

Hana Microelectronics Public Company Limited
and its subsidiaries
Report and interim financial statements
For the three-month and six-month periods ended
30 June 2009 and 2008

Review report of Independent Auditor

To the Shareholders of Hana Microelectronics Public Company Limited

I have reviewed the accompanying consolidated balance sheet of Hana Microelectronics Public Company Limited and its subsidiaries as at 30 June 2009, the related consolidated statements of income for the three-month and six-month periods ended 30 June 2009 and 2008, and the consolidated statements of changes in shareholders' equity and cash flows for the six-month periods 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 reviews.

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 revenues for the three-month and six-month periods ended 30 June 2008 of approximately Baht 34 million and Baht 63 million, representing 1% and 1% of the consolidated total, respectively. The financial statements of this subsidiary company were reviewed by other auditor and I had 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, was based solely upon the review report of that auditor.

I conducted my reviews 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 in accordance with generally accepted auditing standards. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my reviews 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.

I have previously audited 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 2008 in accordance with generally accepted auditing standards and, based on my audit and the reports of the other auditors, expressed an unqualified opinion on those statements under my report dated 27 February 2009. The consolidated and separate balance sheets as at 31 December 2008, as presented herein for comparative purposes, formed an integral part of the financial statements which I audited and reported on. I have not performed any other audit procedures subsequent to the date of that report.

Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited
Bangkok: 13 August 2009

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
		30 June 2009 (Unaudited but reviewed)	31 December 2008 (Audited)	30 June 2009 (Unaudited but reviewed)	31 December 2008 (Audited)
Assets					
Current assets					
Cash and cash equivalents	2	3,684,723	4,316,298	475,006	610,860
Short-term investments - net	4	906,131	362,624	-	-
Trade accounts receivable	5				
Subsidiary companies	3	-	-	26,854	23,131
Other companies - net		1,944,636	1,540,272	730,715	495,877
Trade accounts receivable - net		1,944,636	1,540,272	757,569	519,008
Inventories - net	6	1,478,949	2,060,582	551,860	788,892
Other current assets					
Advances		26,349	22,110	892	10,004
Input tax refundable		25,012	41,963	3,431	5,101
Income tax refundable		19,412	19,412	19,412	19,412
Others		130,960	53,230	7,700	9,087
Total other current assets		201,733	136,715	31,435	43,604
Total current assets		8,216,172	8,416,491	1,815,870	1,962,364
Non-current assets					
Investments in subsidiary companies	7	-	-	3,427,502	3,427,502
Other long-term investment		97	97	97	97
Property, plant and equipment - net	8	5,444,250	5,875,209	1,528,215	1,579,009
Intangible assets - net	9	16,091	17,625	2,041	2,188
Other non-current assets		2,166	2,189	1,329	1,329
Total non-current assets		5,462,604	5,895,120	4,959,184	5,010,125
Total assets		13,678,776	14,311,611	6,775,054	6,972,489

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> 30 June 2009 (Unaudited but reviewed)	31 December 2008 (Audited)	30 June 2009 (Unaudited but reviewed)	31 December 2008 (Audited)
Liabilities and shareholders' equity				
Current liabilities				
Trade accounts payable				
Subsidiary companies	3	-	16,451	33,212
Other companies		1,131,759	412,577	387,032
Total trade accounts payable		1,131,759	429,028	420,244
Short-term provisions				
Provision for loss on tax assessment	16.5	150,466	150,466	150,466
Provision for product warranty		161,961	-	-
Others		6,137	-	-
Total short-term provisions		318,564	150,466	150,466
Other current liabilities				
Other payable		81,953	42,022	17,876
Accrued expenses		208,519	45,387	27,985
Corporate income tax payable		21,767	10,708	40,784
Advances received from customers		100,942	11,990	11,672
Others		11,515	7,574	21,530
Total other current liabilities		424,696	117,681	119,847
Total current liabilities		1,875,019	697,175	690,557
Total liabilities		1,875,019	697,175	690,557

