

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue decreased slightly year on year, to THB 3.93 billion in the second quarter of 2008 from THB 3.97 billion for the second quarter of 2007. Sales Revenue in USD terms increased by 5% to USD 121m in Q2 2008 from USD 114m in Q2 2007. Operating Profits increased 21% to 522m Baht in Q2 2008 from 422m Baht in Q2 2007.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>30-Jun-07</u>		<u>30-Jun-08</u>		<u>Q208-Q207</u>	<u>Q208-Q207</u>
PCBA (Lamphun)	1,441,397	36%	1,522,355	39%	80,958	6%
PCBA (JiaXing)	712,843	18%	679,484	17%	(33,359)	-5%
CPG - (Bangkok)	525,408	13%	450,508	11%	(74,900)	-14%
IC (Ayutthaya)	1,119,923	28%	1,086,746	28%	(33,177)	-3%
IC (JiaXing)	136,863	3%	152,650	4%	15,787	12%
HMT (USA)	31,059	1%	33,482	1%	2,423	8%
Total Revenue	3,967,493		3,925,225		(42,268)	-1%

**Sales Revenue Analysis****Year on Year Sales Revenue Analysis**

Quarter 2 2008 sales revenue for the group increased 5% year-on-year in actual USD terms, to USD 121m from USD 114m. However, due to a 6% stronger Thai Baht in Q208 from Q207 the sales revenues in THB equivalent decreased by 1%. The microelectronics divisions sales increased by 7% in USD terms, with Lamphun increasing sales by 10% and JiaXing increasing sales by 2%. The IC divisions USD sales revenues were 10% higher, with both the IC division in Ayutthaya and JiaXing increasing sales revenues by 9% and 20% respectively, whilst CPG division sales declined 8%.

**Quarter on Quarter Sales Revenue Analysis**

Sales in Q208 were 7% higher than Q108 at USD 121m compared to USD 113m. In THB equivalent the group sales increased also by 7% in Q208 compared to Q108, as the average THB/USD exchange rate was similar at 32.6 and 32.4 respectively. Sales revenues from all divisions were higher with the microelectronics division 9% higher, sales revenues from the IC divisions 4% higher, and the CPG division in BKK was 4% higher. The performance between the divisions in Thailand and the divisions in China were mixed, with Lamphun increasing sales by 14%, Ayutthaya by 5% and CPG by 4% whilst sales at the divisions in China were slightly lower.

**Sales Revenue Split**

	<u>Q2 2008</u>	<u>Q1 2008</u>	<u>Q4 2007</u>	<u>Q3 2007</u>	<u>Q2 2007</u>
PCBA (Thailand)	39%	36%	37%	38%	36%
PCBA (China)	17%	19%	18%	17%	18%
CPG - (Bangkok)	11%	12%	10%	11%	13%
IC (AYT)	28%	28%	30%	29%	28%
IC (JXG)	4%	4%	5%	4%	3%
HMT (USA)	1%	1%	1%	1%	1%
	100%	100%	100%	100%	100%

**Gross Profit / Cost of Sale Analysis**

The Gross Profit margin was 17% in Q208 which was 3% higher than in Q207. Whilst the THB was stronger by 6% which had a negative effect on margins, this was offset by the better operating leverage as a result of higher USD sales, cost reductions in JiaXing after the successful move of the factory at the beginning of 2007 and Q207 was also impacted by THB 48m higher materials costs due to stock revaluation (from THB strengthening) whereas there was no stock revaluation in Q208. The Gross Profit margin was 2% higher at 17% in Q208 compared to 15% in Q108. The 2% increase was mainly due Q108 being impacted by the THB 71m non recurring stock revaluation due to the appreciation of the THB from the year end.

### **Sales and General Administration Expense Analysis**

Sales and General Administration "SGA" expenses in Q208 were reduced by 5% to THB 203m from THB 216m in Q207 due to cost reduction efforts to offset labour cost increases and the additional costs incurred in opening the new China plant in JiaXing. The SGA expenses as a percent of sales revenues remained at 5% of sales revenues in Q208.

