

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue increased year on year, to THB 3.68 billion in the first quarter of 2008 from THB 3.58 billion for the first quarter of 2007. Sales Revenue in USD terms increased by 13% to USD 113m in Q1 2008 from USD 100m in Q1 2007. Operating Profits increased 29% to 376m Baht in Q1 2008 from 291m Baht in Q1 2007.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>31-Mar-07</u>		<u>31-Mar-08</u>		<u>Q108-Q107</u>	<u>Q108-Q107</u>
PCBA (Lamphun)	1,238,801	35%	1,327,358	36%	88,557	7%
PCBA (Shanghai)	558,283	16%	686,627	19%	128,344	23%
CPG - (Bangkok)	472,379	13%	431,729	12%	-40,650	-9%
IC (Ayutthaya)	1,175,646	33%	1,046,248	28%	-129,398	-11%
IC (JiaXing)	92,315	3%	154,532	4%	62,217	67%
HMT (USA)	29,848	1%	28,487	1%	-1,361	-5%
Total Revenue	3,567,272		3,674,981		107,709	3%

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

Quarter 1 2008 sales revenue for the group increased 13% year-on-year in actual USD terms, to USD 113m from USD 100m. However, due to a 9% stronger Thai Baht in Q108 from Q107 the sales revenues in THB equivalent increased by 3%. The microelectronics divisions performed strongly with a 22% sales increase year on year in USD terms. The IC divisions sales revenues were 4% higher. However, the divisional performance was mixed with the IC division in Thailand down 2% and the IC China revenues up 84% year on year.

**Quarter on Quarter Sales Revenue Analysis**

Sales in Q108 were 4% lower than Q407 at USD 113m compared to USD 118m in Q407. Sales from the microelectronics divisions were 3% lower and sales revenues from the IC divisions 9% lower, whilst the CPG division in BKK was 13% higher. In THB equivalent the group sales decreased by 8% in Q108 compared to Q407.

**Sales Revenue Split**

	<u>Q1 2008</u>	<u>Q4 2007</u>	<u>Q3 2007</u>	<u>Q2 2007</u>	<u>Q1 2007</u>
PCBA (Thailand)	36%	37%	38%	36%	35%
PCBA (China)	19%	18%	17%	18%	16%
CPG - (Bangkok)	12%	10%	11%	13%	13%
IC (AYT)	28%	30%	29%	28%	33%
IC (JXG)	4%	5%	4%	3%	3%
HMT (USA)	1%	1%	1%	1%	1%
	100%	100%	100%	100%	100%

**Gross Profit / Cost of Sale Analysis**

The Gross Profit margin was 15% in Q108 which was 1% higher than in Q107. Whilst the stronger 9% THB had a negative effect on margins, this was largely offset by the better operating leverage as a result of higher USD sales. The Gross Profit margin was 2% lower at 15% in Q108 compared to 17% in Q407. The 2% reduction was mainly due to 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 Q108 were 15% lower than in Q107 due to cost reduction efforts and additional costs incurred in Q107 for the new China plant in JiaXing. The SGA expenses as a percent increased to 6% of sales revenues in Q108 from 5% in Q407, mainly due to the higher sales revenue base in Q407.

**Operating Profit Analysis**

Operating profits were 29% higher in Q108 year on year and margins were also higher at 16% in Q108 from 14% Q107. The divisional performance was mixed with the microelectronics division achieving profit growth due to the sales growth but this was largely offset by the lower profits at the

IC division in Ayutthaya and the CPG division in Bangkok.

### **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 32.42 from 35.59 in Q107 (and from Baht/USD 33.92 in Q407).

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 31.51 at 31/03/08, and 33.77 at 31/12/07 or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

No dividends were paid during the quarter. However, the Annual General Meeting on the 30th April 2008 approved a final dividend of 1.30 Baht per share to be paid on the 22nd May 2008.

### **Financial Status**

The group currently has no interest bearing debt. Cash (and equivalents) reserves at the 31st March, 2008 were THB 3.4 billion up from the level at 31st March, 2007 of THB 2.3 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 53 days in Q108 and Q107.

