

Hana Microelectronics Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2011 and 2010

Report of Independent Auditor

To the Shareholders of Hana Microelectronics Public Company Limited

I have audited the accompanying consolidated statements of financial position of Hana Microelectronics Public Company Limited and its subsidiaries as at 31 December 2011 and 2010, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and have also audited 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 2011 of approximately Baht 328 million, representing 2 percent of the consolidated total (2010: Baht 335 million, representing 2 percent of the consolidated total) and total revenues for the year then ended of approximately Baht 253 million, representing 1 percent of the consolidated total (2010: Baht 227 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 2011 and 2010, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to Note 3 to the financial statements. During the current year, the Company and its subsidiaries adopted a number of revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of their financial statements. For the first-time adoption of TAS 19 Employee Benefits, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

Ernst & Young Office Limited
Bangkok: 28 February 2012

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2011 and 2010

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------|-------|-----------------------------------|-----------------------|-------------------------------|----------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 7 | 3,824,147,266 | 2,974,543,667 | 520,425,225 | 662,729,295 |
| Short-term investments | 9 | 2,014,320,054 | 2,035,008,875 | - | - |
| Trade and other receivables | 8, 10 | 2,568,516,148 | 2,479,736,910 | 1,275,014,508 | 1,035,471,835 |
| Insurance claim receivable | 22 | 300,000,000 | - | - | - |
| Inventories | 11 | 2,646,579,217 | 2,555,007,995 | 993,410,322 | 615,977,221 |
| Other current assets | | 154,070,581 | 194,967,821 | 58,845,676 | 29,521,831 |
| Total current assets | | 11,507,633,266 | 10,239,265,268 | 2,847,695,731 | 2,343,700,182 |
| Non-current assets | | | | | |
| Investments in subsidiary companies | 12 | - | - | 3,427,501,838 | 3,427,501,838 |
| Other long-term investment | | 97,000 | 97,000 | 97,000 | 97,000 |
| Property, plant and equipment | 13 | 6,372,590,324 | 6,526,493,027 | 1,630,983,810 | 1,722,116,444 |
| Intangible assets | 14 | 14,541,422 | 17,568,626 | 4,756,328 | 4,739,191 |
| Other non-current assets | | 16,850,458 | 20,511,504 | 1,328,750 | 1,328,750 |
| Total non-current assets | | 6,404,079,204 | 6,564,670,157 | 5,064,667,726 | 5,155,783,223 |
| Total assets | | 17,911,712,470 | 16,803,935,425 | 7,912,363,457 | 7,499,483,405 |

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|-------|-----------------------------------|-----------------------|-------------------------------|----------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Short-term loans from financial institution | 15 | 38,820,547 | - | - | - |
| Trade and other payables | 8, 16 | 2,506,443,445 | 2,348,737,829 | 1,004,751,416 | 554,814,028 |
| Short-term provisions | 17 | 368,474,353 | 333,457,628 | 150,465,664 | 150,465,664 |
| Corporate income tax payable | | 15,154,576 | 25,266,043 | 5,449,676 | 8,727,959 |
| Other current liabilities | | 65,340,606 | 17,937,740 | 23,277,607 | 14,100,901 |
| Total current liabilities | | 2,994,233,527 | 2,725,399,240 | 1,183,944,363 | 728,108,552 |
| Non-current liabilities | | | | | |
| Provision for long-term employee benefits | 18 | 352,899,533 | - | 154,850,654 | - |
| Total non-current liabilities | | 352,899,533 | - | 154,850,654 | - |
| Total liabilities | | 3,347,133,060 | 2,725,399,240 | 1,338,795,017 | 728,108,552 |
| Shareholders' equity | | | | | |
| Share capital | | | | | |
| Registered | | | | | |
| 1,000,000,000 ordinary shares of Baht 1 each | | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| Issued and fully paid-up | | | | | |
| 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 |
| Retained earnings | | | | | |
| Appropriated - statutory reserve | 19 | 320,218,399 | 320,218,399 | 100,000,000 | 100,000,000 |
| Appropriated - reserve for treasury shares | 20 | 262,987,260 | 262,987,260 | 262,987,260 | 262,987,260 |
| Unappropriated | | 11,783,074,320 | 11,700,365,118 | 3,919,874,498 | 4,117,680,911 |
| Other components of shareholders' equity | | (92,407,251) | (495,741,274) | - | - |
| Total shareholders' equity | | 14,827,566,670 | 14,341,523,445 | 6,836,555,700 | 7,034,362,113 |
| Treasury shares | 20 | (262,987,260) | (262,987,260) | (262,987,260) | (262,987,260) |
| Total shareholders' equity | | 14,564,579,410 | 14,078,536,185 | 6,573,568,440 | 6,771,374,853 |
| Total liabilities and shareholders' equity | | 17,911,712,470 | 16,803,935,425 | 7,912,363,457 | 7,499,483,405 |
| | | - | - | - | - |

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 2011 and 2010

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|-----------------------|-------------------------------|----------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Revenues | | | | | |
| Sales | | 16,314,929,359 | 16,957,935,712 | 6,273,340,810 | 6,300,669,065 |
| Interest income | | 157,109,899 | 140,740,873 | 7,163,133 | 5,341,663 |
| Dividend income | | 1,771,746 | 3,674,105 | 310,021,375 | 275,019,102 |
| Gain on exchange | | 120,339,269 | 192,417,177 | 76,068,635 | - |
| Other income | | 404,197,143 | 350,410,356 | 69,283,604 | 72,019,266 |
| Total revenues | | 16,998,347,416 | 17,645,178,223 | 6,735,877,557 | 6,653,049,096 |
| Expenses | | | | | |
| Cost of sales | 21 | 14,261,378,605 | 14,087,828,896 | 5,329,354,656 | 5,171,880,875 |
| Selling expenses | | 131,632,924 | 121,359,704 | 25,395,694 | 23,121,723 |
| Administrative expenses | | 809,899,958 | 565,242,392 | 194,847,646 | 120,186,610 |
| Loss on exchange | | - | - | - | 27,703,073 |
| Loss from flood event | 22 | 99,293,874 | - | - | - |
| Other expenses | | 25,801,296 | 26,490,626 | - | - |
| Total expenses | | 15,328,006,657 | 14,800,921,618 | 5,549,597,996 | 5,342,892,281 |
| Profit before finance cost and corporate income tax | | 1,670,340,759 | 2,844,256,605 | 1,186,279,561 | 1,310,156,815 |
| Finance cost | | (9,350,969) | (7,922,492) | (2,912,948) | (2,316,828) |
| Profit before corporate income tax | | 1,660,989,790 | 2,836,334,113 | 1,183,366,613 | 1,307,839,987 |
| Corporate income tax | | (42,921,044) | (86,913,402) | (16,342,098) | (26,116,159) |
| Profit for the year | | 1,618,068,746 | 2,749,420,711 | 1,167,024,515 | 1,281,723,828 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | | <u>1,618,068,746</u> | <u>2,749,420,711</u> | <u>1,167,024,515</u> | <u>1,281,723,828</u> |
| Earnings per share | | | | | |
| Basic earnings per share | | | | | |
| Profit attributable to equity holders of the Company | | <u>2.01</u> | <u>3.42</u> | <u>1.45</u> | <u>1.59</u> |

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of comprehensive income

For the years ended 31 December 2011 and 2010

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Profit for the year | | <u>1,618,068,746</u> | <u>2,749,420,711</u> | <u>1,167,024,515</u> | <u>1,281,723,828</u> |
| Other comprehensive income: | | | | | |
| Gain (loss) on change in value of available-for-sale investments | 9.2 | (36,132,311) | 34,876,319 | - | - |
| Exchange differences on translation of financial statements in foreign currency | | <u>439,466,334</u> | <u>(585,216,713)</u> | <u>-</u> | <u>-</u> |
| Other comprehensive income for the year | | <u>403,334,023</u> | <u>(550,340,394)</u> | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | | <u><u>2,021,402,769</u></u> | <u><u>2,199,080,317</u></u> | <u><u>1,167,024,515</u></u> | <u><u>1,281,723,828</u></u> |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | <u><u>2,021,402,769</u></u> | <u><u>2,199,080,317</u></u> | <u><u>1,167,024,515</u></u> | <u><u>1,281,723,828</u></u> |