### **Operating Profit Analysis**

Operating profits were 24% higher in Q208 year on year and margins were also higher at 13% in Q208 from 11% Q207. The divisional performance was mixed with the microelectronics divisions achieving profit growth due to the sales growth but the IC divisions profits fell as they are impacted to a greater extent by the THB and CNY exchange rates strengthening.

### **Foreign Exchange Rates**

Each week's sales and purchases are booked based on the exchange rate at the close of the previous week. The average exchange rate for the quarter was Baht/USD 32.58 from 34.70 in Q207 (and from Baht/USD 32.42 in Q108).

The offshore subsidiaries income statements are translated at the average rate for the quarter, (for their respective currencies). The Balance sheets of the offshore companies were translated at the closing rate of Baht/USD 33.53 at 30/06/08, and 31.51 at 31/03/08 or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

THB 1,079m for the final dividend of THB 1.30 per share was paid during the quarter as the first and final dividend from the profits of 2007. The dividend was paid from the BOI profits and therefore was not subject to withholding tax deduction.

In Q207, THB 827m for the final dividend of THB 1.00 per share was paid out as a final dividend from the profits of 2006. Together with the interim dividend paid during December 2006 of 0.50 baht per share the total dividend from 2006 to THB 1.50 per share before withholding tax deduction.

### **Financial Status**

The group currently has no interest bearing debt. Cash (and equivalents) reserves at the 30th June, 2008 were THB 3.5 billion up from the level at 30th June, 2007 of THB 2.2 billion. The large increase was due to the USD 16m cash inflow from the sale of AIT to Unisem in Q307.

### **Asset Quality**

#### **Accounts Receivable**

Most of customers are well known and have good reputation in the IC, and electronics industry. Provision is made of amounts outstanding over 90 days and amounts which the management believe may be doubtful. Accounts receivable days were 55 days in Q208 and 53 days in Q207.

	<b><u>30-Jun-07</u></b>	<b><u>30-Jun-08</u></b>	'000
Accounts receivable - other companies			
Less than 3 months	2,270,419	2,376,824	100%
3 - 6 months	41,106	8,464	0%
6 - 12 months	10,838	2,315	0%
More than 12 months	1,262	(3,269)	0%
Total accounts receivable - other companies	<u>2,323,625</u>	<u>2,384,334</u>	
Less : Allowance for doubtful accounts	-3,909	(2,436)	0%
	<u>2,319,716</u>	<u>2,381,898</u>	3%

#### **Inventory**

In general, Hana's production is based on clients' order, consequently, the majority of inventory are raw materials, expendable tools and work in process with little finished goods pending for customer delivery. The group companies normally write-off out-of-date inventory, and make provision for aged inventory and depletion in the value of fixed assets, if material, each quarter. Inventory days were similar as at 30th June, 2008 to the 59 days as at 30th June, 2007.

#### **Liquidity**

Liquidity ratios are high at approximately 3 times current liabilities. Operating Cashflow (EBITDA) in Q2 2008 was THB 767m which was 22% higher than Q2 2007 was THB 627m.

### **Capital Expenditure**

Net Capital Expenditure was THB258m in Q2 2008 and THB 131m in Q2 2007. Generally, capital expenditure for production equipment will follow the increase in sales, particularly in the IC division. However, there is a 3 to 6 month time lag due to the ordering lead time. Plant expansion will depend on the current building utilisation and lead time to construct new plant or expand in an existing plant.

### **Source of Financial Capital**

As the group has no net interest bearing debt and operating working capital is positive the group's funding is from the shareholders equity.

### **Major Factors which could have an Impact on the Company's Performance**

The company business is that of an electronics manufacturing service company. As such, it manufactures products on behalf of its customers for shipment to them or their customers. Therefore, the company's performance is mostly affected by its ability to win and retain business from the existing and new customers. In turn, customer demand is affected by world economic growth and the customer's sales growth.

As all the group's sales revenue are in foreign currency (primarily USD) and USD currency costs are 65% percent of sales revenues, the Group operating profit sensitivity to change in the Thai Baht/USD and Chinese CNY/USD exchange rates is currently about Baht 130m per quarter for every 10% change in the average Baht/USD and CNY/USD rates (i.e.  $(1 - 0.65) \times \text{Sales Revenue} \times 10\%$  ).

