

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue decreased 11.0% year on year, to THB 3.62 billion for the third quarter of 2009 from THB 4.06 billion for the third quarter of 2008. Sales Revenue in USD terms declined by 11.3% to USD 106.4m from USD 119.9m in Q3 2008. Operating Profits decreased 10% to THB 565.0m in Q3 2009 from THB 629.1m in Q3 2008.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>30-Sep-09</u>		<u>30-Sep-08</u>		<u>Q309-Q308</u>	<u>Q309-Q308</u>
PCBA (Lamphun)	1,581,214	44%	1,461,837	36%	119,377	8%
PCBA (JiaXing)	473,229	13%	656,367	16%	(183,138)	-28%
CPG - (Bangkok)	311,110	9%	440,081	11%	(128,971)	-29%
IC (Ayutthaya)	1,073,055	30%	1,278,495	31%	(205,440)	-16%
IC (JiaXing)	146,631	4%	191,929	5%	(45,298)	-24%
HMT (USA)	27,227	1%	32,030	1%	(4,803)	-15%
Total Revenue	3,612,466		4,060,739		(448,273)	-11%

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

Quarter 3 2009 sales revenue for the group dropped 11.3% year-on-year in USD terms, from USD 119.9m in Q308 to USD 106.4m in Q309 as the markets continued to recover from the recession. The average exchange rate for Q309 was similar at THB/USD 33.96 from THB/USD 33.88 in Q308 resulting in the sales decline in THB terms being similar, at a 11.0% decline year on year.

Year-on-year, the microelectronics divisions sales decreased by 4% in USD terms. Sales in Lamphun increased by 8% whilst JiaXing decreased by 29%. The IC divisions USD sales revenues were 17% lower, with revenues in both the IC division in Ayutthaya and JiaXing decreasing by 17% and 22% respectively. The CPG division sales declined by 30%.

Quarter on Quarter Sales Revenue Analysis

Group sales in Q309 increased quarter on quarter by 14% from USD 93m in Q209 to USD 106m in Q309. Sales across all divisions continued to rebound from the excessive product supply chain contraction in Q109. In THB equivalent the group sales increased by 12% in Q309 compared to Q209. The average THB/USD exchange rate strengthened by 2% from 34.73 in Q209 to 33.96 in Q309.

Quarter-on-quarter, sales revenues from the microelectronics divisions were 19% higher with Lamphun increasing 26% with particular strength in touchpad products demand, and JiaXing 2%. Sales revenues from the IC divisions were 11% higher with Ayutthaya sales increasing by 10% and JiaXing IC sales increasing by 22%. The CPG division sales were 13% higher quarter on quarter.

Sales Revenue Split

	<u>Q3 2009</u>	<u>Q2 2009</u>	<u>Q1 2009</u>	<u>Q4 2008</u>	<u>Q3 2008</u>
PCBA (Thailand)	44%	41%	42%	39%	36%
PCBA (China)	13%	15%	17%	18%	16%
CPG - (Bangkok)	9%	9%	10%	9%	11%
IC (AYT)	30%	31%	27%	29%	31%
IC (JXG)	4%	4%	2%	4%	5%
HMT (USA)	1%	1%	1%	1%	1%
	100%	100%	100%	100%	100%

Gross Profit / Cost of Sale Analysis

The Gross Profit margin was 20% in Q309 similar to Q308. Inventory revaluation of THB 30m baht in Q309 caused the margin to decrease 1% which was offset by lower labour costs and a slightly higher margin product mix.

Sales and General Administration Expense Analysis

Year-on-year operating profits were 10% lower in Q309 and operating margins were 1% higher at 16% compared to 15% in Q308 as SG&A cost reductions of 19% (in Q408 and Q109) were greater than the 11% drop in sales in Q209.

Operating Profit Analysis

SG&A expenses in Q309 were 5% higher than in Q209 but lower than Q308 by 19% (THB 56m) due to doubtful debts provided for in Q308 (THB 54m) but partially recovered in Q309 (THB 10m) and cost savings in Q109.

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 Q309 was Baht/USD 33.96 from 33.88 in Q308 (and from Baht/USD 34.73 in Q209).

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 33.56 at 30/9/09, and 34.03 at 30/6/09 or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid out in Q309.

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 30th September, 2009 were THB 5.5 billion up from 30th September, 2008 of THB 4.2 billion.

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 Q309 and 47 days in Q308.

