

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue decreased slightly year on year, to THB 4.06 billion in the third quarter of 2008 from THB 4.10 billion for the third quarter of 2007. Sales Revenue in USD terms were also similar year on year at USD 120m in Q3 2008 and Q3 2007. Operating Profits decreased 7% to 628m Baht in Q3 2008 from 674m Baht in Q3 2007.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>30-Sep-07</u>		<u>30-Sep-08</u>		<u>Q308-Q307</u>	<u>Q308-Q307</u>
PCBA (Lamphun)	1,552,640	38%	1,461,837	36%	(90,803)	-6%
PCBA (JiaXing)	712,687	17%	656,367	16%	(56,320)	-8%
CPG - (Bangkok)	432,213	11%	440,081	11%	7,868	2%
IC (Ayutthaya)	1,205,899	29%	1,278,495	31%	72,596	6%
IC (JiaXing)	165,128	4%	191,929	5%	26,801	16%
HMT (USA)	28,086	1%	32,030	1%	3,944	14%
Total Revenue	4,096,653		4,060,739		(35,914)	-1%

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

Quarter 3 2008 sales revenue for the group was similar year-on-year in USD terms, at USD 120m. As the average THB/USD 33.88 for Q308 was only slightly stronger than the THB/USD 34.06 in Q307, THB equivalent sales revenues were also similar year on year at THB 4.1 billion.

The microelectronics divisions sales decreased by 7% in USD terms, with sales in both Lamphun and JiaXing decreasing by 7%. The IC divisions USD sales revenues were 7% higher, with both the IC division in Ayutthaya and JiaXing increasing sales revenues by 7% and 14% respectively. The CPG division sales also increased by 2%.

**Quarter on Quarter Sales Revenue Analysis**

Group Sales in Q308 were also similar to Q208 at USD 120m. In THB equivalent the group sales increased by 3% in Q308 compared to Q208, as the average THB/USD exchange rate weakened by 5% from 32.6 in Q208 to 33.88 in Q308. Sales revenues from the microelectronics divisions were 8% lower, with similar changes in both Lamphun and JiaXing. Sales revenues from the IC divisions were 13% higher with Ayutthaya sales increasing by 12% and Jiaxing IC sales increasing by 17%. The CPG division sales were 7% lower quarter on quarter.

**Sales Revenue Split**

	<u>Q3 2008</u>	<u>Q2 2008</u>	<u>Q1 2008</u>	<u>Q4 2007</u>	<u>Q3 2007</u>
PCBA (Thailand)	36%	39%	36%	37%	38%
PCBA (China)	16%	17%	19%	18%	17%
CPG - (Bangkok)	11%	11%	12%	10%	11%
IC (AYT)	31%	28%	28%	30%	29%
IC (JXG)	5%	4%	4%	5%	4%
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 Q308 which was 1% higher than in Q307 due to the THB 56m stock revaluation from the 5% weakening of the THB/USD exchange rate.

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

SGA expenses increased by THB 55m due to increased provisions for doubtful debts related to concerns over solvency at two specific customers.

### **Operating Profit Analysis**

Year-on-year operating profits were 7% lower in Q308 and operating margins were also lower by 1% at 15% in Q308 from 16% Q307. Whilst gross profits increased due to the weakening THB/USD exchange rate, the SGA expenses were 28% higher due to an increase in provision for doubtful debts.

### **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 33.88 from 34.06 in Q307 (and from Baht/USD 32.25 in Q208).

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 34.05 at 30/09/08, and 33.53 at 30/06/08 or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

No dividend was paid out in Q308.

### **Financial Status**

The group currently has no interest bearing debt. Cash (and equivalents) reserves at the 30th September, 2008 were THB 4.2 billion up from the level at 30th September, 2007 of THB 3.0 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 47 days in Q308 and 50 days in Q307.

	<b><u>30-Sep-07</u></b>	<b><u>30-Jun-08</u></b>	'000
Accounts receivable - other companies			
Less than 3 months	2,272,717	2,108,928	100%
3 - 6 months	7,427	10,618	1%
6 - 12 months	6,242	3,616	0%
More than 12 months	633	(4,830)	0%
Total accounts receivable - other companies	<u>2,287,019</u>	<u>2,118,332</u>	
Less : Allowance for doubtful accounts	-15	(14,932)	-1%
	<u>2,287,004</u>	<u>2,103,400</u>	-8%

#### **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 64 days as at 30th September, 2008 to the 61 days as at 30th September, 2007.