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> 30 June 2009 (Unaudited but reviewed)	31 December 2008 (Audited)	30 June 2009 (Unaudited but reviewed)	31 December 2008 (Audited)
Shareholders' equity				
Share capital				
Registered				
1,000,000,000 ordinary shares of Baht 1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid-up				
830,474,960 ordinary shares of Baht 1 each	830,475	830,475	830,475	830,475
Share premium	1,723,219	1,723,219	1,723,219	1,723,219
Unrealised gain (loss) - revaluation gain (deficit) on change in fair value of investments				
	16,984	(24,799)	-	-
Translation adjustment	172,602	310,585	-	-
Retained earnings				
Appropriated - statutory reserve	322,909	322,420	100,000	100,000
Appropriated - reserve for treasury shares	11 262,987	41,037	262,987	41,037
Unappropriated	8,737,568	9,390,553	3,424,185	3,628,238
Excess of cost of investments over net book value of the subsidiary companies				
	15 -	(154,975)	-	-
Total shareholders' equity	<u>12,066,744</u>	<u>12,438,515</u>	<u>6,340,866</u>	<u>6,322,969</u>
Treasury shares	11 <u>(262,987)</u>	<u>(41,037)</u>	<u>(262,987)</u>	<u>(41,037)</u>
Total shareholders' equity - net	<u>11,803,757</u>	<u>12,397,478</u>	<u>6,077,879</u>	<u>6,281,932</u>
Total liabilities and shareholders' equity	<u>13,678,776</u>	<u>14,311,611</u>	<u>6,775,054</u>	<u>6,972,489</u>
	-	-	-	-

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

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Directors
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(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries**Income statements****For the three-month periods ended 30 June 2009 and 2008**

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

Note	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues				
Sales	3,217,911	3,925,225	1,315,580	1,519,368
Other income				
Interest income	19,189	9,192	968	2,413
Rental income	999	1,266	4,352	4,619
Gain on exchange	56,837	29,957	-	-
Dividend income	3,672	9	621,549	440,009
Others	68,269	71,650	6,603	14,126
Total other income	148,966	112,074	633,472	461,167
Total revenues	3,366,877	4,037,299	1,949,052	1,980,535
Expenses				
Cost of sales	2,664,173	3,271,158	1,062,931	1,256,162
Selling expenses	37,440	45,622	5,828	7,737
Administrative expenses	140,637	141,934	38,883	30,565
Directors' and management's remuneration	10,365	14,186	1,445	1,924
Loss on exchange	-	-	12,863	44,660
Other expenses	6,960	-	-	-
Total expenses	2,859,575	3,472,900	1,121,950	1,341,048
Income before finance cost and corporate income tax				
corporate income tax	507,302	564,399	827,102	639,487
Finance cost	(1,641)	(1,598)	(497)	(826)
Income before corporate income tax	505,661	562,801	826,605	638,661
Corporate income tax	(1,428)	(16,891)	11,128	8,110
Net income for the period	504,233	545,910	837,733	646,771
Net income attributable to:				
Equity holders of the parent	504,233	545,910	837,733	646,771
Earnings per share				
12				
Basic earnings per share				
Net income attributable to equity holders of the parent (Baht)	0.62	0.66	1.02	0.78
Weighted average number of ordinary shares (Thousand shares)	817,751	830,424	817,751	830,424
Diluted earnings per share				
Net income attributable to equity holders of the parent (Baht)		0.66		0.78
Weighted average number of ordinary shares (Thousand shares)		830,502		830,502

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries**Income statements****For the six-month periods ended 30 June 2009 and 2008**

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

	Note	Consolidated financial statements		Separate financial statements	
		<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues					
Sales		5,854,102	7,600,206	2,424,114	2,844,502
Other income					
Interest income		40,563	20,663	2,764	3,895
Rental income		2,163	2,455	8,869	9,161
Gain on exchange		49,543	100,726	-	-
Dividend income		3,672	9	621,549	440,009
Reversal of guarantee expenses	16.5	-	25,472	-	25,472
Others		96,102	117,745	13,555	19,777
Total other income		192,043	267,070	646,737	498,314
Total revenues		<u>6,046,145</u>	<u>7,867,276</u>	<u>3,070,851</u>	<u>3,342,816</u>
Expenses					
Cost of sales		4,935,723	6,406,605	1,948,687	2,384,357
Selling expenses		80,116	90,468	13,362	15,534
Administrative expenses		272,652	291,765	62,157	74,339
Directors' and management's remuneration		22,342	27,955	3,080	5,049
Loss on exchange		-	-	49,643	4,224
Other expenses		14,064	-	-	-
Total expenses		<u>5,324,897</u>	<u>6,816,793</u>	<u>2,076,929</u>	<u>2,483,503</u>
Income before finance cost and corporate income tax					
corporate income tax		721,248	1,050,483	993,922	859,313
Finance cost		(3,410)	(2,819)	(950)	(1,098)
Income before corporate income tax		<u>717,838</u>	<u>1,047,664</u>	<u>992,972</u>	<u>858,215</u>
Corporate income tax		(12,399)	(54,113)	5,935	(20,239)
Net income for the period		<u>705,439</u>	<u>993,551</u>	<u>998,907</u>	<u>837,976</u>
Net income attributable to:					
Equity holders of the parent		<u>705,439</u>	<u>993,551</u>	<u>998,907</u>	<u>837,976</u>
Earnings per share					
12					
Basic earnings per share					
Net income attributable to equity holders of the parent					
(Baht)		<u>0.86</u>	<u>1.20</u>	<u>1.22</u>	<u>1.01</u>
Weighted average number of ordinary shares					
(Thousand shares)		<u>816,831</u>	<u>830,415</u>	<u>816,831</u>	<u>830,415</u>
Diluted earnings per share					
Net income attributable to equity holders of the parent					
(Baht)			<u>1.20</u>		<u>1.01</u>
Weighted average number of ordinary shares					
(Thousand shares)			<u>830,541</u>		<u>830,541</u>