Accounts receivable - other companies	<u>30-Sep-09</u>	<u>30-Sep-08</u>	'000
Less than 3 months	2,202,757	2,108,928	99%
3 - 6 months	3,347	10,618	0%
6 - 12 months	9,103	3,616	0%
More than 12 months	2,492	(4,830)	0%
Total accounts receivable - other companies	2,217,699	2,118,332	
Less : Allowance for doubtful accounts	-2,320	(14,932)	0%
	<u>2,215,379</u>	<u>2,103,400</u>	5%

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 48 days as at 30th September, 2009 and 64 days as at 30th September, 2008.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q3 2009 was THB 815m which was 7% lower than Q3 2008 was THB 878m.

Capital Expenditure

Capital Expenditure was THB 191m in Q3 2009 and THB 425m in Q3 2008. 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 groups 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 groups sales revenue are in foreign currency (primarily USD) and USD currency costs are 63% 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 100m per quarter for every 10% change in the average Baht/USD and CNY/USD rates (i.e. $(1 - 0.63) \times \text{Sales Revenue} \times 10\%$).

The Group's Thai companies balance sheet exposure is a net asset of approximately USD 65m, being the foreign currency working capital balance. Out of the groups foreign exchange exposure, USD 50m 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.

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>30-Sep-09</u>		<u>30-Sep-08</u>		<u>Q309-Q308</u>	<u>Q309-Q308</u>
REVENUES						
Sales	3,612,466		4,060,739		(448,273)	-11%
consisting of:						
<i>PCBA (Thailand)</i>	1,581,214	44%	1,461,837	36%	119,377	8%
<i>PCBA (China)</i>	473,229	13%	656,367	16%	(183,138)	-28%
<i>CPG - (Bangkok)</i>	311,110	9%	440,081	11%	(128,971)	-29%
<i>IC (AYT)</i>	1,073,055	30%	1,278,495	31%	(205,440)	-16%
<i>IC (JXG)</i>	146,631	4%	191,929	5%	(45,298)	-24%
<i>HMT (USA)</i>	27,227	1%	32,030	1%	(4,803)	-15%
	<u>3,612,466</u>	100%	<u>4,060,739</u>	100%	<u>(448,273)</u>	-11%
Share of Assoc. company Profit	-		-		-	
Interest	14,748		5,503		9,245	168%
Other Income - Operating	40,195		56,400		(16,205)	-29%
Other Income - Non Operating	90,090		1,298		88,792	6841%
TOTAL REVENUES	<u>3,757,499</u>		<u>4,123,940</u>		<u>(366,441)</u>	-9%
EXPENSES						
Cost of Sales	2,882,260	80%	3,235,373	80%	(353,113)	-11%
Selling & Admin. Expenses	205,377	6%	252,681	6%	(47,304)	-19%
Interest Expenses	1,765		3,752		(1,987)	
TOTAL EXPENSES	<u>3,089,402</u>	86%	<u>3,491,806</u>	86%	<u>(402,404)</u>	-12%
EARNINGS from Operation	<u>668,097</u>	18%	<u>632,134</u>	15%	<u>35,963</u>	6%
Exchange Gain (Loss)	64,636		(13,787)		78,423	
Share of Assoc. company Loss	-		-		-	
EARNINGS before Income Tax	<u>732,733</u>	20%	<u>618,347</u>	15%	<u>114,386</u>	18%
Corporate Income Tax	(45,140)	6%	(38,080)	6%	(7,060)	19%
Earnings before Exceptional Items	<u>687,593</u>		<u>580,267</u>		<u>107,326</u>	18%
Exceptional Items	-		-		-	
NET EARNINGS for the Period	<u>687,593</u>	18%	<u>580,267</u>	14%	<u>107,326</u>	18%
EARNINGS % of SALES	19%		14%		0.05	
Average number of shares (1 Baht par)	804,879		830,424		- 25,545	
EARNINGS per SHARE (baht) before exch. & exc	0.77		0.72		0.06	
EARNINGS per SHARE (baht) after exceptionals	0.85		0.70		0.16	
Operating Profit (EBIT)	565,024		629,085		- 64,061	-10%
Depreciation	16%		15%		174	0%
EBITDA (excl exchange gain/loss)	249,830		249,656		63,887	-7%
EBITDA % of Sales Revenue	814,854		878,741		-	
Cashflow Earnings per Share	23%		22%		0.05	
	1.01		1.06		-	