#### **Liquidity**

Liquidity ratios are high at approximately 3 times current liabilities. Operating Cashflow (EBITDA) in Q3 2008 was THB 878m which was 5% lower than Q3 2007 was THB 891m.

#### **Capital Expenditure**

Capital Expenditure was THB425m in Q3 2008 and THB 484m in Q3 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's 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's 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 effect concerning its movement.

### **Exceptional Items**

None

### **Future Plan**

None

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>30-Sep-07</u>		<u>30-Sep-08</u>		<u>Q308-Q307</u>	<u>Q308-Q307</u>
<b>REVENUES</b>						
Sales	4,096,653		4,060,739		(35,914)	-1%
consisting of:						
<i>PCBA (Thailand)</i>	1,552,640	38%	1,461,837	36%	(90,803)	-6%
<i>PCBA (China)</i>	712,687	17%	656,367	16%	(56,320)	-8%
<i>CPG - (Bangkok)</i>	432,213	11%	440,081	11%	7,868	2%
<i>IC (AYT)</i>	1,205,899	29%	1,278,495	31%	72,596	6%
<i>IC (JXG)</i>	165,128	4%	191,929	5%	26,801	16%
<i>HMT (USA)</i>	28,086	1%	32,030	1%	3,944	14%
	<u>4,096,653</u>	100%	<u>4,060,739</u>	100%	<u>(35,914)</u>	-1%
Share of Assoc. company Profit	-		-		-	
Interest	10,527		5,503		(5,024)	-48%
Other Income - Operating	77,357		56,400		(20,957)	-27%
Other Income - Non Operating	1,269		1,298		29	2%
<b>TOTAL REVENUES</b>	<u>4,185,806</u>		<u>4,123,940</u>		<u>(61,866)</u>	-1%
<b>EXPENSES</b>						
Cost of Sales	3,299,687	81%	3,235,373	80%	(64,314)	-2%
Selling & Admin. Expenses	200,253	5%	252,681	6%	52,428	26%
Interest Expenses	1,431		3,752		2,321	
<b>TOTAL EXPENSES</b>	<u>3,501,371</u>	85%	<u>3,491,806</u>	86%	<u>(9,565)</u>	0%
<b>EARNINGS from Operation</b>	<u>684,435</u>	16%	<u>632,134</u>	15%	<u>(52,301)</u>	-8%
Exchange Gain (Loss)	8,832		(13,787)		(22,619)	
Share of Assoc. company Loss	-		-		-	
<b>EARNINGS before Income Tax</b>	<u>693,267</u>	17%	<u>618,347</u>	15%	<u>(74,920)</u>	-11%
Corporate Income Tax	(28,134)	4%	(38,080)	6%	(9,946)	35%
<b>Earnings before Exceptional Items</b>	<u>665,133</u>		<u>580,267</u>		<u>(84,866)</u>	-13%
Exceptional Items	368,518		-		(368,518)	
<b>NET EARNINGS for the Period</b>	<u>1,033,651</u>	25%	<u>580,267</u>	14%	<u>(453,384)</u>	-44%
<b>EARNINGS % of SALES</b>	25%		14%		-	0.11
Average number of shares (1 Baht par)	826,691		830,406		3,715	
<b>EARNINGS per SHARE (baht) before exch. &amp; exc</b>	0.79		0.72		-	0.08
<b>EARNINGS per SHARE (baht) after exceptionals</b>	1.25		0.70		-	0.55
Operating Profit (EBIT)	674,070		629,085		-	44,985
	16%		15%			-7%
Depreciation	216,491		249,656		33,165	15%
EBITDA (excl exchange gain/loss)	890,561		878,741		-	11,820
EBITDA % of Sales Revenue	22%		22%			-1%
Cashflow Earnings per Share	1.08		1.06		-	0.02