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of cash flows

For the six-month periods ended 30 June 2009 and 2008

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities				
Net income before tax	717,838	1,047,664	992,972	858,215
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation	498,042	468,561	121,685	114,471
Amortisation expenses	1,534	880	147	110
Reversal of doubtful accounts	(11,789)	(5,172)	-	-
Allowance for diminution in inventory value (reversal)	(47,484)	20,645	(33,688)	34,186
Impairment loss of machinery and equipment	-	773	-	773
Loss (gain) on disposals of equipment	1,622	(657)	2,550	(274)
Provision for product warranty	14,064	13,009	-	-
Reversal of guarantee expenses	-	(25,472)	-	(25,472)
Dividend income from subsidiary companies	-	-	(621,000)	(440,000)
Dividend income from other companies	(3,672)	(9)	(549)	(9)
Interest income from short-term investments	(17,162)	-	-	-
Revaluation gain on investments in securities held for trading	(34,438)	-	-	-
Unrealised (gain) loss on exchange	(1,774)	12,931	2,423	18,991
Unrealised gain on forward contracts	(97,287)	17,452	-	17,452
Interest expenses	-	-	-	150
Income from operating activities before changes in operating assets and liabilities	1,019,494	1,550,605	464,540	578,593
Operating assets (increase) decrease				
Trade accounts receivable	(404,315)	58,297	(245,063)	(93,194)
Inventories	629,117	26,936	270,720	(72,751)
Other current assets	28,520	48,094	11,824	19,097
Other non-current assets	23	377	-	-
Operating liabilities increase (decrease)				
Trade accounts payable	56,011	114,371	13,166	219,713
Accrued expenses	51,936	141,288	17,260	39,242
Advances received from customers	(7,216)	9,610	527	(2,624)
Other current liabilities	(29,005)	(10,632)	(13,956)	(5,550)
Cash from operating activities	1,344,565	1,938,946	519,018	682,526
Cash paid for corporate income tax	(61,402)	(81,844)	(24,166)	(47,271)
Net cash from operating activities	1,283,163	1,857,102	494,852	635,255

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the six-month periods ended 30 June 2009 and 2008

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash flows from investing activities				
Decrease (increase) in short-term investments	(467,286)	-	-	1,689
Loss on cease of operation of subsidiaries	-	-	-	4
Interest income from short-term investments	17,162	-	-	-
Dividend income from subsidiary companies	-	-	621,000	440,000
Dividend income from other companies	3,672	9	549	9
Proceeds from disposals of equipment	29,735	2,092	8,147	1,411
Acquisitions of property, plant and equipment	<u>(157,078)</u>	<u>(744,011)</u>	<u>(57,442)</u>	<u>(152,364)</u>
Net cash from (used in) investing activities	<u>(573,795)</u>	<u>(741,910)</u>	<u>572,254</u>	<u>290,749</u>
Cash flows from financing activities				
Decrease in advances from subsidiary companies	-	-	-	(385)
Cash received from share capital increase	-	789	-	789
Share subscription received in advance				
before registration	-	175	-	175
Cash paid for repurchase of treasury shares	(221,950)	-	(221,950)	-
Dividend paid	<u>(981,010)</u>	<u>(1,079,353)</u>	<u>(981,010)</u>	<u>(1,079,353)</u>
Net cash used in financing activities	<u>(1,202,960)</u>	<u>(1,078,389)</u>	<u>(1,202,960)</u>	<u>(1,078,774)</u>
Increase (decrease) in cash and cash equivalents	(493,592)	36,803	(135,854)	(152,770)
Translation adjustment	<u>(137,983)</u>	<u>82,546</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(631,575)	119,349	(135,854)	(152,770)
Cash and cash equivalents at beginning of the period	<u>4,316,298</u>	<u>3,386,431</u>	<u>610,860</u>	<u>291,663</u>
Cash and cash equivalents at end of the period (Note 2)	<u>3,684,723</u>	<u>3,505,780</u>	<u>475,006</u>	<u>138,893</u>
Supplemental cash flow information				
Non-cash related transactions from investing activities				
Net increase (decrease) in other accounts payable				
for purchases of plant and equipment	(58,638)	(172,942)	24,146	(13,380)
Revaluation gain from change in fair value of investments				
in available-for-sale securities	41,783	-	-	-