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of cash flows

For the years ended 31 December 2011 and 2010

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------------------|-------------------------------|----------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Cash flows from operating activities | | | | |
| Profit before tax | 1,660,989,790 | 2,836,334,113 | 1,183,366,613 | 1,307,839,987 |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation | 1,187,435,691 | 1,138,503,896 | 291,912,262 | 274,015,157 |
| Amortisation expenses | 5,395,984 | 5,487,198 | 633,513 | 577,842 |
| Allowance for doubtful accounts (reversal) | 7,948,887 | (3,175,314) | - | - |
| Allowance for diminution in inventory value (reversal) | 143,326,204 | (34,998,185) | (793,888) | (30,801,428) |
| Loss (gain) on disposals of equipment | 1,937,894 | 4,406,069 | (536,750) | 1,211,588 |
| Loss from impairment of assets (reversal) | 190,989,510 | (16,715,107) | 337,603 | (1,192,066) |
| Provision for product warranty | 25,801,296 | 26,490,626 | - | - |
| Short-term provisions | - | (9,276,526) | - | - |
| Provision for long-term employee benefits | 81,771,181 | - | 44,906,335 | - |
| Loss (gain) on sales of short-term investments | (54,521,769) | 295,071 | - | - |
| Revaluation loss (gain) on investments in securities held for trading | 2,397,154 | (50,247,269) | - | - |
| Unrealised gain on exchange | (1,820,627) | (12,935,373) | (7,993,195) | (2,530,802) |
| Unrealised loss (gain) on forward contracts | 29,418,846 | (25,799,479) | - | - |
| Unrealised loss (gain) on swap contract | (1,117,305) | 168,245 | - | - |
| Dividend income from subsidiary companies | - | - | (310,000,000) | (275,000,000) |
| Dividend income from other companies | (1,771,746) | (3,674,105) | (21,375) | (19,125) |
| Interest income from short-term investments | (102,628,265) | (109,133,665) | - | - |
| Interest expenses | 564,667 | 787,139 | 434,178 | 893 |
| Income from operating activities before changes in operating assets and liabilities | 3,176,117,392 | 3,746,517,334 | 1,202,245,296 | 1,274,102,046 |
| Operating assets (increase) decrease | | | | |
| Trade and other receivables | (56,460,146) | (198,073,640) | (218,835,818) | 39,835,075 |
| Insurance claim receivable | (300,000,000) | - | - | - |
| Inventories | (234,897,426) | (763,186,306) | (376,639,213) | (57,278,375) |
| Other current assets | 41,201,667 | (67,436,645) | (29,317,727) | (1,543,699) |
| Other non-current assets | (7,133,699) | (5,391,408) | - | - |
| Operating liabilities increase (decrease) | | | | |
| Trade and other payables | 293,968,010 | 283,528,906 | 445,748,404 | (102,542,939) |
| Other current liabilities | 2,432,365 | (16,738,649) | 1,852,330 | 376,172 |
| Cash from operating activities | 2,915,228,163 | 2,979,219,592 | 1,025,053,272 | 1,152,948,280 |
| Cash paid for interest expenses | - | (1,140) | - | (893) |
| Cash paid for corporate income tax | (53,032,511) | (170,316,880) | (19,620,381) | (106,291,806) |
| Net cash from operating activities | 2,862,195,652 | 2,808,901,572 | 1,005,432,891 | 1,046,655,581 |

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

Hana Microelectronics Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2011 and 2010

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|------------------------|-------------------------------|------------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Cash flows from investing activities | | | | |
| Increase in short-term investments | (314,740,528) | (341,825,844) | - | - |
| Interest income from short-term investments | 70,318,611 | 109,133,665 | - | - |
| Proceeds from sales of short-term investments | 351,421,653 | 120,774,311 | - | - |
| Dividend income from subsidiary companies | - | - | 310,000,000 | 275,000,000 |
| Dividend income from other companies | 1,771,746 | 3,674,105 | 21,375 | 19,125 |
| Acquisitions of property, plant and equipment | (1,396,553,927) | (2,291,160,141) | (234,189,801) | (436,940,291) |
| Proceeds from disposals of equipment | 36,600,516 | 35,281,249 | 25,078,526 | 3,937,288 |
| Increase in intangible assets | (2,368,780) | (2,187,860) | (650,650) | (1,855,534) |
| Decrease in other non-current assets | 10,794,745 | 16,626,774 | - | - |
| Net cash from (used in) investing activities | (1,242,755,964) | (2,349,683,741) | 100,259,450 | (159,839,412) |
| Cash flows from financing activities | | | | |
| Increase (decrease) in short-term loans from | | | | |
| financial institution | 38,820,547 | (43,906,080) | - | - |
| Cash paid for interest expenses | (560,737) | (785,999) | (434,178) | - |
| Dividend paid | (1,247,562,233) | (1,126,830,404) | (1,247,562,233) | (1,126,830,404) |
| Net cash used in financing activities | (1,209,302,423) | (1,171,522,483) | (1,247,996,411) | (1,126,830,404) |
| Increase (decrease) in cash and cash equivalents | 410,137,265 | (712,304,652) | (142,304,070) | (240,014,235) |
| Translation adjustment | 439,466,334 | (585,216,713) | - | - |
| Net increase (decrease) in cash and cash equivalents | 849,603,599 | (1,297,521,365) | (142,304,070) | (240,014,235) |
| Cash and cash equivalents at beginning of year | 2,974,543,667 | 4,272,065,032 | 662,729,295 | 902,743,530 |
| Cash and cash equivalents at end of year (Note 7) | 3,824,147,266 | 2,974,543,667 | 520,425,225 | 662,729,295 |
| | - | - | - | - |
| Supplemental cash flow information | | | | |
| Non-cash related transactions from investing activities | | | | |
| Net increase (decrease) in accounts payable | | | | |
| for purchase of plant and equipment | (133,493,019) | (204,144,125) | (8,530,794) | 4,325,074 |
| Revaluation surplus (deficit) on changes in fair value of | | | | |
| available-for-sale investments | (36,132,311) | 34,876,319 | - | - |

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 2011 and 2010

(Unit: Baht)

| Consolidated financial statements | | | | | | | | | | | | |
|--|------|----------------------------------|---------------|-------------------|-----------------------------|-----------------|---|---|--|--|-----------------|----------------------------|
| | Note | Issued and paid up share capital | Share premium | Retained earnings | | | Other components of shareholders' equity | | | Total equity attributable to owners of the Company | Treasury shares | Total shareholders' equity |
| | | | | Statutory reserve | Reserve for treasury shares | Unappropriated | Other comprehensive income | | | | | |
| | | | | | | | on change in fair value of available-for-sale investments | Exchange differences on translation of financial statements in foreign currency | Total other components of shareholders' equity | | | |
| | | | | | | | | | | | | |
| Balance as at 31 December 2009 | | 830,474,960 | 1,723,218,982 | 320,218,399 | 262,987,260 | 10,077,774,811 | 68,996,217 | (14,397,097) | 54,599,120 | 13,269,273,532 | (262,987,260) | 13,006,286,272 |
| Dividend paid | 27 | - | - | - | - | (1,126,830,404) | - | - | - | (1,126,830,404) | - | (1,126,830,404) |
| Total comprehensive income for the year | | - | - | - | - | 2,749,420,711 | 34,876,319 | (585,216,713) | (550,340,394) | 2,199,080,317 | - | 2,199,080,317 |
| Balance as at 31 December 2010 | | 830,474,960 | 1,723,218,982 | 320,218,399 | 262,987,260 | 11,700,365,118 | 103,872,536 | (599,613,810) | (495,741,274) | 14,341,523,445 | (262,987,260) | 14,078,536,185 |
| Balance as at 31 December 2010 | | 830,474,960 | 1,723,218,982 | 320,218,399 | 262,987,260 | 11,700,365,118 | 103,872,536 | (599,613,810) | (495,741,274) | 14,341,523,445 | (262,987,260) | 14,078,536,185 |
| Cumulative effect of change in accounting policy for employee benefits | 3 | - | - | - | - | (287,797,311) | - | - | - | (287,797,311) | - | (287,797,311) |
| Dividend paid | 27 | - | - | - | - | (1,247,562,233) | - | - | - | (1,247,562,233) | - | (1,247,562,233) |
| Total comprehensive income for the year | | - | - | - | - | 1,618,068,746 | (36,132,311) | 439,466,334 | 403,334,023 | 2,021,402,769 | - | 2,021,402,769 |
| Balance as at 31 December 2011 | | 830,474,960 | 1,723,218,982 | 320,218,399 | 262,987,260 | 11,783,074,320 | 67,740,225 | (160,147,476) | (92,407,251) | 14,827,566,670 | (262,987,260) | 14,564,579,410 |

