dividends on 2007 income	Annual General Meeting of the shareholders on 30 April 2008	1,079,353,028	1.30
Total for the year 2008		<u>1,079,353,028</u>	<u>1.30</u>

	Approved by	Total dividends	Dividend per share
(Unit: Baht)			
<u>Subsidiary companies</u>			
Hana Semiconductor (BKK) Company Limited			
<u>For the year 2009</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders 30 April 2009	100,000,000	1.00
Interim dividend in respect of the income for the period from 1 January 2009 to 30 April 2009	Board of Director's Meeting on 6 May 2009	220,000,000	2.20
Total for the year 2009		<u>320,000,000</u>	<u>3.20</u>
<u>For the year 2008</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders 30 April 2008	150,000,000	1.50
Interim dividend in respect of the income for the period from 1 January 2008 to 30 April 2008	Board of Director's Meeting on 6 May 2008	150,000,000	1.50
Total for the year 2008		<u>300,000,000</u>	<u>3.00</u>
Hana Semiconductor (Ayutthaya) Company Limited			
<u>For the year 2009</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 24 April 2009	516,000,000	4.30
Total for the year 2009		<u>516,000,000</u>	<u>4.30</u>
<u>For the year 2008</u>			
Dividends on the unappropriated retained earnings	Annual General Meeting of the shareholders on 25 April 2008	240,000,000	2.00
Total for the year 2008		<u>240,000,000</u>	<u>2.00</u>

24. Excess of cost of investments over net book value of the subsidiary companies

On 30 April 2009, the Annual General Meeting of the shareholders of the Company No. 16/2009 passed the resolution approving the offsetting of the excess of cost of investments over net book value of the subsidiary companies amounting to Baht 154,975,555 which the Company had already deducted in the consolidated shareholders' equity as at 31 December 2008, against the unappropriated retained earnings in the consolidated shareholders' equity. The Company recorded such transaction in the consolidated statement of changes in shareholders' equity for the year ended 31 December 2009.

25. Commitments and contingent liabilities

25.1 Capital commitments

As at 31 December 2009, the Company and its subsidiaries had capital commitment of approximately USD 11 million or equivalent to Baht 357 million, relating to the acquisitions of machinery.

25.2 Operating lease commitments

The Company and its subsidiaries operate their business in Bangkok on a leased premise, the lease agreement of which is made between the landlord and a related company. The lease is for a period as from the year 1986 up to the year 2014 with the annual lease payment of approximately Baht 0.2 million in the year 1992 and subject to an increase at the rate of 10% per annum.

25.3 Marketing supportive service agreement

Since the year 2001, the Company and four subsidiary companies entered into marketing supportive service agreement with an overseas subsidiary company. Under that agreement, the Company and the four subsidiary companies have to pay service fees to that subsidiary company at the rates stipulated in the agreement.

25.4 Guarantees

As at 31 December 2009, there were outstanding bank guarantees of approximately Baht 181 million (2008: Baht 187 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business of the Company and the subsidiaries. These included letters of guarantee amounting to Baht 144 million to be security for the tax assessment of a subsidiary company made by the Revenue Department (as discussed in Note 25.5) and Baht 36 million to guarantee electricity use and Baht 1 million among others.

25.5 Tax assessment and litigation

- a) During the year 2003, the Company received a notification of a corporate income tax assessment for the year 1997 from the Revenue Department for not allocating interest expenses and loss on exchange rate of loans to the promoted operations, causing the under recording of corporate income tax for the year 1997, which together with related penalty and surcharge amounted to Baht 150 million. The Company did not agree with the assessment and appealed it to the Tax Tribunal. In November 2007, the Tax Tribunal rejected the appeal. Currently, the Company is in the process of appealing to the Supreme Court and expects that the Supreme Court will reverse the judgment of the Central Tax Court, which will not result in any tax payment to the Company.

However, the Company has recorded provision for loss on tax assessment of approximately Baht 150 million and has placed a bank guarantee as security against the assessment.