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the six-month periods ended 30 June 2009 and 2008

(Unit: Thousand Baht)

Consolidated financial statements											
Note	Issued and paid up share capital	Share subscription received in advance before registration	Share premium	Revaluation	Translation adjustment	Retained earnings			Excess of cost of investments over net book value of the subsidiary companies	Treasury shares	Total
				gain (deficit) from change in fair value of investments		Appropriated		Reserve for			
						Statutory reserve	treasury shares	Unappropriated			
	830,406	-	1,722,078	-	(26,723)	322,301	-	8,601,512	(158,725)	-	11,290,849
Balance as at 31 December 2007											
Income recognised directly in equity:											
	-	-	-	-	82,194	-	-	-	-	-	82,194
	-	-	-	-	82,194	-	-	-	-	-	82,194
	-	-	-	-	-	-	-	993,551	-	-	993,551
	-	-	-	-	82,194	-	-	993,551	-	-	1,075,745
	-	-	-	-	-	-	-	(1,079,353)	-	-	(1,079,353)
14	45	-	744	-	-	-	-	-	-	-	789
	-	175	-	-	-	-	-	-	-	-	175
	830,451	175	1,722,822	-	55,471	322,301	-	8,515,710	(158,725)	-	11,288,205
Balance as at 30 June 2008											
	830,475	-	1,723,219	(24,799)	310,585	322,420	41,037	9,390,553	(154,975)	(41,037)	12,397,478
Balance as at 31 December 2008											
Income recognised directly in equity:											
	-	-	-	41,783	-	-	-	-	-	-	41,783
4	-	-	-	41,783	-	-	-	-	-	-	41,783
	-	-	-	-	(137,983)	-	-	-	-	-	(137,983)
	-	-	-	41,783	(137,983)	-	-	-	-	-	(96,200)
	-	-	-	-	-	-	-	705,439	-	-	705,439
	-	-	-	41,783	(137,983)	-	-	705,439	-	-	609,239
	-	-	-	-	-	-	-	(981,010)	-	-	(981,010)
14	-	-	-	-	-	-	-	(981,010)	-	-	(981,010)
	-	-	-	-	-	489	-	(489)	-	-	-
	-	-	-	-	-	-	221,950	(221,950)	-	-	-
11	-	-	-	-	-	-	221,950	(221,950)	-	-	-
	-	-	-	-	-	-	-	(154,975)	154,975	-	-
15	-	-	-	-	-	-	-	(154,975)	154,975	-	-
	-	-	-	-	-	-	-	-	-	(221,950)	(221,950)
11	-	-	-	-	-	-	-	-	-	(221,950)	(221,950)
	830,475	-	1,723,219	16,984	172,602	322,909	262,987	8,737,568	-	(262,987)	11,803,757
Balance as at 30 June 2009											

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

(Unaudited but reviewed)

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the six-month periods ended 30 June 2009 and 2008

(Unit: Thousand Baht)

		Separate financial statements							
				Retained earnings					
				Appropriated					
		Issued	Share subscription	Share	Reserve for		Treasury	Total	
Note		and paid up	received in advance	premium	Statutory reserve	treasury shares	Unappropriated	shares	
		share capital	before registration						
		830,406	-	1,722,078	100,000	-	3,424,961	-	6,077,445
		-	-	-	-	-	837,976	-	837,976
		-	-	-	-	-	837,976	-	837,976
	14	-	-	-	-	-	(1,079,353)	-	(1,079,353)
		45	-	744	-	-	-	-	789
		-	175	-	-	-	-	-	175
		<u>830,451</u>	<u>175</u>	<u>1,722,822</u>	<u>100,000</u>	<u>-</u>	<u>3,183,584</u>	<u>-</u>	<u>5,837,032</u>
		830,475	-	1,723,219	100,000	41,037	3,628,238	(41,037)	6,281,932
		-	-	-	-	-	998,907	-	998,907
		-	-	-	-	-	998,907	-	998,907
	14	-	-	-	-	-	(981,010)	-	(981,010)
		-	-	-	-	221,950	(221,950)	-	-
	11	-	-	-	-	-	-	(221,950)	(221,950)
		<u>830,475</u>	<u>-</u>	<u>1,723,219</u>	<u>100,000</u>	<u>262,987</u>	<u>3,424,185</u>	<u>(262,987)</u>	<u>6,077,879</u>

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 six-month periods ended 30 June 2009 and 2008

1. General information

1.1 Corporate information

Hana Microelectronics Public Company Limited (“the Company”) was incorporated as a limited company under Thai law and transformed to be a public limited company under the Public Limited Companies Act on 27 January 1993. The Company is principally engaged in the manufacturer of electronic components and its registered address is at 10/4 Moo 3, Vibhavadi-Rangsit Road, Kwang Talad Bangkhen, Khet Laksi, Bangkok.