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 2011 and 2010

(Unit: Baht)

| Separate financial statements | | | | | | | | |
|--|----------------------------------|----------------------|--------------------|-----------------------------|----------------------|------------------------------|----------------------|----------------------|
| Note | Issued and paid up share capital | Share premium | Retained earnings | | | Total equity attributable to | | Total |
| | | | Statutory reserve | Reserve for treasury shares | Unappropriated | owners of the Company | Treasury shares | |
| | | | | | | | | |
| Balance as at 31 December 2009 | 830,474,960 | 1,723,218,982 | 100,000,000 | 262,987,260 | 3,962,787,487 | 6,879,468,689 | (262,987,260) | 6,616,481,429 |
| Dividend paid | - | - | - | - | (1,126,830,404) | (1,126,830,404) | - | (1,126,830,404) |
| Total comprehensive income for the year | - | - | - | - | 1,281,723,828 | 1,281,723,828 | - | 1,281,723,828 |
| Balance as at 31 December 2010 | 830,474,960 | 1,723,218,982 | 100,000,000 | 262,987,260 | 4,117,680,911 | 7,034,362,113 | (262,987,260) | 6,771,374,853 |
| Balance as at 31 December 2010 | 830,474,960 | 1,723,218,982 | 100,000,000 | 262,987,260 | 4,117,680,911 | 7,034,362,113 | (262,987,260) | 6,771,374,853 |
| Cumulative effect of change in accounting policy | | | | | | | | |
| for employee benefits | - | - | - | - | (117,268,695) | (117,268,695) | - | (117,268,695) |
| Dividend paid | - | - | - | - | (1,247,562,233) | (1,247,562,233) | - | (1,247,562,233) |
| Total comprehensive income for the year | - | - | - | - | 1,167,024,515 | 1,167,024,515 | - | 1,167,024,515 |
| Balance as at 31 December 2011 | 830,474,960 | 1,723,218,982 | 100,000,000 | 262,987,260 | 3,919,874,498 | 6,836,555,700 | (262,987,260) | 6,573,568,440 |

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 2011 and 2010

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 is principally engaged in the manufacture and trading of electronic components. The registered office of the Company 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 28 September 2011, 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 | |
|---|--|--------------------------|----------------------------|---------|--|---------|---|---------|
| | | | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | | | Percent | Percent | Percent | Percent | Percent | Percent |
| <u>Held by the Company</u> | | | | | | | | |
| Hana Semiconductor (BKK) Company Limited | Manufacture and trading of electronic components | Thailand | 100 | 100 | 1 | 3 | 2 | 5 |
| Omac Sales Limited | Trading of electronic components | Hong Kong | 100 | 100 | 1 | 1 | - | - |
| Hana Microelectronics International Company Limited | Holding company | British Virgin Islands | 100 | 100 | 13 | 13 | - | 2 |
| Hana Microelectronics Investments Company Limited | Holding company | British Virgin Islands | 100 | 100 | - | - | - | - |
| Hana Technologies Group Limited | Holding company | Cayman Islands | 100 | 100 | - | - | - | - |
| Hana Semiconductor (Ayuthaya) Company Limited | Manufacture and trading of electronic components | Thailand | 58 | 58 | 15 | 17 | 18 | 20 |
| <u>Held through the subsidiary companies</u> | | | | | | | | |
| Hana Semiconductor International Limited | Trading of electronic components | British Virgin Islands | 100 | 100 | 7 | 5 | 27 | 20 |
| Hana Semiconductor Holdings Limited | Holding company | British Virgin Islands | 100 | 100 | - | - | - | - |
| Hana Technologies Investments Limited | Holding company | Cayman Islands | 100 | 100 | - | - | - | - |
| Hana Microdisplay Technologies, Inc. | Manufacture and trading 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 and trading of electronic components | China | 100 | 100 | 25 | 23 | 1 | 1 |
| Hana Semiconductor (Ayuthaya) Company Limited | Manufacture and trading of electronic components | Thailand | 42 | 42 | 11 | 12 | 13 | 15 |

- b) Subsidiaries are fully consolidated, 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 using the same significant accounting policies as the Company.
 - d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated into Thai Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
 - e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- 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 during the year

During the current year, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

| | |
|-----------------------|--|
| TAS 1 (revised 2009) | Presentation of Financial Statements |
| TAS 2 (revised 2009) | Inventories |
| TAS 7 (revised 2009) | Statement of Cash Flows |
| TAS 8 (revised 2009) | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 10 (revised 2009) | Events after the Reporting Period |
| TAS 11 (revised 2009) | Construction Contracts |
| TAS 16 (revised 2009) | Property, Plant and Equipment |
| TAS 17 (revised 2009) | Leases |
| TAS 18 (revised 2009) | Revenue |
| TAS 19 | Employee Benefits |
| TAS 23 (revised 2009) | Borrowing Costs |
| TAS 24 (revised 2009) | Related Party Disclosures |

| | |
|-----------------------|--|
| TAS 26 | Accounting and Reporting by Retirement Benefit Plans |
| TAS 27 (revised 2009) | Consolidated and Separate Financial Statements |
| TAS 28 (revised 2009) | Investments in Associates |
| TAS 29 | Financial Reporting in Hyperinflationary Economies |
| TAS 31 (revised 2009) | Interests in Joint Ventures |
| TAS 33 (revised 2009) | Earnings per Share |
| TAS 34 (revised 2009) | Interim Financial Reporting |
| TAS 36 (revised 2009) | Impairment of Assets |
| TAS 37 (revised 2009) | Provisions, Contingent Liabilities and Contingent Assets |
| TAS 38 (revised 2009) | Intangible Assets |
| TAS 40 (revised 2009) | Investment Property |

Financial reporting standards:

| | |
|-----------------------|---|
| TFRS 2 | Share-Based Payment |
| TFRS 3 (revised 2009) | Business Combinations |
| TFRS 5 (revised 2009) | Non-current Assets Held for Sale and Discontinued Operations |
| TFRS 6 | Exploration for and Evaluation of Mineral Resources |

Financial Reporting Standard Interpretations:

| | |
|----------|--|
| TFRIC 15 | Agreements for the Construction of Real Estate |
|----------|--|

Accounting Standard Interpretations:

| | |
|--------|--|
| SIC 31 | Revenue-Barter Transactions Involving Advertising Services |
|--------|--|

These accounting standards do not have any significant impact on the financial statements, except for the following accounting standards.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. The Company and its subsidiaries previously accounted for such employee benefits when they were incurred.

The Company and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change has the cumulative effect of decreasing the beginning balance of retained earnings of the Company and its subsidiaries by Baht 288 million (the Company only: Baht 117 million), and decreasing the profit of the Company and its subsidiaries for the year 2011 by Baht 82 million, or 0.10 Baht per share (the Company only: decreasing profit by Baht 47 million, or 0.06 Baht per share). The cumulative effect of the change in the accounting policy has been separately presented in the statements of changes in shareholders' equity.

4. New accounting standards issued during the years not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

| | |
|-----------------------|--|
| TAS 12 | Income Taxes |
| TAS 20 (revised 2009) | Accounting for Government Grants and Disclosure of Government Assistance |
| TAS 21 (revised 2009) | The Effects of Changes in Foreign Exchange Rates |

Accounting Standard Interpretations:

| | |
|--------|---|
| SIC 10 | Government Assistance - No Specific Relation to Operating Activities |
| SIC 21 | Income Taxes - Recovery of Revalued Non-Depreciable Assets |
| SIC 25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders |

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates

This accounting standard requires an entity to identify its functional currency in accordance with certain conditions in the standard and to record transactions and report its financial position and operating results in this functional currency, which may not be Baht.

At present, the management is still evaluating the impact on the financial statements in the year when this standard is adopted.

5. Significant accounting policies

5.1 Revenue recognition

Sales of goods

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

Interest 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.

5.2 Cash and cash equivalents

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

5.3 Trade accounts receivable

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

5.4 Inventories

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

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

5.5 Investments

- a) Investments in securities held for trading of a subsidiary are stated at fair value. Changes in fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities of a subsidiary are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in shareholders' equity, and will be recorded in profit or loss when securities are sold.
- 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 Exchanges in which the securities are issued. The fair value of debt instruments is determined based on yield rate quoted by the overseas banks.

The weighted average method is used for computation of the cost of investments.