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	<u>YTD</u> <u>30-Sep-07</u>		<u>YTD</u> <u>30-Sep-08</u>		<u>YTD</u> <u>Q308-Q307</u>		<u>YTD %</u> <u>Q308-Q307</u>	
<b>REVENUES</b>								
Sales	11,631,418		11,660,945		29,527		0%	
consisting of:								
<i>PCBA (Thailand)</i>	4,232,857	36%	4,311,550	37%	78,693		2%	
<i>PCBA (China)</i>	1,983,795	17%	2,022,478	17%	38,683		2%	
<i>CPG - (Bangkok)</i>	1,430,000	12%	1,322,318	11%	(107,682)		-8%	
<i>IC (AYT)</i>	3,501,468	30%	3,411,489	29%	(89,979)		-3%	
<i>IC (JXG)</i>	394,305	3%	499,111	4%	104,806		27%	
<i>HMT (USA)</i>	88,993	1%	93,999	1%	5,006		6%	
	<u>11,631,418</u>	100%	<u>11,660,945</u>	100%	<u>29,527</u>		0%	
					-			
Interest	29,546		26,166		(3,380)		-11%	
Other Income - Operating	187,382		174,145		(13,237)		-7%	
Other Income - Non Operating	3,694		29,234		25,540		691%	
<b>TOTAL REVENUES</b>	<u>11,852,040</u>		<u>11,890,490</u>		<u>38,450</u>		0%	
<b>EXPENSES</b>								
Cost of Sales	9,769,765	84%	9,641,978	83%	(127,787)		-1%	
Selling & Admin. Expenses	662,430	6%	665,688	6%	3,258		0%	
Interest Expenses	2,217		3,752		1,535			
<b>TOTAL EXPENSES</b>	<u>10,434,412</u>	90%	<u>10,311,418</u>	88%	<u>(122,994)</u>		-1%	
<b>EARNINGS from Operation</b>	<u>1,417,628</u>	12%	<u>1,579,072</u>	13%	<u>161,444</u>		11%	
Exchange Gain (Loss)	115,379		86,939		(28,440)			
					-			
<b>EARNINGS before Income Tax</b>	<u>1,533,007</u>	13%	<u>1,666,011</u>	14%	<u>133,004</u>		9%	
Corporate Income Tax	(65,735)	4%	(92,193)	6%	(26,458)		40%	
<b>Earnings before Exceptional Items</b>	<u>1,467,272</u>		<u>1,573,818</u>		<u>106,546</u>		7%	
Exceptional Items	368,518		-		(368,518)			
<b>NET EARNINGS for the Period</b>	<u>1,835,790</u>	15%	<u>1,573,818</u>	13%	<u>(261,972)</u>		-14%	
<b>EARNINGS % of SALES</b>	16%		13%		-	0.02		
Average number of shares (1 Baht par)	822,883		830,435		7,552			
<b>EARNINGS per SHARE (baht) before exch. &amp; exc</b>	1.64		1.79		0.15			
<b>EARNINGS per SHARE (baht) after exceptionals</b>	2.23		1.90		-	0.34		
Operating Profit (EBIT)	1,386,605		1,527,424		140,819		10%	
	12%		13%					
Depreciation	621,767		719,097		97,330		16%	
EBITDA (excl exchange gain/loss)	2,008,372		2,246,521		238,149		12%	
EBITDA % of Sales Revenue	17%		19%					
Cashflow Earnings per Share	2.44		2.71		0.26			