1.2 Economic crisis

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

1.3 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (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 financial statements in English language have been translated from the Thai language 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 2008. There are no changes in the group structure during the current period.

1.5 Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions has issued Notification No. 12/2552, regarding the renumbering of Thai Accounting Standards to match the corresponding International Accounting Standards. Therefore, the numbers of Thai Accounting Standards as used in these financial statements are corresponded to those per this notification.

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:

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

Framework for 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

(Unaudited but reviewed)

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 will not have any significant impact on the financial statements for the current period.

b) 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 allows early adoption by the entity before the effective date.

The management has assessed the effect of TAS 20 and TAS 40 and believes that they are not relevant to the business of the Company, and is still evaluating the effect of TAS 24 (revised 2007) and has not been able to reach a conclusion as to its effect to the financial statements for the year in which it is initially applied.

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 2008.

2. Cash and cash equivalents

Cash and cash equivalents as reflected in the cash flow statements for the six-month periods ended 30 June 2009 and 2008 consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Cash in hand and at banks	2,124,596	3,430,338	325,006	138,893
Bills of exchange	270,000	-	150,000	-
Investment in money market fund	-	75,442	-	-
Fixed deposits with maturity not over 3 months	1,290,127	-	-	-
Cash and cash equivalents	<u>3,684,723</u>	<u>3,505,780</u>	<u>475,006</u>	<u>138,893</u>

3. Related party transactions

During the periods, the Company and its subsidiaries had significant business transactions with the 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				Pricing policies
	For the three-month periods ended 30 June		For the six-month periods ended 30 June		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Transactions with subsidiaries (eliminated from the consolidation)					
Sales	57	39	98	61	Prices agreed between the parties due to the uniqueness of products sold to each customer
Rental income	3	3	6	6	Contract price
Purchase of materials	16	97	36	201	Cost plus margin
Service fee expenses	1	2	3	4	Rates stipulated in the agreement
Purchase of equipment	-	-	12	-	Cost plus margin

(Unaudited but reviewed)

The balances of the accounts as at 30 June 2009 and 31 December 2008 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Separate financial statements	
	30 June	31 December
	2009	2008
Trade accounts receivable - subsidiary companies		
Hana Microelectronics Investment Company Limited	17,216	16,189
Hana Microdisplay Technologies, Inc.	7,761	4,010
Hana Semiconductor (BKK) Company Limited	1,152	1,201
Omac Sales Limited	637	1,695
Hana Semiconductor (Ayutthaya) Company Limited	54	1
Hana Microelectronics International Company Limited	34	35
Total trade accounts receivable - subsidiary companies	<u>26,854</u>	<u>23,131</u>
Trade accounts payable - subsidiary companies		
Omac Sales Limited	10,018	23,893
Hana Microdisplay Technologies, Inc.	3,821	3,205
Hana Microelectronics, Inc.	1,875	2,014
Hana Semiconductor International Limited	597	3,064
Hana Semiconductor (Ayutthaya) Company Limited	140	1,032
Hana Semiconductor (BKK) Company Limited	-	4
Total trade accounts payable - subsidiary companies	<u>16,451</u>	<u>33,212</u>

Directors' and management's remuneration

During the three-month and six-month periods ended 30 June 2009, the Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors and management totaling Baht 10.4 million and Baht 22.3 million, respectively (the Company only: Baht 1.4 Million and Baht 3.0 million, respectively), (2008: Baht 14.2 million and Baht 28.0 million, respectively, the Company only: Baht 1.9 million and Baht 5.0 million, respectively).

4. Short-term Investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	30 June 2009		31 December 2008	
	Cost/ Carrying value	Fair value	Cost/ Carrying value	Fair value
Securities held for trading				
Overseas marketable equity securities	34,026	30,001	34,956	28,351
Domestic marketable equity securities	47,820	81,191	11,083	12,084
Credit linked note	34,026	33,515	34,956	34,957
Total	115,872	144,707	80,995	75,392
Add: Revaluation gain (deficit) on investments	28,835	-	(5,603)	-
Securities held for trading - net	144,707	144,707	75,392	75,392
Available-for-sale securities				
Overseas marketable corporate bonds	324,274	329,025	247,478	219,399
Quoted bonds	420,166	432,399	64,553	67,833
Total	744,440	761,424	312,031	287,232
Add: Revaluation gain (deficit) on investments	16,984	-	(24,799)	-
Available-for-sale securities - net	761,424	761,424	287,232	287,232
Total short-term investments - net	906,131	906,131	362,624	362,624

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 Cayman Island Stock Exchange, warrants and shares of a company listed on Thailand Stock Exchange including the Credit linked note through an overseas bank. These investments are held for trading purpose. During the current period, this subsidiary company had disposed of the entire amount of warrants and partial shares of such company which resulted in gain of HKD 0.1 million or equivalent to approximately Baht 0.6 million. As at 30 June 2009, the subsidiary had assessed the fair value of the equity securities for mutual fund and remaining shares and by referring to the value quoted by the bank for trading securities, in which the fair value had increased by HKD 6.6 million or equivalent to approximately Baht 28.8 million. Gain from the change in the fair value of these investments of approximately Baht 34.4 million was recorded in the income statement for the six-month period ended 30 June 2009.