In the event the Company and its subsidiary reclassify investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as surplus (deficit) from changes in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in profit or loss.

5.6 Property, plant and equipment and depreciation

Land is stated at cost. Buildings 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 following estimated useful lives:

| | | |
|------------------------|---|-----------------|
| Leasehold improvements | - | period of lease |
| Buildings | - | 20 years |
| Installation | - | 10 years |
| Other assets | - | 3 - 15 years |

Depreciation is included in determining income.

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

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

5.7 Intangible assets

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 profit or loss.

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

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

5.8 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.

5.9 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 end of reporting period.

Gains and losses on exchange are included in determining income.

5.10 Impairment of assets

At the end of each reporting period, 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 profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

5.11 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

The Company, the subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed to by the employees, the Company and the subsidiaries. The fund's assets are held in a separate trust fund and the Company and the subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

Provision for vacation

The Company and its subsidiaries have set up provision for vacation which is calculated in accordance with the Company's policy and formula, taking into consideration the employee's salary, the number of service years and the unused vacation days.

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

5.13 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.

5.14 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

5.15 Derivatives - forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrealised gains and losses from the translation are included in determining income.

6. 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 from these estimates. 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 and its subsidiaries treat 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 of the management.

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

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

7. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2011 and 2010 as reflected in the statements of financial position and cash flows consist of the following:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|------------------|-------------------------------|----------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Cash in hand and at banks | 1,789,864 | 1,064,128 | 270,425 | 212,729 |
| Bills of exchange | 610,000 | 750,000 | 250,000 | 450,000 |
| Fixed deposits with maturity not over 3 months | 1,424,283 | 1,160,416 | - | - |
| Cash and cash equivalents | <u>3,824,147</u> | <u>2,974,544</u> | <u>520,425</u> | <u>662,729</u> |

As at 31 December 2011, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.001 and 3.25 percent per annum (2010: 0.001 and 2.25 percent per annum).

8. 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>2011</u> | <u>2010</u> | |
| <u>Transactions with subsidiary companies</u> | | | |
| (eliminated from the consolidated financial statements) | | | |
| Sales of goods | 13 | 22 | Prices agreed between the parties due to the uniqueness of products sold to each customer |
| Dividend income | 310 | 275 | Declared rate |
| Rental income | 9 | 13 | Contract price |
| Purchase of materials | 162 | 91 | Cost plus mark up |
| Purchase of fixed assets | 4 | 1 | Cost plus mark up |
| Service fee expenses | 4 | 2 | Rates stipulated in the agreement |

As at 31 December 2011 and 2010, the balances of the accounts between the Company and those related parties are as follows:

| | (Unit: Thousand Baht) | |
|---|-------------------------------|----------------------|
| | Separate financial statements | |
| | <u>2011</u> | <u>2010</u> |
| Trade accounts receivable - subsidiary companies | | |
| Hana Microdisplay Technologies, Inc. | 11,642 | 15,834 |
| Hana Semiconductor (Ayutthaya) Company Limited | 352 | - |
| Omac Sales Limited | 108 | 1,450 |
| Hana Semiconductor (BKK) Company Limited | 107 | 1,149 |
| Hana Semiconductor International Limited | 78 | - |
| Total trade accounts receivable - subsidiary companies | <u>12,287</u> | <u>18,433</u> |
| Trade accounts payable - subsidiary companies | | |
| Omac Sales Limited | 49,990 | 8,244 |
| Hana Semiconductor (Ayutthaya) Company Limited | 36,863 | 1,370 |
| Hana Semiconductor International Limited | 4,540 | 576 |
| Hana Microelectronics, Inc. | 1,651 | 624 |
| Hana Microdisplay Technologies, Inc. | 1,069 | 2,169 |
| Hana Microelectronics Investments Company Limited | 32 | 68 |
| Total trade accounts payable - subsidiary companies | <u>94,145</u> | <u>13,051</u> |

Directors and management's benefits

During the years ended 31 December 2011 and 2010, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

| | (Unit: Million Baht) | | | |
|------------------------------|----------------------|------------------|----------------------|------------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Short-term employee benefits | 81 | 85 | 9 | 11 |
| Post-employment benefits | 8 | - | 8 | - |
| Total | <u>89</u> | <u>85</u> | <u>17</u> | <u>11</u> |

9. Short-term Investments

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|---|-----------------------------------|------------------|----------------------------|------------------|
| | 31 December 2011 | | 31 December 2010 | |
| | Cost/ Carrying value | Fair value | Cost/ Carrying value | Fair value |
| Securities held for trading | | | | |
| Overseas marketable equity securities | 95,074 | 95,956 | 30,154 | 33,274 |
| Domestic marketable equity securities | - | - | 37,353 | 128,196 |
| Total | 95,074 | 95,956 | 67,507 | 161,470 |
| Add: Revaluation surplus on changes in value of investments | 882 | - | 93,963 | - |
| Investments in securities held for trading | 95,956 | 95,956 | 161,470 | 161,470 |
| Available-for-sale securities | | | | |
| Overseas marketable corporate bonds | 1,000,449 | 1,046,768 | 901,608 | 932,940 |
| Quoted bonds | 843,831 | 865,252 | 868,058 | 940,599 |
| Total | 1,844,280 | 1,912,020 | 1,769,666 | 1,873,539 |
| Add: Revaluation surplus on changes in value of investments | 67,740 | - | 103,873 | - |
| Investments in available-for-sale securities | 1,912,020 | 1,912,020 | 1,873,539 | 1,873,539 |
| Fixed deposit with financial institution | | | | |
| Fixed deposit within 1 year | 6,344 | 6,344 | - | - |
| Investment in fixed deposit with financial institution | 6,344 | 6,344 | - | - |
| Total short-term investments | 2,014,320 | 2,014,320 | 2,035,009 | 2,035,009 |

9.1 Securities held for trading

Since the third quarter of 2008, Hana Microelectronics International Company Limited, an overseas subsidiary company, has invested in mutual fund of a company listed on the Stock Exchange of Cayman Island, 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 2010, the subsidiary had redeemed the Credit linked note invested in 2009, resulting in gain of HKD 0.2 million or equivalent to Baht 0.8 million. During the current year, the subsidiary additionally invested in bond investment trust from an overseas bank. In addition, this subsidiary disposed the entire amount of the remaining shares of a company listed on the Stock Exchange of Thailand, resulting in gain of USD 1.8 million or equivalent to approximately Baht 53.1 million.

As at 31 December 2011, the subsidiary had assessed the fair value of the equity securities for mutual fund and the bond investment trust from an overseas bank by referring to the latest bid price as quoted on the Stock Exchanges, in which the fair value had decreased by USD 0.07 million or equivalent to approximately Baht 2.4 million (2010: increased by HKD 14.1 million or equivalent to approximately Baht 50.2 million). The changes in the fair value of these investments were recognised in profit or loss.

9.2 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 2010, the subsidiary additionally invested in both listed corporate bonds and quoted bonds and sold some of the bonds, and partial quoted bonds were matured, resulting in net loss of HKD 0.3 million or equivalent to approximately Baht 1.1 million. During the current year, the subsidiary additionally invested in listed corporate bonds and disposed some of the bonds, resulting in gain of USD 0.05 million or equivalent to approximately Baht 1.4 million.

As at 31 December 2011, part of investments in available-for-sales securities were used as security for short-term loans from financial institution as discussed in Note 15.

As at 31 December 2011, 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 decreased by USD 1.3 million or equivalent to approximately Baht 36.1 million (2010: increased by HKD 10.8 million or equivalent to approximately Baht 34.9 million). The changes in the fair value of such bonds are shown as a separate item in the statement of comprehensive income.