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

'000 Baht	Quarter 30-Sep-09	Quarter 30-Sep-08	Q309-Q308
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	4,137,258	3,905,419	231,839
Financial Investments	1,355,996	300,480	1,055,516
Accounts Receivable - trade	2,215,379	2,103,400	111,979
Amounts due from Related Companies	-	-	
Inventories	1,552,792	2,305,856	(753,064)
Other Current Assets	122,862	142,629	(19,767)
TOTAL CURRENT ASSETS	9,384,287	8,757,784	626,503
LOAN TO OTHER COMPANY	97	97	
FIXED ASSETS (net)	5,367,282	5,877,969	(510,687)
OTHER ASSETS	18,670	1,566	17,104
TOTAL ASSETS	14,770,336	14,637,416	132,920
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	75,890	-	75,890
Accounts & Notes Payable	1,369,998	1,597,121	(227,123)
Corporate Income Tax Payable	52,036	41,237	10,799
Accrued Expenses	401,958	426,403	(24,445)
Other Current Liabilities	490,000	597,124	(107,124)
TOTAL CURRENT LIABILITIES	2,389,882	2,661,885	(272,003)
TOTAL LIABILITIES	2,389,882	2,661,885	(272,003)
SHAREHOLDERS EQUITY			
Share Capital	830,475	830,475	(0)
Share subscription received in advance	-	-	
Share Premium	1,723,219	1,723,219	(0)
Retained Earnings			
Appropriated Statutory Reserve	320,218	322,201	(1,983)
Unappropriated	9,427,852	9,095,477	332,375
Translation adj. & Investment revaluation	21,574	168,674	(147,100)
Unrealised gain(loss) on change in investments	57,116	-	57,116
Excess Cost over Net Book Value of Subsidiary Investments	-	(164,515)	164,515
TOTAL SHAREHOLDERS EQUITY	12,380,454	11,975,531	404,923
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	14,770,336	14,637,416	132,920
Cash & Equivalents	5,493,254	4,205,899	1,287,355
Liabilities	2,389,882	2,661,885	-272,003
Debt/Equity	0.19	0.22	-0
Net Debt (Net cash)	-3,103,372	-1,544,014	-1,559,358
Net Debt/Equity	-0.25	-0.13	-0

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Sep-09</u>	Quarter <u>30-Sep-08</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	732,733	618,347
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	249,929	242,710
Unrealised (gain) Loss on exchange	76,265	10,030
Increase (Decrease) in allowance for doubtful debts	(10,108)	12,496
Increase (Decrease) in allowance for obsolete inventories	18,319	29,317
Change in other provisions	(67,884)	10,794
	<u>266,521</u>	<u>305,347</u>
Working Capital (increase) decrease		
Trade accounts receivable	(268,632)	276,729
Inventories	(92,162)	(177,403)
Trade accounts payable	239,888	(37,973)
Other	49,595	(62,902)
	<u>(71,311)</u>	<u>(1,549)</u>
Net Cashflow from Operating Activities	<u>927,943</u>	<u>922,145</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	(345,523)	(309,756)
Increase in property, plant and equipment	(85,786)	(326,533)
Proceeds from sale of fixed assets	2,496	869
Increase (decrease) in translation adjustment	(194,888)	112,611
Revaluation deficit on investments	72,403	-
Other		
	<u>(551,298)</u>	<u>(522,809)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	-	246
Dividend paid	-	-
Other	75,890	-
Net cash (used in) from financing activities	<u>75,890</u>	<u>246</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	452,535	399,582
Cash and Equivalents at the beginning of the period	<u>3,684,724</u>	<u>3,505,780</u>
Cash and Equivalents at the end of the period	4,137,258	3,905,362
Increase (decrease) in payables for purchases of plant/equipment	88,224	112,588

HANA MICROELECTRONICS GROUP

Financial Ratios

'000 Baht	Quarter <u>30-Sep-09</u>	Quarter <u>30-Sep-08</u>	<u>Q309-Q308</u>	
Profitability Ratios				
Gross Profit Margin (%)	20%	20%		0%
Operating Profit Margin (%)	16%	15%		0%
Net Profit before Exceptional Margin (%)	19%	14%		5%
Net Profit after Exceptional Margin (%)	19%	14%		5%
EBITDA margin (%)	23%	22%		1%
Return On Equity (%) pa	22%	19%		3%
Efficiency Ratios				
Working Capital turnover	5.5	11.6	-	6.0
Account Receivable days	55	47		8.6
Inventory days	48	64	-	15.7
Accounts Payable days	43	44	-	1.6
Liquidity Ratios				
Current Ratio	3.9	3.3		0.6
Quick Ratio	3.2	2.4		0.9
Financial Capital Ratios				
Debt / Equity	0.2	0.2	-	0.0
Net Debt to Equity	-0.3	-0.1	-	0.1
Interest Coverage	n/a	n/a		