(Unaudited but reviewed)

In addition, this subsidiary had invested in private corporate bonds issued by various companies listed in overseas Stock Exchanges and one quoted bond through the two overseas banks. These investments are classified as available-for-sale investments. During the current period, this subsidiary had disposed listed corporate bonds and a quoted bond, resulting in gain on disposal of HKD 0.5 million or equivalent to Baht 2 million. As at 30 June 2009, the subsidiary had assessed the fair value of the bonds by referring to the value quoted by the banks in which the fair value had increased by HKD 3.9 million or equivalent to approximately Baht 17.0 million. Gain from the change in the fair value of such bonds of HKD 9.4 million or equivalent to approximately Baht 41.8 million was shown as a separate item in the statement of changes in shareholders' equity for the six-month period ended 30 June 2009.

5. Trade accounts receivable

The balances of trade accounts receivable as at 30 June 2009 and 31 December 2008, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
<u>Age of receivable</u>				
<u>Accounts receivable - subsidiary companies</u>				
Not yet due	-	-	17,269	5,401
Past due				
Up to 3 months	-	-	3,823	16,317
3 - 6 months	-	-	2,041	919
6 - 12 months	-	-	3,329	262
Over 12 months	-	-	392	232
Total accounts receivable - subsidiary companies	-	-	26,854	23,131

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
<u>Accounts receivable - other</u>				
<u>companies</u>				
Not yet due	1,372,522	965,235	606,539	394,339
Past due				
Up to 3 months	537,057	560,701	124,176	101,529
3 - 6 months	11,126	30,274	-	9
6 - 12 months	29,483	7,013	-	-
Over 12 months	6,876	1,266	-	-
Total accounts receivable - other				
companies	1,957,064	1,564,489	730,715	495,877
Less: Allowance for doubtful accounts	(12,428)	(24,217)	-	-
Total trade accounts receivable -				
other companies - net	1,944,636	1,540,272	730,715	495,877
Total trade accounts receivable - net	1,944,636	1,540,272	757,569	519,008

6. Allowance for diminution in inventory value

Movements in the allowance for diminution in inventory value account during the six-month period ended 30 June 2009 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Balance as at 31 December 2008	294,097	197,981
Allowance made during the period	24,088	35,773
Write-off obsolete and damaged inventories during the period	(69,461)	(69,461)
Translation adjustment	(2,111)	-
Balance as at 30 June 2009	246,613	164,293

(Unaudited but reviewed)

7. Investments in subsidiaries

(Unit: Thousand Baht)

Company's name	Separate financial statements						Dividend received for	
	Paid up capital		Shareholding percentage		Cost		the six-month period ended	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	30 June 2008
			Percent	Percent				
Hana Semiconductor (Ayutthaya) Company Limited	1,200,000	1,200,000	58	58	2,142,910	2,142,910	301,000	140,000
Hana Semiconductor (BKK) Company Limited	1,000,000	1,000,000	100	100	1,011,100	1,011,100	320,000	300,000
Omac Sales Limited	325	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	-	-	-	-
Total investments in subsidiaries					<u>3,427,502</u>	<u>3,427,502</u>	<u>621,000</u>	<u>440,000</u>

8. Property, plant and equipment

Movements in the property, plant and equipment account during the six-month period ended 30 June 2009 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 31 December 2008	5,875,209	1,579,009
Acquisitions during the period - at cost	145,240	81,588
Construction in progress transferred in during the period	196,245	158,365
Construction in progress transferred out during the period	(196,245)	(158,365)
Disposals during the period - net book value at disposal date	(31,357)	(10,697)
Depreciation for the period	(498,042)	(121,685)
Translation adjustment	(46,800)	-
Net book value as at 30 June 2009	<u>5,444,250</u>	<u>1,528,215</u>

9. Intangible assets

Movements in the intangible asset account, which represents computer software, during the six-month period ended 30 June 2009 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as of 31 December 2008	17,625	2,188
Amortisation during the period	(1,534)	(147)
Net book value as at 30 June 2009	<u>16,091</u>	<u>2,041</u>

10. Warrants

As at 30 June 2009, the outstanding warrants issued to the Company's employees and directors which remain unexercised are as follows:

1. 20,000,000 warrants

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

2. 20,000,000 warrants

Exercise price	:	Baht 27.40 per share
Exercise ratio	:	1 ordinary share: 1 warrant
Exercise period	:	From 31 October 2006 to 31 July 2010
Outstanding unexercised warrants	:	20,000,000 warrants

Since exercise price of the above warrants exceeds the weighted average of fair value of ordinary shares for the three-month and six-month periods ended 30 June 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.