10. Trade and other receivables

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|---|----------------------|-------------|----------------------|-------------|
| | financial statements | | financial statements | |
| <u>Age of receivable</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Trade receivables - subsidiary companies | | | | |
| Not yet due | - | - | 1,691 | 2,054 |
| Past due | | | | |
| Up to 3 months | - | - | 4,140 | 8,238 |
| 3 - 6 months | - | - | 2,387 | 3,630 |
| 6 - 12 months | - | - | 3,107 | 4,030 |
| Over 12 months | - | - | 962 | 481 |
| Total trade receivables - subsidiary companies | - | - | 12,287 | 18,433 |
| Trade receivables - unrelated companies | | | | |
| Not yet due | 2,090,226 | 1,909,840 | 1,138,627 | 858,884 |
| Past due | | | | |
| Up to 3 months | 354,943 | 513,225 | 105,460 | 152,470 |
| 3 - 6 months | 20,670 | 8,957 | 929 | 1,072 |
| 6 - 12 months | 7,236 | 2,782 | 34 | - |
| Over 12 months | 5,380 | - | - | - |
| Total trade receivables - unrelated companies | 2,478,455 | 2,434,804 | 1,245,050 | 1,012,426 |
| Less: Allowance for doubtful accounts | (11,189) | (3,240) | - | - |
| Total trade receivables - unrelated companies - net | 2,467,266 | 2,431,564 | 1,245,050 | 1,012,426 |
| Total trade receivables - net | 2,467,266 | 2,431,564 | 1,257,337 | 1,030,859 |
| Other receivables | 101,250 | 48,173 | 17,678 | 4,613 |
| Trade and other receivables - net | 2,568,516 | 2,479,737 | 1,275,015 | 1,035,472 |

11. Inventories

(Unit: Thousand Baht)

Consolidated financial statements

| | Cost | | Reduce cost to net realisable value | | Inventories - net | |
|------------------|------------------|------------------|--|------------------|-------------------|------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | Finished goods | 553,620 | 685,984 | (121,434) | (129,442) | 432,186 |
| Work in process | 292,648 | 243,303 | - | - | 292,648 | 243,303 |
| Raw materials | 2,000,275 | 1,747,327 | (227,963) | (76,629) | 1,772,312 | 1,670,698 |
| Goods in transit | 149,433 | 84,465 | - | - | 149,433 | 84,465 |
| Total | 2,995,976 | 2,761,079 | (349,397) | (206,071) | 2,646,579 | 2,555,008 |

(Unit: Thousand Baht)

Separate financial statements

| | Cost | | Reduce cost to net realisable value | | Inventories - net | |
|------------------|------------------|----------------|--|------------------|-------------------|----------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | Finished goods | 202,060 | 223,299 | (121,287) | (129,239) | 80,773 |
| Work in process | 117,251 | 72,080 | - | - | 117,251 | 72,080 |
| Raw materials | 808,856 | 495,767 | (54,734) | (47,576) | 754,122 | 448,191 |
| Goods in transit | 41,264 | 1,646 | - | - | 41,264 | 1,646 |
| Total | 1,169,431 | 792,792 | (176,021) | (176,815) | 993,410 | 615,977 |

12. Investments in subsidiary companies

(Unit: Thousand Baht)

Separate financial statements

| Company's name | Paid up capital | | Shareholding percentage | | Cost | | Dividend received for the years ended 31 December | |
|---|-----------------|-------------|-------------------------|-------------|------------------|------------------|---|----------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | | | Percent | Percent | | | | |
| Hana Semiconductor (Ayuthaya) Company Limited | 1,200,000 | 1,200,000 | 58 | 58 | 2,142,910 | 2,142,910 | 70,000 | 175,000 |
| Hana Semiconductor (BKK) Company Limited | 1,000,000 | 1,000,000 | 100 | 100 | 1,011,100 | 1,011,100 | 240,000 | 100,000 |
| 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 subsidiary companies | | | | | <u>3,427,502</u> | <u>3,427,502</u> | <u>310,000</u> | <u>275,000</u> |

13. Property, plant and equipment

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | | | | |
|--|---------|-----------|-----------------------|--------------|-------------------------|--------------------------------|----------|---|------------|
| | Land | Buildings | Leasehold improvement | Installation | Machinery and equipment | Office furniture and equipment | Vehicles | Construction in progress and machinery under installation | Total |
| Cost | | | | | | | | | |
| 31 December 2009 | 157,377 | 1,835,701 | 138,354 | 535,123 | 8,745,580 | 426,315 | 55,338 | 179,350 | 12,073,138 |
| Additions | 121,631 | 11,919 | 155 | 27,482 | 1,038,672 | 50,455 | 8,430 | 944,458 | 2,203,202 |
| Disposals | - | - | - | (6,470) | (199,472) | (8,125) | (13,570) | - | (227,637) |
| Transfer in (out) | - | 210,208 | - | 15,150 | 513,347 | 5,572 | - | (744,277) | - |
| Translation adjustment | - | (40,304) | (4,071) | - | (132,000) | (3,681) | (1,033) | (4,338) | (185,427) |
| 31 December 2010 | 279,008 | 2,017,524 | 134,438 | 571,285 | 9,966,127 | 470,536 | 49,165 | 375,193 | 13,863,276 |
| Additions | - | 8,633 | - | 26,048 | 328,263 | 32,948 | 1,526 | 688,247 | 1,085,665 |
| Disposals | - | - | - | (5) | (114,000) | (15,846) | (8,614) | - | (138,465) |
| Transfer in (out) | - | 126,560 | - | 60,527 | 573,779 | 11,368 | 3,502 | (775,736) | - |
| Translation adjustment | - | 56,946 | 2,979 | - | 195,635 | 4,753 | 1,600 | 7,327 | 269,240 |
| 31 December 2011 | 279,008 | 2,209,663 | 137,417 | 657,855 | 10,949,804 | 503,759 | 47,179 | 295,031 | 15,079,716 |
| Accumulated depreciation | | | | | | | | | |
| 31 December 2009 | - | 515,149 | 111,641 | 357,335 | 5,005,938 | 342,780 | 35,243 | - | 6,368,086 |
| Depreciation for the year | - | 91,279 | 5,947 | 40,573 | 958,038 | 34,808 | 7,859 | - | 1,138,504 |
| Accumulated depreciation for disposed assets | - | - | - | (383) | (168,438) | (6,888) | (12,241) | - | (187,950) |
| Translation adjustment | - | (8,368) | (2,783) | - | (50,181) | (2,762) | (580) | - | (64,674) |
| 31 December 2010 | - | 598,060 | 114,805 | 397,525 | 5,745,357 | 367,938 | 30,281 | - | 7,253,966 |
| Depreciation for the year | - | 106,260 | 3,420 | 43,102 | 988,523 | 39,460 | 6,671 | - | 1,187,436 |
| Accumulated depreciation for disposed assets | - | - | (616) | (5) | (76,964) | (15,156) | (7,186) | - | (99,927) |
| Translation adjustment | - | 14,712 | 1,286 | - | 69,402 | 3,198 | 1,061 | - | 89,659 |
| 31 December 2011 | - | 719,032 | 118,895 | 440,622 | 6,726,318 | 395,440 | 30,827 | - | 8,431,134 |
| Allowance for impairment loss | | | | | | | | | |
| 31 December 2009 | - | - | - | 613 | 103,486 | - | - | - | 104,099 |
| Decrease during the year | - | - | - | - | (16,715) | - | - | - | (16,715) |
| Translation adjustment | - | - | - | - | (4,567) | - | - | - | (4,567) |
| 31 December 2010 | - | - | - | 613 | 82,204 | - | - | - | 82,817 |
| Increase during the year | - | - | - | - | 190,989 | - | - | - | 190,989 |
| Translation adjustment | - | - | - | - | 2,186 | - | - | - | 2,186 |
| 31 December 2011 | - | - | - | 613 | 275,379 | - | - | - | 275,992 |
| Net book value | | | | | | | | | |
| 31 December 2010 | 279,008 | 1,419,464 | 19,633 | 173,147 | 4,138,566 | 102,598 | 18,884 | 375,193 | 6,526,493 |
| 31 December 2011 | 279,008 | 1,490,631 | 18,522 | 216,620 | 3,948,017 | 108,319 | 16,352 | 295,031 | 6,372,590 |
| Depreciation for the year | | | | | | | | | |
| 2010 (Baht 1,013 million included in manufacturing cost, and the balance in administrative expenses) | | | | | | | | | 1,138,504 |
| 2011 (Baht 984 million included in manufacturing cost, and the balance in administrative expenses) | | | | | | | | | 1,187,436 |

(Unit: Thousand Baht)