	<b><u>31/03/2007</u></b>	<b><u>31/03/2008</u></b>	<b>'000</b>
Accounts receivable - other companies			
Less than 3 months	2,053,800	2,107,125	98%
3 - 6 months	37,825	45,659	2%
6 - 12 months	31,862	10,044	0%
More than 12 months	5,875	1,353	0%
Total accounts receivable - other companies	<u>2,129,362</u>	<u>2,164,181</u>	
Less : Allowance for doubtful accounts	-21,588	-3,194	0%
	<u>2,107,774</u>	<u>2,160,987</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 decreased to 58 days as at 31st March, 2008 from 69 days as at 31st March, 2007.

### **Liquidity**

Liquidity ratios are high at approximately 3 times current liabilities. Operating Cashflow (EBITDA) in Q1 2008 was THB 600m which was 22% higher than THB 491m in Q1 2007. Cash reserves at the end of Q108 were THB 3.7 billion, up from THB 2.3 billion at the end of Q107.

### **Capital Expenditure**

Net Capital Expenditure was THB 225m in Q1 2008 and THB 409m in Q1 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 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 150m 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 45m, being the foreign currency working capital balance. Out of the groups 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 is in the process of constructing a 3,000 sq.meter additional building for approximately THB 80m at the Ayutthaya plant to provide additional capacity. The building is expected to be completed by Q208.

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>31-Mar-07</u>		<u>31-Mar-08</u>		<u>Q108-Q107</u>	<u>Q108-Q107</u>
<b>REVENUES</b>						
Sales	3,567,272		3,674,981		107,709	3%
consisting of:						
PCBA (Thailand)	1,238,801	35%	1,327,358	36%	88,557	7%
PCBA (China)	558,283	16%	686,627	19%	128,344	23%
CPG - (Bangkok)	472,379	13%	431,729	12%	-40,650	-9%
IC (AYT)	1,175,646	33%	1,046,248	28%	-129,398	-11%
IC (JXG)	92,315	3%	154,532	4%	62,217	67%
HMT (USA)	29,848	1%	28,487	1%	-1,361	-5%
	<u>3,567,272</u>	100%	<u>3,674,981</u>	100%	<u>107,709</u>	3%
Share of Assoc. company Profit	0		0		0	
Interest	5,110		11,471		6,361	124%
Other Income - Operating	39,960		46,095		6,135	15%
Other Income - Non Operating	1,177		26,581		25,404	2158%
<b>TOTAL REVENUES</b>	<u>3,613,519</u>		<u>3,759,128</u>		<u>145,609</u>	4%
<b>EXPENSES</b>						
Cost of Sales	3,071,122	86%	3,135,447	85%	64,325	2%
Selling & Admin. Expenses	245,612	7%	209,587	6%	-36,025	-15%
Interest Expenses	0		0		0	
<b>TOTAL EXPENSES</b>	<u>3,316,734</u>	93%	<u>3,345,034</u>	91%	<u>28,300</u>	1%
<b>EARNINGS from Operation</b>	<u>296,785</u>	8%	<u>414,094</u>	11%	<u>117,309</u>	40%
Exchange Gain (Loss)	100,985		70,769		-30,216	
Share of Assoc. company Loss					0	
<b>EARNINGS before Income Tax</b>	<u>397,770</u>	11%	<u>484,863</u>	13%	<u>87,093</u>	22%
Corporate Income Tax	-27,993	7%	-37,222	8%	-9,229	33%
<b>Earnings before Exceptional Items</b>	<u>369,777</u>		<u>447,641</u>		<u>77,864</u>	21%
Exceptional Items	0		0		0	
<b>NET EARNINGS for the Period</b>	<u>369,777</u>	10%	<u>447,641</u>	12%	<u>77,864</u>	21%
<b>EARNINGS % of SALES</b>	14%		12%		-	0.02
Average number of shares (1 Baht par)	826,691		830,406		3,715	
<b>EARNINGS per SHARE (baht) before exch. &amp; exce</b>	0.33		0.45		0.13	
<b>EARNINGS per SHARE (baht) after exceptionals</b>	0.45		0.54		0.09	
Operating Profit (EBIT)	290,498		376,042		85,544	29%
	8%		10%			
Depreciation	200,251		224,576		24,325	12%
EBITDA (excl exchange gain/loss)	490,749		600,618		109,869	22%
EBITDA % of Sales Revenue	14%		16%			
Cashflow Earnings per Share	0.59		0.72		0.13	
Net Capital Expenditure	280,611		182,389		-	-35%