The Group's Thai companies balance sheet exposure is a net asset of approximately USD 45m, being the foreign currency working capital balance. Out of the group's foreign exchange exposure, USD 21m is hedged, Foreign exchange contracts are used to buy THB and Sell USD on a rolling 3 or 6 months basis.

Whilst the book value of the offshore companies are represented in foreign currency, the effect of the change in the exchange rate is shown by the movement of the foreign currency 'Translation Adjustment' in the shareholders funds section of the balance sheet. There is no cash affect concerning its movement.

### **Exceptional Items**

The company settled the legal dispute relating to the property lease of a former subsidiary company which was sold to AIT in 1999. A provision was made for the possible settlement amount and legal expenses in prior years for the amount of USD 1m. As the settlement amount was less than the provision the balance of THB 25m was written back as other income in Q108.

### **Future Plan**

The company has completed the construction of a 3,000 sq.meter additional building for approximately THB 100m at the Ayutthaya plant to provide additional capacity. The building was opened at the end of May 2008.

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>30-Jun-07</u>		<u>30-Jun-08</u>		<u>Q208-Q207</u>	<u>Q208-Q207</u>
<b>REVENUES</b>						
Sales	3,967,493		3,925,225		(42,268)	-1%
consisting of:						
PCBA (Thailand)	1,441,397	36%	1,522,355	39%	80,958	6%
PCBA (China)	712,843	18%	679,484	17%	(33,359)	-5%
CPG - (Bangkok)	525,408	13%	450,508	11%	(74,900)	-14%
IC (AYT)	1,119,923	28%	1,086,746	28%	(33,177)	-3%
IC (JXG)	136,863	3%	152,650	4%	15,787	12%
HMT (USA)	31,059	1%	33,482	1%	2,423	8%
	<u>3,967,493</u>	100%	<u>3,925,225</u>	100%	<u>(42,268)</u>	-1%
Share of Assoc. company Profit	-		-		-	
Interest	13,909		9,192		(4,717)	-34%
Other Income - Operating	70,065		71,650		1,585	2%
Other Income - Non Operating	1,248		1,355		107	9%
<b>TOTAL REVENUES</b>	<u>4,052,715</u>		<u>4,007,422</u>		<u>(45,293)</u>	-1%
<b>EXPENSES</b>						
Cost of Sales	3,398,956	86%	3,271,158	83%	(127,798)	-4%
Selling & Admin. Expenses	216,565	5%	203,420	5%	(13,145)	-6%
Interest Expenses	786		-		(786)	
<b>TOTAL EXPENSES</b>	<u>3,616,307</u>	91%	<u>3,474,578</u>	89%	<u>(141,729)</u>	-4%
<b>EARNINGS from Operation</b>	<u>436,408</u>	11%	<u>532,844</u>	13%	<u>96,436</u>	22%
Exchange Gain (Loss)	5,562		29,957		24,395	
Share of Assoc. company Loss	-		-		-	
<b>EARNINGS before Income Tax</b>	<u>441,970</u>	11%	<u>562,801</u>	14%	<u>120,831</u>	27%
Corporate Income Tax	(9,608)	2%	(16,891)	3%	(7,283)	76%
<b>Earnings before Exceptional Items</b>	<u>432,362</u>		<u>545,910</u>		<u>113,548</u>	26%
Exceptional Items	-		-		-	
<b>NET EARNINGS for the Period</b>	<u>432,362</u>	11%	<u>545,910</u>	14%	<u>113,548</u>	26%
<b>EARNINGS % of SALES</b>	11%		14%		0.03	
Average number of shares (1 Baht par)	826,691		830,406		3,715	
<b>EARNINGS per SHARE (baht) before exch. &amp; exce</b>	0.52		0.62		0.11	
<b>EARNINGS per SHARE (baht) after exceptionals</b>	0.52		0.66		0.13	
Operating Profit (EBIT)	422,037		522,297		100,260	24%
	11%		13%			
Depreciation	205,025		244,865		39,840	19%
EBITDA (excl exchange gain/loss)	627,062		767,162		140,100	22%
EBITDA % of Sales Revenue	16%		20%			
Cashflow Earnings per Share	0.76		0.92		0.17	
Net Capital Expenditure	130,973		258,266		127,293	97%