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Sep-07</u>	Quarter <u>30-Sep-08</u>	<u>Q308-Q307</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	3,048,049	4,205,899	1,157,850
Deposits at Finance Companies & Notes Receivable			
Accounts Receivable - trade	2,287,004	2,103,400	(183,604)
Amounts due from Related Companies	-	-	
Inventories	2,232,391	2,305,856	73,465
Other Current Assets	158,670	142,629	(16,041)
<b>TOTAL CURRENT ASSETS</b>	<b>7,726,114</b>	<b>8,757,784</b>	<b>1,031,670</b>
LOAN TO OTHER COMPANY	97	97	
<b>FIXED ASSETS (net)</b>	<b>5,547,624</b>	<b>5,877,969</b>	<b>330,345</b>
OTHER ASSETS	27,421	1,566	(25,855)
<b>TOTAL ASSETS</b>	<b><u>13,301,256</u></b>	<b><u>14,637,416</u></b>	<b>1,336,160</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	1,291,603	1,597,121	305,518
Corporate Income Tax Payable	34,655	41,237	6,582
Accrued Expenses	253,907	426,403	172,496
Other Current Liabilities	966,003	597,124	(368,879)
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>2,546,168</u></b>	<b><u>2,661,885</u></b>	<b>115,717</b>
<b>TOTAL LIABILITIES</b>	<b>2,546,168</b>	<b>2,661,885</b>	<b>115,717</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	830,328	830,475	147
Share subscription received in advance	-	-	
Share Premium	1,720,535	1,723,219	2,684
Retained Earnings			
Appropriated Statutory Reserve	320,100	322,201	2,101
Unappropriated	7,990,342	9,095,477	1,105,135
Translation adjustment	52,508	168,674	116,166
Excess Cost over Net Book Value of Subsidiary Investm	(158,725)	(164,515)	(5,790)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b><u>10,755,088</u></b>	<b><u>11,975,531</u></b>	<b>1,220,443</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<b><u>13,301,256</u></b>	<b><u>14,637,416</u></b>	<b>1,336,160</b>
Cash & Equivalents	3,048,049	4,205,899	1,157,850
Liabilities	2,546,168	2,661,885	115,717
Debt/Equity	0.24	0.22	(0)
Net Debt (Net cash)	-501,881	-1,544,014	(1,042,133)
Net Debt/Equity	-0.05	-0.13	(0)

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Sep-07</u>	Quarter <u>30-Sep-08</u>
<b>Cashflow from Operating Activities</b>		
Net Earnings before tax	1,061,785	618,347
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	216,491	242,710
Unrealised (gain) Loss on exchange	11,741	(16,717)
Change in other provisions	167,611	79,429
Share of loss from AIT associate under equity method	-	-
Provision for dimunition in value of investment in AIT	-	-
	<u>395,843</u>	<u>305,422</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	50,593	276,729
Inventories	(1,742)	(177,403)
Trade accounts payable	(214,517)	(37,973)
Other	4,468	(62,902)
	<u>(161,198)</u>	<u>(1,549)</u>
<b>Net Cashflow from Operating Activities</b>	<u>1,296,430</u>	<u>922,220</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	-	(309,774)
Increase in property, plant and equipment	(398,076)	(326,533)
Proceeds from sale of fixed assets	61,338	869
Increase (decrease) in translation adjustment	25,204	112,611
Revaluation deficit on investments	-	-
Other	-	-
	<u>(311,534)</u>	<u>(522,827)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	7,383	246
Dividend paid	(1)	-
Other	(180,000)	-
Net cash (used in ) from financing activities	<u>(172,618)</u>	<u>246</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	812,278	399,639
Cash and Equivalents at the beginning of the period	<u>2,235,771</u>	<u>3,505,780</u>
Cash and Equivalents at the end of the period	3,048,049	3,905,419
Increase (decrease) in payables for purchases of plant/equipment	-	112,588

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

'000 Baht	Quarter <u>30-Sep-07</u>	Quarter <u>30-Sep-08</u>		<u>Q308-Q307</u>
<b>Profitability Ratios</b>				
Gross Profit Margin (%)	19%	20%		1%
Operating Profit Margin (%)	16%	15%		-1%
Net Profit before Exceptional Margin (%)	16%	14%		-2%
Net Profit after Exceptional Margin (%)	25%	14%		-11%
EBITDA margin (%)	22%	22%		0%
Return On Equity (%) pa	38%	19%		-19%
 <b>Efficiency Ratios</b>				
Working Capital turnover	5.1	5.4		0.3
Account Receivable days	50	47	-	3.6
Inventory days	61	64		3.3
Accounts Payable days	35	44		9.2
 <b>Liquidity Ratios</b>				
Current Ratio	3.0	3.3		0.3
Quick Ratio	2.1	2.4		0.3
 <b>Financial Capital Ratios</b>				
Debt / Equity	0.2	0.2	-	0.0
Net Debt to Equity	0.0	-0.1	-	0.1
Interest Coverage	n/a	n/a		