Separate financial statements

| | Land | Buildings | Leasehold improvement | Installation | Machinery and equipment | Office furniture and equipment | Vehicles | Construction in progress and machinery under installation | Total |
|--|---------|-----------|-----------------------|--------------|-------------------------|--------------------------------|----------|---|-----------|
| Cost | | | | | | | | | |
| 31 December 2009 | 50,994 | 811,991 | 85,641 | 139,172 | 1,830,334 | 101,411 | 18,560 | 99,533 | 3,137,636 |
| Additions | 121,631 | 518 | - | 1,284 | 17,032 | 11,367 | 2,537 | 286,896 | 441,265 |
| Disposals | - | - | - | - | (25,676) | (1,220) | - | - | (26,896) |
| Transfer in (out) | - | - | - | 7,576 | 230,674 | 174 | - | (238,424) | - |
| 31 December 2010 | 172,625 | 812,509 | 85,641 | 148,032 | 2,052,364 | 111,732 | 21,097 | 148,005 | 3,552,005 |
| Additions | - | 5,804 | - | 11,235 | 28,860 | 10,458 | - | 169,302 | 225,659 |
| Disposals | - | - | - | - | (76,463) | (1,043) | (6,420) | - | (83,926) |
| Transfer in (out) | - | 77,255 | - | 38,579 | 157,190 | 879 | - | (273,903) | - |
| 31 December 2011 | 172,625 | 895,568 | 85,641 | 197,846 | 2,161,951 | 122,026 | 14,677 | 43,404 | 3,693,738 |
| Accumulated depreciation | | | | | | | | | |
| 31 December 2009 | - | 230,870 | 78,354 | 63,482 | 1,104,825 | 80,562 | 12,018 | - | 1,570,111 |
| Depreciation for the year | - | 40,618 | 4,858 | 11,488 | 206,062 | 8,180 | 2,809 | - | 274,015 |
| Accumulated depreciation for disposed assets | - | - | - | - | (20,739) | (1,008) | - | - | (21,747) |
| 31 December 2010 | - | 271,488 | 83,212 | 74,970 | 1,290,148 | 87,734 | 14,827 | - | 1,822,379 |
| Depreciation for the year | - | 42,901 | 2,429 | 13,326 | 222,178 | 9,342 | 1,736 | - | 291,912 |
| Accumulated depreciation for disposed assets | - | - | - | - | (53,196) | (931) | (5,258) | - | (59,385) |
| 31 December 2011 | - | 314,389 | 85,641 | 88,296 | 1,459,130 | 96,145 | 11,305 | - | 2,054,906 |
| Allowance for impairment loss | | | | | | | | | |
| 31 December 2009 | - | - | - | 613 | 8,089 | - | - | - | 8,702 |
| Decrease during the year | - | - | - | - | (1,192) | - | - | - | (1,192) |
| 31 December 2010 | - | - | - | 613 | 6,897 | - | - | - | 7,510 |
| Increase during the year | - | - | - | - | 338 | - | - | - | 338 |
| 31 December 2011 | - | - | - | 613 | 7,235 | - | - | - | 7,848 |
| Net book value | | | | | | | | | |
| 31 December 2010 | 172,625 | 541,021 | 2,429 | 72,449 | 755,319 | 23,998 | 6,270 | 148,005 | 1,722,116 |
| 31 December 2011 | 172,625 | 581,179 | - | 108,937 | 695,586 | 25,881 | 3,372 | 43,404 | 1,630,984 |
| Depreciation for the year | | | | | | | | | |
| 2010 (Baht 206 million included in manufacturing cost, and the balance in administrative expenses) | | | | | | | | | 274,015 |
| 2011 (Baht 222 million included in manufacturing cost, and the balance in administrative expenses) | | | | | | | | | 291,912 |

As at 31 December 2011, certain equipment items have been fully depreciated but are still in use. The gross carrying amount, before deducting accumulated depreciation and allowance for impairment loss, of those assets amounted to approximately Baht 4,625 million (2010: Baht 3,693 million) and for the Company amounted to approximately Baht 860 million (2010: Baht 614 million).

14. Intangible assets

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

| | (Unit: Thousand Baht) | |
|----------------------------------|---|-------------------------------------|
| | Consolidated financial statements | Separate financial statements |
| Cost | | |
| 31 December 2009 | 38,747 | 4,912 |
| Additions | 2,429 | 1,855 |
| Translation adjustment | (696) | - |
| 31 December 2010 | 40,480 | 6,767 |
| Additions | 2,238 | 651 |
| Translation adjustment | 1,044 | - |
| 31 December 2011 | 43,762 | 7,418 |
| Accumulated amortisation | | |
| 31 December 2009 | 17,879 | 1,450 |
| Amortisation for the year | 5,487 | 578 |
| Translation adjustment | (455) | - |
| 31 December 2010 | 22,911 | 2,028 |
| Amortisation for the year | 5,396 | 634 |
| Translation adjustment | 914 | - |
| 31 December 2011 | 29,221 | 2,662 |
| Net book value | | |
| 31 December 2010 | 17,569 | 4,739 |
| 31 December 2011 | 14,541 | 4,756 |
| Amortisation for the year | | |
| 2010 | 5,487 | 578 |
| 2011 | 5,396 | 634 |

15. Short-term loans from financial institution

During the current year, Hana Microelectronics International Company Limited, an overseas subsidiary company, entered into the loan agreements with an overseas commercial bank to borrow short-term loans of GBP 0.74 million and EUR 0.38 million. The short-term loans bear interest at the rate of 0.88% per annum and 1.27% per annum, respectively, and are secured by the pledge of the investments in available-for-sale securities held under the accounts of the lender by the subsidiary company.

16. Trade and other payables

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|--|----------------------|------------------|----------------------|----------------|
| | financial statements | | financial statements | |
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Trade payables - related parties | - | - | 94,145 | 13,051 |
| Trade payables - unrelated parties | 1,916,228 | 1,698,690 | 812,933 | 458,506 |
| Advance received from customers | 164,050 | 165,490 | 30,094 | 10,041 |
| Other payables for purchase of machineries | 174,472 | 307,965 | 38,394 | 46,925 |
| Accrued expenses | 251,694 | 176,593 | 29,185 | 26,291 |
| Total trade and other payables | <u>2,506,444</u> | <u>2,348,738</u> | <u>1,004,751</u> | <u>554,814</u> |

17. Short-term provisions

(Unit: Thousand Baht)

| | Consolidated financial statements | | |
|--------------------------|-----------------------------------|------------------|----------------|
| | Loss on tax assessment | Product warranty | Total |
| 1 January 2011 | 150,466 | 182,992 | 333,458 |
| Increase during the year | - | 35,016 | 35,016 |
| 31 December 2011 | <u>150,466</u> | <u>218,008</u> | <u>368,474</u> |

(Unit: Thousand Baht)

| | Separate financial statements | |
|------------------|-------------------------------|----------------|
| | Loss on tax assessment | Total |
| 1 January 2011 | 150,466 | 150,466 |
| 31 December 2011 | <u>150,466</u> | <u>150,466</u> |

Provision for loss on tax assessment

The Company has recorded provision for loss on tax assessment, as described in Note 28.5.

Provision for product warranty

The subsidiaries record provision for product warranty, which is estimated by reference to obligation for product warranty under manufacturing contract.

18. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011, which are compensations on employees' retirement, was as follows:

| | (Unit: Thousand Baht) | |
|---|-----------------------------|-----------------------------|
| | Consolidated | Separate |
| | <u>financial statements</u> | <u>financial statements</u> |
| Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings (Note 3) | 271,128 | 109,944 |
| Current service cost | 40,469 | 18,204 |
| Interest cost | 9,471 | 4,173 |
| Actuarial loss on obligation | 31,832 | 22,530 |
| Balance at end of year | <u>352,900</u> | <u>154,851</u> |

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2011 amounted to Baht 82 million (the Company only: Baht 45 million).

Principal actuarial assumptions at the valuation date were as follows:

| | Consolidated | | Separate | |
|---|-----------------------------|------------------|-----------------------------|------------------|
| | <u>financial statements</u> | | <u>financial statements</u> | |
| | 2011 | 2010 | 2011 | 2010 |
| | (% per annum) | (% per annum) | (% per annum) | (% per annum) |
| Discount rate | 3.7% | 4.1% | 3.7% | 4.1% |
| Future salary increase rate (depending on age) | 3.1% - 5.4% | 3.2% - 5.5% | 3.8% - 5.4% | 3.3% - 5.5% |
| Staff turnover rate | 4.9% - 26.3% | 4.9% - 26.3% | 4.9% - 26.3% | 4.9% - 26.3% |

19. 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.