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	YTD		YTD		YTD	YTD %
	30-Jun-07		30-Jun-08		Q208-Q207	Q208-Q207
<b>REVENUES</b>						
Sales	7,534,765		7,600,206		65,441	1%
consisting of:						
PCBA (Thailand)	2,680,216	36%	2,849,713	37%	169,497	6%
PCBA (China)	1,271,108	17%	1,366,111	18%	95,003	7%
CPG - (Bangkok)	997,787	13%	882,237	12%	(115,550)	-12%
IC (AYT)	2,295,569	30%	2,132,994	28%	(162,575)	-7%
IC (JXG)	229,178	3%	307,182	4%	78,004	34%
HMT (USA)	60,907	1%	61,969	1%	1,062	2%
	<u>7,534,765</u>	100%	<u>7,600,206</u>	100%	<u>65,441</u>	1%
					-	
Interest	19,019		20,663		1,644	9%
Other Income - Operating	110,025		117,745		7,720	7%
Other Income - Non Operating	2,425		27,936		25,511	1052%
<b>TOTAL REVENUES</b>	<u>7,666,234</u>		<u>7,766,550</u>		<u>100,316</u>	1%
<b>EXPENSES</b>						
Cost of Sales	6,470,078	86%	6,406,605	84%	(63,473)	-1%
Selling & Admin. Expenses	462,177	6%	413,007	5%	(49,170)	-11%
Interest Expenses	786		-		(786)	
<b>TOTAL EXPENSES</b>	<u>6,933,041</u>	92%	<u>6,819,612</u>	90%	<u>(113,429)</u>	-2%
<b>EARNINGS from Operation</b>	<u>733,193</u>	10%	<u>946,938</u>	12%	<u>213,745</u>	29%
Exchange Gain (Loss)	106,547		100,726		(5,821)	
<b>EARNINGS before Income Tax</b>	<u>839,740</u>	11%	<u>1,047,664</u>	13%	<u>207,924</u>	25%
Corporate Income Tax	(37,601)	4%	(54,113)	5%	(16,512)	44%
<b>Earnings before Exceptional Items</b>	<u>802,139</u>		<u>993,551</u>		<u>191,412</u>	24%
Exceptional Items	-		-		-	
<b>NET EARNINGS for the Period</b>	<u>802,139</u>	10%	<u>993,551</u>	13%	<u>191,412</u>	24%
<b>EARNINGS % of SALES</b>	11%		13%		0.02	
Average number of shares (1 Baht par)	822,883		830,415		7,532	
<b>EARNINGS per SHARE (baht) before exch. &amp; exce</b>	0.85		1.08		0.23	
<b>EARNINGS per SHARE (baht) after exceptionals</b>	0.97		1.20		0.22	
Operating Profit (EBIT)	712,535		898,339		185,804	26%
	9%		12%			
Depreciation	405,276		469,441		64,165	16%
EBITDA (excl exchange gain/loss)	1,117,811		1,367,780		249,969	22%
EBITDA % of Sales Revenue	15%		18%			
Cashflow Earnings per Share	1.36		1.65		0.29	
Net Capital Expenditure	569,070		482,782		- 86,288	-15%