- b) In 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 to Baht 31 million together with legal cost and interest at the rate of 10% per annum. In February 2008, the Company had made settlement agreement and general release for this case in which the Company already paid for such guarantee expenses of Baht 7.9 million. The Company had therefore reversed the remaining guarantee expenses of Baht 25.5 million as other income in the income statement for the year ended 31 December 2008.

26. Financial instruments

26.1 Financial risk management and policies

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 32 "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 and short-term loan. However, since most of their financial assets and liabilities 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 2009 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	Consolidated financial statements				
	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
	(Million Baht)				
Financial Assets					
Cash and cash equivalents	2,510	1,690	72	4,272	0.001 - 1.710
Short-term investments	1,591	19	119	1,729	1.780 - 9.378
Trade accounts receivable	-	-	2,293	2,293	-
Total financial assets	<u>4,101</u>	<u>1,709</u>	<u>2,484</u>	<u>8,294</u>	
Financial Liabilities					
Short-term loan from financial institution	-	44	-	44	4.350
Trade accounts payable	-	-	1,506	1,506	-
Total financial liabilities	<u>-</u>	<u>44</u>	<u>1,506</u>	<u>1,550</u>	
Separate financial statements					

	Fixed interest			Total	Effective interest rate
	rate within one year	Floating interest rate	Non-interest bearing		
	(Million Baht)				(% p.a.)
Financial Assets					
Cash and cash equivalents	540	362	1	903	0.25 - 1.00
Trade accounts receivable	-	-	1,074	1,074	
Total financial assets	540	362	1,075	1,977	
Financial Liabilities					
Trade accounts payable	-	-	579	579	-
Total financial liabilities	-	-	579	579	

Foreign currency risk

The Company's and the subsidiaries' exposure to foreign currency risk arise mainly from trading transactions that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts will mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2009 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2009
	(Million)	(Million)	(Baht per foreign currency unit)
US Dollar	129	49	33.3688
China Renminbi	311	44	4.8929
Singapore Dollar	1	1	23.7134

As at 31 December 2009, an overseas subsidiary company had outstanding forward exchange contracts, of which details are presented below.

Sold amount	Maturity date	Contractual exchange rate for amount sold
(Million USD)		(Baht per foreign currency unit)
10	22 January 2010	34.08
40	10 March 2010	33.14

In addition, the subsidiary company entered into the linked asset swap agreements with an overseas bank. The details of the swap agreements outstanding as at 31 December 2009 are as follows:

Linked asset	Notional amount (Million USD)	Maturity date	Yield to maturity (Percent)	Fair value gain (loss) (Million Baht)
2-Year China				
government bond	1	26 February 2010	1.05	0.27
Credit default swap -				
quoted bonds	2	20 June 2013	1.43	(0.51)

26.2 Fair value

Since the majority of the Company's and the subsidiaries' financial instruments are short-term in nature which carry floating interest rate or the interest rate close to market rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

27. Capital management

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

According to the balance sheet as at 31 December 2009, the Group's debt-to-equity ratio was 0.22:1 (2008: 0.15:1) and the Company's was 0.14:1 (2008: 0.11:1).

28. Subsequent event

On 23 February 2010, the meeting of the Board of Directors of the Company No. 1/2010 passed a resolution approving the dividend payment from the 2009 income to the Company's shareholders at Baht 1.40 per share or a total of approximately Baht 1,127 million. The dividend will be paid on 12 May 2010.

The dividend payment will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

29. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2008 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
<u>Balance sheets</u>				
Property, plant and equipment - net	5,874,216,967	5,875,208,899	1,578,017,533	1,579,009,465
Intangible assets - net	18,617,162	17,625,230	3,179,693	2,187,761
<u>Income statements</u>				
Administrative expenses	636,182,880	720,447,101	121,731,350	133,938,657
Management benefit expenses	84,264,221	-	12,207,307	-
Other expenses	26,840,913	30,596,461	-	3,191,757
Loss on liquidation of subsidiary companies	3,755,548	-	3,191,757	-

30. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 23 February 2010.