20. Treasury shares

As at 31 December 2011 and 2010, details of treasury shares are as follows:

| | Consolidated and separate financial statements | |
|---|---|-------------|
| | <u>2011</u> | <u>2010</u> |
| Cost of treasury shares (Thousand Baht) | 262,987 | 262,987 |
| Number of treasury shares (Thousand shares) | 25,596 | 25,596 |
| Average price per share (Baht) | 10.27 | 10.27 |
| Percentage of treasury shares to the Company's shares in issue | 3.08 | 3.08 |

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

Under the Notification of the Office of the Securities and Exchange Commission No. Gor Lor Tor. Chor. Sor. (Wor) 2/2548 and the Notification of the Federation of Accounting Professions No. Sor. Sor Wor Bor Chor. 016/2548, public limited company is required to set aside retained earnings in an amount equal to the amount paid for treasury shares until either the shares are sold or paid-up capital is reduced by cancellation of any remaining unsold shares. As at 31 December 2011, the Company set aside approximately Baht 262.99 million as reserve for treasury shares (2010: Baht 262.99 million).

A resolution of the meeting of the Company's Board of Directors No. 3/2554 held on 10 August 2011 approved the resale of 25,596,100 treasury shares, or equivalent to 3.08 percent of total issued and paid-up shares of the Company. The treasury shares will be sold through the Stock Exchange of Thailand. The period of the resale of these shares is from 25 August 2011 to 2 September 2011, and the resale price shall not less than 85 percent of the average closing price of the last 5 trading days. However, no treasury shares were sold until the ending resale period on 2 September 2011.

21. Expenses by nature

Significant expenses by nature are as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Raw materials and consumables used | 9,744,187 | 9,776,018 | 3,996,872 | 3,898,075 |
| Changes in inventories of finished goods and work in process | 75,011 | (204,098) | (31,884) | 39,860 |
| Salary and wages and other employee benefits | 2,687,463 | 2,496,594 | 889,658 | 771,319 |
| Management benefit expenses | 88,842 | 85,029 | 17,042 | 10,900 |
| Depreciation and amortisation expenses | 1,192,832 | 1,143,991 | 292,546 | 274,593 |
| Loss on exchange | - | - | - | 27,703 |
| Loss from flood event | 99,294 | - | - | - |
| Product warranty expenses | 25,801 | 26,491 | - | - |

22. Loss from flood event

The plant of Hana Semiconductor (Ayutthaya) Co., Ltd., a 100% owned subsidiary of the Company, which is located in Hi-tech Industrial Estate in Ayutthaya province, was inundated in early October 2011 as a result of the extensive flooding in Thailand during the fourth quarter of 2011. The subsidiary suffered major damages to its property and business interruption losses. The subsidiary investigated the damages and recorded losses from flood event of Baht 399 million in profit or loss for the year 2011 which consisted of the damages to fixed assets of Baht 191 million, damages to inventories of Baht 153 million and other damages of Baht 55 million, including full provision for net book value of the damaged property which is to be replaced.

The loss from the incidents is covered by the subsidiary's insurance, which covers all risks and business interruption. The subsidiary is in the process of claiming compensation on its property damages and business interruption losses resulting from the flood. The subsidiary received an initial compensation payment of Baht 300 million in February 2012, and at the end of reporting period it had therefore recognised this insurance claim receivable as current assets in the statement of financial position, and net such amount against loss from flood event in profit or loss in the income statement. The recognised compensation did not exceed the above loss from the damages to fixed assets and inventories.

The subsidiary has restarted its production in January 2012 and expects to gradually increase its production capacity during the first half of 2012.

23. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert of all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

| | For the year ended 31 December | | | |
|--|--------------------------------|-----------|----------------------|-----------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2011 | 2010 | 2011 | 2010 |
| Profit for the year (Thousand Baht) | 1,618,069 | 2,749,421 | 1,167,025 | 1,281,724 |
| Number of weighted average ordinary shares | | | | |
| - net of treasury shares (Thousand shares) | 804,879 | 804,879 | 804,879 | 804,879 |
| Basic earnings per share (Baht) | 2.01 | 3.42 | 1.45 | 1.59 |

Warrants

The Company had in 2006 issued warrants to the Company's employees and directors, as detailed below.

Number of 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

However, no warrants were exercised until the exercise period ended on 31 July 2010.

The warrants were excluded from the calculation of potential diluted ordinary shares for diluted earnings per share calculation for the year ended 31 December 2010 since the exercise price exceeded the weighted average fair value of the ordinary shares of the Company.

24. 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 | | | | | | | | |
|--|--------------------|---|-------------------------------|--|---|--|--|--|---|
| | 1842/2539 | 1341/Or/2544 | 1455 (1)/2544 | 1597(1)/2544 | 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 Fiber Optic Device, Air Pressure and Temperature Control and Wireless Radio Frequency | Production of Wireless Sensor | Production of smart card and module for smart card | 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 (expired) | 8 years (expired) (tax exempted according with investment) | 8 years (tax exempted according with investment) | 8 years (tax exempted according with investment) | 8 years (tax exempted according with investment) | 8 years |
| 3.2 5% allowance of the increment in export income over the preceding years. | 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 | 5 years | 5 years | 5 years (expired) (tax exempted according with investment) | 5 years (tax exempted according with investment) | 5 years (tax exempted according with investment) | 5 years (tax exempted according with investment) | 5 years |

| Particulars | The Company | | | | | | | | |
|--|---|---|------------------|---------------------|-----------------|--------------------|------------------|--------------------|--------------------|
| | 3.4 Exemption from import duty on machinery as approved by the Board. | 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 | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years |
| 4. Date of first earning operating income | 10 January 1997 | 17 January 2002 (Transferred from Hana Microelectronics (NRIE) Co., Ltd. in 2002) | 27 March 2002 | 17 November 2001 | 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 | | | | | |
| | 1112/2541 | 2093(6)/2548 | 1594(2)/2545 | 1133(4)/2548 | 2176(4)/2548 | 1458(1)/2553 | 1817(2)/2550 | 1034(2)/2550 |
| 1. Certificate No. | | | | | | | | |
| 2. Promotional privileges for | Production of LED, OPTO and Microwave Amplifier | Production of Integrated Circuit (IC) | Production of IC OPTO and Integrated Circuit (IC) | Production of Integrated Circuit (IC) and Integrated Module | Production of Integrated Circuit (IC) and Integrated Circuit Tested (IC Tested) | 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. | - | 5 years | 7 years (expired) | 8 years | 8 years | 8 years | 7 years | 8 years |
| 3.2 Exemption from import duty on machinery as approved by the Board. | Granted | Granted | Granted | Granted | Granted | Granted | Granted | Granted |
| 4. Date of first earning operating income | 1 April 1998 | 20 April 2006 | 7 September 2003 | 3 January 2005 | 10 January 2006 | 10 May 2010 | 1 September 2010 | Has not yet started utilising the privileges. |

During the year 2011, the subsidiaries were approved by the Board of investment to terminate the promotional certificate no. 1492/2541, 1187/or/2543, 1154(1)/2544.

The Company's operating revenues for the years 2011 and 2010 could be divided according to promoted and non-promoted operations as follows:

| | (Unit: Thousand Baht) | | | | | |
|----------------|-----------------------|-----------|-------------------------|--------|-----------|-----------|
| | Promoted operations | | Non-promoted operations | | Total | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Sales | | | | | | |
| Domestic sales | 684 | 19 | 15 | 24 | 699 | 43 |
| Export sales | 6,258,086 | 6,268,543 | 14,556 | 32,083 | 6,272,642 | 6,300,626 |
| Total sales | 6,258,770 | 6,268,562 | 14,571 | 32,107 | 6,273,341 | 6,300,669 |

25. 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 subsidiaries as at and for the years ended 31 December 2011 and 2010 are as follows:

| | (Unit: Million Baht) | | | | | | | |
|----------------------------------|-----------------------------------|--------|---------|-------|------------|---------|--------|--------|
| | Consolidated financial statements | | | | | | | |
| | Domestic | | Foreign | | Eliminated | | Total | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues from external customers | 11,559 | 13,090 | 4,756 | 3,868 | - | - | 16,315 | 16,958 |
| Intersegment revenues | 31 | 50 | 5,530 | 5,135 | (5,561) | (5,185) | - | - |
| Total revenues | 11,590 | 13,140 | 10,286 | 9,003 | (5,561) | (5,185) | 16,315 | 16,958 |
| Segment profit | 1,365 | 2,076 | 689 | 794 | | | 2,054 | 2,870 |
| Unallocated income and expenses: | | | | | | | | |
| Other income | | | | | | | 563 | 495 |
| Gain on exchange | | | | | | | 120 | 192 |
| Selling expenses | | | | | | | (132) | (121) |
| Administrative expenses | | | | | | | (810) | (565) |
| Loss from flood | | | | | | | (99) | - |
| Other expenses | | | | | | | (26) | (27) |
| Finance cost | | | | | | | (9) | (8) |
| Corporate income tax | | | | | | | (43) | (87) |
| Profit for the year | | | | | | | 1,618 | 2,749 |

| | (Unit: Million Baht) | | | | | | | |
|-------------------------------|-----------------------------------|--------|---------|--------|------------|----------|--------|--------|
| | Consolidated financial statements | | | | | | | |
| | Domestic | | Foreign | | Eliminated | | Total | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Property, plant and equipment | 4,413 | 4,847 | 1,960 | 1,679 | - | - | 6,373 | 6,526 |
| Other assets | 18,032 | 17,607 | 18,173 | 16,476 | (24,666) | (23,805) | 11,539 | 10,278 |
| Total assets | 22,445 | 22,454 | 20,133 | 18,155 | (24,666) | (23,805) | 17,912 | 16,804 |

Transfer prices between business segments are as set out in Note 8 to the financial statements.