11. Treasury shares

As at 30 June 2009 and 31 December 2008, details of treasury shares are as follows:

	Consolidated and separate financial statements	
	30 June 2009	31 December 2008
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 issued shares	3.08	0.54

The meeting of the Board of Directors of the Company No. 4/2551 held on 7 October 2008 had a resolution approving 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 be more than 83 million shares, or 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 period, the Company repurchased 21.12 million ordinary shares with total cost of Baht 221.95 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. As at 30 June 2009, the Company has set aside approximately Baht 263 million as reserve for treasury shares (31 December 2008: Baht 41 million).

12. Earnings per share

Basic earnings per share is calculated by dividing net income for the period by the weighted average number of ordinary shares held by public and 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 held by public and 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)

Weighted average number of ordinary shares

The weighted average number of ordinary shares for the three-month and six-month periods ended 30 June 2009 and 2008 is calculated as follows:

(Unit: Thousand shares)

	Consolidated and separate financial statements			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2009	2008	2009	2008
Balance brought forward	823,707	830,406	830,475	830,406
Add: Share issued during the period	-	18	-	9
Less: Treasury shares	(5,956)	-	(13,644)	-
Weighted average number of ordinary shares	817,751	830,424	816,831	830,415
Add: Potential ordinary shares - warrants of 25,956,100 units (2008: 28,644,600 units)	-	78	-	126
Diluted weighted average number of ordinary shares	<u>817,751</u>	<u>830,502</u>	<u>816,831</u>	<u>830,541</u>

As at 30 June 2009, there were 25,956,100 unexercised warrants. However, since the exercise price of the warrants exceeds the weighted average of fair value of ordinary shares for the period ended 30 June 2009, the Company expected that the warrants will not be exercised, and had excluded the warrants from the calculation of potential diluted ordinary shares for diluted earnings per share calculation.

Diluted earnings per share

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

Consolidated financial statements					
For the three-month periods ended 30 June					
Net income		Weighted average number of ordinary shares		Earnings per share	
2009	2008	2009	2008	2009	2008
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
Basic earnings per share					
Net income attributable to equity holders of the parent	504,233	545,910	817,751	830,424	0.62 0.66
Effect of dilutive potential ordinary shares					
Warrants to the directors and employees of the Company 25,956,100 units (2008: 28,644,600 units)		-	78		
Diluted earnings per share					
(Net income of ordinary shareholders assuming the exercise of warrants)					
Net income attributable to equity holders of the parent		545,910	830,502		0.66

Consolidated financial statements					
For the six-month periods ended 30 June					
Net income		Weighted average number of ordinary shares		Earnings per share	
2009	2008	2009	2008	2009	2008
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
Basic earnings per share					
Net income attributable to equity holders of the parent	705,439	993,551	816,831	830,415	0.86 1.20
Effect of dilutive potential ordinary shares					
Warrants to the directors and employees of the Company 25,956,100 units (2008: 28,644,600 units)		-	126		
Diluted earnings per share					
(Net income of ordinary shareholders assuming the exercise of warrants)					
Net income attributable to equity holders of the parent		993,551	830,541		1.20

(Unaudited but reviewed)

Separate financial statements					
For the three-month periods ended 30 June					
Net income		Weighted average number of ordinary shares		Earnings per share	
2009	2008	2009	2008	2009	2008
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
<u>837,733</u>	646,771	<u>817,751</u>	830,424	<u>1.02</u>	<u>0.78</u>
Net income attributable to equity holders of the parent					
Effect of dilutive potential ordinary shares					
Warrants to the directors and employees of the Company 25,956,100 units (2008: 28,644,600 units)					
	-		78		
Diluted earnings per share					
(Net income of ordinary shareholders assuming the exercise of warrants)					
Net income attributable to equity holders of the parent					
	<u>646,771</u>		<u>830,502</u>		<u>0.78</u>

Separate financial statements					
For the six-month periods ended 30 June					
Net income		Weighted average number of ordinary shares		Earnings per share	
2009	2008	2009	2008	2009	2008
Thousand Baht	Thousand Baht	Thousand Shares	Thousand Shares	Baht	Baht
<u>998,907</u>	837,976	<u>816,831</u>	830,415	<u>1.22</u>	<u>1.01</u>
Net income attributable to equity holders of the parent					
Effect of dilutive potential ordinary shares					
Warrants to the directors and employees of the Company 25,956,100 units (2008: 28,644,600 units)					
	-		126		
Diluted earnings per share					
(Net income of ordinary shareholders assuming the exercise of warrants)					
Net income attributable to equity holders of the parent					
	<u>837,976</u>		<u>830,541</u>		<u>1.01</u>