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Jun-07</u>	Quarter <u>30-Jun-08</u>	<u>Q208-Q207</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	2,235,771	3,505,780	1,270,009
Deposits at Finance Companies & Notes Receivable			
Accounts Receivable - trade	2,319,716	2,381,898	62,182
Amounts due from Related Companies	-	-	
Inventories	2,232,267	2,157,770	(74,497)
Other Current Assets	213,771	113,063	(100,708)
<b>TOTAL CURRENT ASSETS</b>	<b>7,001,525</b>	<b>8,158,511</b>	<b>1,156,986</b>
LOAN TO OTHER COMPANY	97	97	
<b>FIXED ASSETS (net)</b>	<b>5,276,147</b>	<b>5,666,359</b>	<b>390,212</b>
OTHER ASSETS	7,784	2,154	(5,630)
<b>TOTAL ASSETS</b>	<b><u>12,285,553</u></b>	<b><u>13,827,121</u></b>	<b>1,541,568</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	180,000	-	(180,000)
Accounts & Notes Payable	1,516,437	1,634,862	118,425
Corporate Income Tax Payable	48,827	42,663	(6,164)
Accrued Expenses	255,334	419,751	164,417
Other Current Liabilities	595,255	441,640	(153,615)
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>2,595,853</u></b>	<b><u>2,538,916</u></b>	<b>(56,937)</b>
<b>TOTAL LIABILITIES</b>	<b>2,595,853</b>	<b>2,538,916</b>	<b>(56,937)</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	828,528	830,451	1,923
Share subscription received in advance	3,921	175	(3,746)
Share Premium	1,711,031	1,722,822	11,791
Retained Earnings			
Appropriated Statutory Reserve	320,100	322,301	2,201
Unappropriated	6,956,692	8,515,710	1,559,018
Translation adjustment	28,153	55,471	27,318
Excess Cost over Net Book Value of Subsidiary Investmer	(158,725)	(158,725)	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b><u>9,689,700</u></b>	<b><u>11,288,205</u></b>	<b>1,598,505</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<b><u>12,285,553</u></b>	<b><u>13,827,121</u></b>	<b>1,541,568</b>
Cash & Equivalents	2,235,771	3,505,780	1,270,009
Liabilities	2,595,853	2,538,916	-56,937
Debt/Equity	0.27	0.22	-0
Net Debt (Net cash)	360,082	-966,864	-1,326,946
Net Debt/Equity	0.04	-0.09	-0

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Jun-07</u>	Quarter <u>30-Jun-08</u>
<b>Cashflow from Operating Activities</b>		
Net Earnings before tax	441,970	562,801
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	205,025	244,865
Unrealised (gain) Loss on exchange	9,974	4,281
Change in other provisions	18,927	73,445
Share of loss from AIT associate under equity method	-	-
Provision for diminution in value of investment in AIT	-	-
	<u>233,926</u>	<u>322,591</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	(193,544)	(215,268)
Inventories	93,866	(129,148)
Trade accounts payable	31,721	217,152
Other	(108,206)	438,571
	<u>(176,163)</u>	<u>311,307</u>
<b>Net Cashflow from Operating Activities</b>	<u>499,733</u>	<u>1,196,699</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	-	-
Increase in property, plant and equipment	78,932	(683,429)
Proceeds from sale of fixed assets	14,262	1,378
Increase (decrease) in translation adjustment	(46,471)	348,325
Decrease in short term loans to related parties	-	-
Other	-	-
	<u>46,723</u>	<u>(333,726)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	13,343	964
Dividend paid	(827,124)	(1,079,353)
Other	180,000	-
Net cash (used in ) from financing activities	<u>(633,781)</u>	<u>(1,078,389)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(87,325)	(215,416)
Cash and Equivalents at the beginning of the period	<u>2,323,096</u>	<u>3,721,196</u>
Cash and Equivalents at the end of the period	2,235,771	3,505,780
Increase (decrease) in payables for purchases of plant/equipment	-	278,819

**HANA MICROELECTRONICS GROUP****Financial Ratios**

'000 Baht	Quarter <u>30-Jun-07</u>	Quarter <u>30-Jun-08</u>	<u>Q208-Q207</u>	
<b>Profitability Ratios</b>				
Gross Profit Margin (%)	14%	17%	2%	
Operating Profit Margin (%)	11%	13%	3%	
Net Profit before Exceptional Margin (%)	11%	14%	3%	
Net Profit after Exceptional Margin (%)	11%	14%	3%	
EBITDA margin (%)	16%	20%	4%	
Return On Equity (%) pa	18%	19%	1%	
<b>Efficiency Ratios</b>				
Working Capital turnover	5.2	5.3	0.1	
Account Receivable days	53	55	2.0	
Inventory days	59	59	0.3	
Accounts Payable days	40	45	4.8	
<b>Liquidity Ratios</b>				
Current Ratio	2.7	3.2	0.5	
Quick Ratio	1.8	2.3	0.6	
<b>Financial Capital Ratios</b>				
Debt / Equity	0.3	0.2	-	0.0
Net Debt to Equity	0.0	-0.1	-	0.1
Interest Coverage	n/a	n/a		