26. 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 2011, total amount of approximately of Baht 46 million (2010: Baht 42 million) had been contributed to the fund by the Company and its subsidiaries, and Baht 20 million had been contributed by the Company (2010: Baht 18 million).

27. Dividend paid

During the year 2011 and 2010, the Company and its subsidiaries had dividend payments as follows:

| | Approved by | Total dividends (Million Baht) | Dividend per share (Baht) |
|---|---|-----------------------------------|------------------------------|
| <u>The Company</u> | | | |
| Final dividends for 2009 | Annual General Meeting of the shareholders on 30 April 2010 | 1,127 | 1.40 |
| Total for the year 2010 | | <u>1,127</u> | <u>1.40</u> |
| Final dividends for 2010 | Annual General Meeting of the shareholders on 29 April 2011 | 1,248 | 1.55 |
| Total for the year 2011 | | <u>1,248</u> | <u>1.55</u> |
| <u>Subsidiary companies</u> | | | |
| Hana Semiconductor (BKK) Company Limited | | | |
| Final dividends for 2009 | Annual General Meeting of the shareholders on 30 April 2010 | 100 | 1.00 |
| Total for the year 2010 | | <u>100</u> | <u>1.00</u> |
| Final dividends for 2010 | Annual General Meeting of the shareholders on 29 April 2011 | 190 | 1.90 |
| Interim dividends for 2011 | Board of Directors' meeting on 4 May 2011 | 50 | 0.50 |
| Total for the year 2011 | | <u>240</u> | <u>2.40</u> |
| Hana Semiconductor (Ayutthaya) Company Limited | | | |
| Final dividends for 2009 | Annual General Meeting of the shareholders on 29 March 2010 | 300 | 2.50 |
| Total for the year 2010 | | <u>300</u> | <u>2.50</u> |
| Final dividends for 2010 | Annual General Meeting of the shareholders on 20 April 2011 | 120 | 1.00 |
| Total for the year 2011 | | <u>120</u> | <u>1.00</u> |

28. Commitments and contingent liabilities

28.1 Capital commitments

As at 31 December 2011, the Company and its subsidiaries had capital commitments of approximately USD 2 million or equivalent to Baht 71 million, relating to the acquisitions of machinery (the Company only: Baht 28 million).

28.2 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. The lease payment rate has been changed to Baht 0.1 million per month since March 2011.

28.3 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.

28.4 Guarantees

As at 31 December 2011, there were outstanding bank guarantees of approximately Baht 188 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 discussed in Note 28.5) and Baht 43 million to guarantee electricity use and Baht 1 million among others.

28.5 Tax assessment

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.

29. Financial instruments

29.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, investments, trade and other payables and loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables. The Company and its 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 statement of financial position.

Interest rate risk

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash and cash equivalents, short-term investments and short-term loans. However, since most of their financial assets 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 2011 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 | | | | Effective interest rate |
| | within one year | Floating interest rate | Non-interest bearing | Total | |
| | (Million Baht) | | | | (% p.a.) |
| | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 2,036 | 1,572 | 216 | 3,824 | 0.001 - 3.25 |
| Short-term investments | 1,894 | 24 | 96 | 2,014 | 0.15 - 9.75 |
| Trade and other receivables | - | - | 2,569 | 2,569 | - |
| Insurance claim receivable | - | - | 300 | 300 | - |
| Total financial assets | 3,930 | 1,596 | 3,181 | 8,707 | |
| Financial liabilities | | | | | |
| Short-term loans from financial institution | - | 38,821 | - | 38,821 | 1.00 - 1.35 |
| Trade and other payables | - | - | 2,506 | 2,506 | - |
| Total financial liabilities | - | 38,821 | 2,506 | 41,327 | |
| Separate financial statements | | | | | |
| Fixed interest rate | | | | | Effective interest rate |
| within one year | Floating interest rate | Non-interest bearing | Total | | |
| (Million Baht) | | | | (% p.a.) | |
| | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 250 | 263 | 7 | 520 | 0.1 - 3.25 |
| Trade and other receivables | - | - | 1,275 | 1,275 | - |
| Total financial assets | 250 | 263 | 1,282 | 1,795 | |
| Financial liabilities | | | | | |
| Trade and other payables | - | - | 1,005 | 1,005 | - |
| Total financial liabilities | - | - | 1,005 | 1,005 | |

Foreign currency risk

The Company's and its 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 2011 are summarised below.

| Foreign currency | Financial assets | Financial liabilities | Average exchange rate as at 31 December 2011 |
|------------------|------------------|-----------------------|--|
| | (Million) | (Million) | (Baht per foreign currency unit) |
| China Yuan | 308 | 84 | 5.0328 |
| US Dollar | 156 | 58 | 31.6912 |
| Indian Rupee | 45 | - | 0.5891 |
| Japan Yen | 24 | 32 | 0.4084 |
| Euro | 9 | - | 41.0274 |
| Hongkong dollar | 3 | 2 | 4.0795 |
| Pound Sterling | 3 | - | 48.8578 |
| Singapore Dollar | 2 | - | 24.3854 |
| Brazilian real | 2 | - | 17.9600 |
| Australia dollar | 2 | - | 32.1971 |

As at 31 December 2011, an overseas subsidiary company had outstanding forward exchange contracts, of which details are presented below.

| Sold amount | Contractual maturity date | Contractual exchange rate for amount sold |
|----------------|---------------------------|---|
| (Million USD) | | (Baht per USD) |
| 10 | 25 January 2012 | 31.07 |
| 10 | 2 February 2012 | 31.90 |
| 20 | 30 March 2012 | 31.30 |
| 40 | 13 June 2012 | 30.98 |
| (Million Euro) | | (USD per Euro) |
| 5 | 16 May 2012 | 1.37 |

In addition, the subsidiary company entered into the linked asset swap agreement with an overseas bank. The details of the swap agreement outstanding as at 31 December 2011 are as follows:

| Swap agreement | Notional amount | Contractual maturity date | Yield to maturity | Fair value gain (loss) |
|---------------------------------------|-----------------|---------------------------|-------------------|------------------------|
| | (Million USD) | | (Percent) | (Million Baht) |
| Credit default swap - quoted bonds | 2 | 20 June 2013 | 1.43 | 1.12 |

29.2 Fair value of financial instruments

Since the majority of the Company's and its subsidiaries' financial instruments are short-term in nature and 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 statements of financial position.

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.

30. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2011, the Group's debt-to-equity ratio was 0.23:1 (2010: 0.19:1) and the Company's was 0.20:1 (2010: 0.11:1).

31. Events after the reporting period

On 28 February 2012, the meeting of the Board of Directors of the Company No. 1/2012 passed the following resolutions.

- 31.1 Approving the dividend payment for the year 2011 to the Company's shareholders at Baht 1 per share. The dividend will be paid on 14 May 2012.

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

- 31.2 Approving to write off all 25,596,100 repurchased shares with a par value of Baht 1 each which remain unsold. This will result in a decrease in the registered and paid-up share capital of the Company from Baht 830,474,960 (830,474,960 ordinary shares of Baht 1 each) to Baht 804,878,860 (804,878,860 ordinary shares of Baht 1 each). The Company will register the change in its registered share capital with the Ministry of Commerce in 2012.

32. Reclassification

To comply with the Notification of the Department of Business Development relating to the financial statement presentation as described in Note 2 and as the result of the adoption of revised and new accounting standards as described in Note 3, certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current year's classification, without any effect to the previously reported profit or shareholders' equity.

33. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2012.