13. Segment information

The Company and its subsidiaries mainly involve a single industry segment in electronic components 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 subsidiary companies for the three-month and six-month periods ended 30 June 2009 and 2008 are as follows:

(Unit: Million Baht)

Consolidated financial statements for the three-month periods ended 30 June								
	Domestic		Foreign		Eliminated		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenue from external customers	2,540	3,018	678	907	-	-	3,218	3,925
Intersegment revenues	59	120	726	1,018	(785)	(1,138)	-	-
Total revenues	<u>2,599</u>	<u>3,138</u>	<u>1,404</u>	<u>1,925</u>	<u>(785)</u>	<u>(1,138)</u>	<u>3,218</u>	<u>3,925</u>
Segment income	438	480	116	174			554	654
Unallocated income and expenses:								
Other income							92	82
Gain on exchange							57	30
Selling expenses							(37)	(46)
Administrative expenses							(141)	(142)
Directors' and management's remuneration							(10)	(14)
Other expenses							(7)	-
Finance cost							(2)	(1)
Corporate income tax							(2)	(17)
Net income for the period							<u>504</u>	<u>546</u>

(Unit: Million Baht)

Consolidated financial statements for the six-month periods ended 30 June								
	Domestic		Foreign		Eliminated		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenue from external customers	4,594	5,799	1,260	1,801	-	-	5,854	7,600
Intersegment revenues	103	222	1,363	2,274	(1,466)	(2,496)	-	-
Total revenues	<u>4,697</u>	<u>6,021</u>	<u>2,623</u>	<u>4,075</u>	<u>(1,466)</u>	<u>(2,496)</u>	<u>5,854</u>	<u>7,600</u>
Segment income	721	887	197	306			918	1,193
Unallocated income and expenses:								
Other income							142	166
Gain on exchange							50	101
Selling expenses							(80)	(90)
Administrative expenses							(273)	(291)
Directors' and management's remuneration							(22)	(28)
Other expenses							(14)	-
Finance cost							(4)	(3)
Corporate income tax							(12)	(54)
Net income for the period							<u>705</u>	<u>994</u>

14. Dividend paid

During the six-month periods ended 30 June 2009 and 2008, 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 2009</u>			
Dividends on 2008 income	Annual General Meeting of the shareholders on 30 April 2009	981,010	1.20
<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>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 on 30 April 2009	100,000	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 4 May 2009	220,000	2.20
Total for the year 2009		320,000	3.20
<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	Board of Director's Meeting on 6 May 2008	150,000	1.50
Total for the year 2008		300,000	3.00
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	4.30
<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

15. 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 approved the resolutions on offsetting the excess of cost of investments over net book value of the subsidiary companies amounted to Baht 154,975,555 which the Company has already deducted in the consolidated shareholders' equity as at 31 December 2008, against the unappropriated retained earnings in the consolidated shareholders' equity. The Company recorded such transaction in the consolidated statement of changes in shareholders' equity for the six-month period ended 30 June 2009.

16. Commitments and contingent liabilities

16.1 Capital commitments

As at 30 June 2009, the Company and its subsidiaries had capital commitments of approximately USD 0.48 million or equivalent to Baht 16 million, relating to the acquisition of machinery.

16.2 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.

16.3 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.

16.4 Guarantees

As at 30 June 2009, there were outstanding bank guarantees of approximately Baht 181 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. 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 described in Note 15.5), Baht 21 million to guarantee electricity usage and Baht 16 million among others.

16.5 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) 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 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 six-month period ended 30 June 2008.

17. Financial instruments

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 subsidiary company of the Company entered into forward exchange contracts to reduce the risk. Generally, the forward contracts will mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 30 June 2009 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 30 June 2009
	(Million)	(Million)	(Baht per 1 foreign currency unit)
China Yuan	377	35	4.9824
US Dollar	181	113	34.0293
Japan Yen	-	16	0.3551

As at 30 June 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 July 2009	33.5400
40	10 September 2009	36.4200

In addition, this subsidiary company entered into the linked asset swap agreements with an overseas bank. The details of the swap agreements outstanding as at 30 June 2009 are as follows:

Swap agreements	Notional amount	Maturity date	Yield to maturity	Fair value gain
	(Million USD)		(Percent)	(Million Baht)
2-Year China government bond	1	26 February 2010	1.05	1.19
Credit default swap - quoted bonds	2	20 June 2013	1.43	1.05

18. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 13 August 2009.