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Mar-07</u>	Quarter <u>31-Mar-08</u>	<u>Q108-Q107</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	2,323,096	3,721,196	1,398,100
Deposits at Finance Companies & Notes Receivable			
Accounts Receivable - trade	2,107,774	2,160,987	53,213
Amounts due from Related Companies	0	0	
Inventories	2,353,361	2,031,597	-321,764
Other Current Assets	305,727	247,829	-57,898
<b>TOTAL CURRENT ASSETS</b>	<b>7,089,958</b>	<b>8,161,609</b>	<b>1,071,651</b>
LOAN TO OTHER COMPANY	97	97	
<b>FIXED ASSETS (net)</b>	<b>5,220,071</b>	<b>5,524,382</b>	<b>304,311</b>
OTHER ASSETS	7,900	2,104	-5,796
<b>TOTAL ASSETS</b>	<b><u>12,318,026</u></b>	<b><u>13,688,192</u></b>	<b>1,370,166</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	0	0	
Accounts & Notes Payable	1,470,930	1,419,608	-51,322
Corporate Income Tax Payable	112,657	106,551	-6,106
Accrued Expenses	168,724	327,740	159,016
Other Current Liabilities	446,723	366,182	-80,541
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>2,199,034</u></b>	<b><u>2,220,081</u></b>	<b>21,047</b>
<b>TOTAL LIABILITIES</b>	<b>2,199,034</b>	<b>2,220,081</b>	<b>21,047</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	826,947	830,406	3,459
Share subscription received in advance	584	0	-584
Share Premium	1,702,606	1,722,078	19,472
Retained Earnings			
Appropriated Statutory Reserve	320,100	322,301	2,201
Unappropriated	7,351,454	9,049,153	1,697,699
Translation adjustment	76,026	-297,102	-373,128
Excess Cost over Net Book Value of Subsidiary Investmer	-158,725	-158,726	-1
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b><u>10,118,992</u></b>	<b><u>11,468,111</u></b>	<b>1,349,119</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<b><u>12,318,026</u></b>	<b><u>13,688,191</u></b>	<b>1,370,166</b>
	edit chk	0	0
Cash and short term investments (K USD equivalent)			-1
Year ending THB/USD exchange rate			
Cash & Equivalents	2,323,096	3,721,196	1,398,100
Liabilities	2,199,034	2,220,081	21,047
Debt/Equity	0.22	0.19	-0
Net Debt (Net cash)	-124,062	-1,501,115	-1,377,053
Net Debt/Equity	-0.01	-0.13	-0

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 31-Mar-07</u>	<u>Quarter 31-Mar-08</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings before tax	397,770	484,863
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	200,251	224,576
Unrealised (gain) Loss on exchange	- 5,476	8,650
Change in other provisions	54,647	-52,867
Share of loss from AIT associate under equity method	-	0
Provision for diminution in value of investment in AIT	-	0
	<u>249,422</u>	<u>180,359</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	325,118	273,565
Inventories	49,210	156,084
Trade accounts payable	- 267,929	-102,781
Other	104,252	-331,678
	<u>210,651</u>	<u>- 4,810</u>
<b>Net Cashflow from Operating Activities</b>	<u>857,843</u>	<u>660,412</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	-	0
Increase in property, plant and equipment	- 666,924	-60,582
Proceeds from sale of fixed assets	128,051	714
Increase (decrease) in translation adjustment	- 126,803	-265,779
Decrease in short term loans to related parties	-	0
Other	-	-
	<u>- 665,676</u>	<u>- 325,647</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	13,169	0
Dividend paid	-	0
Net cash (used in ) from financing activities	<u>13,169</u>	<u>-</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	205,336	334,765
Cash and Equivalents at the beginning of the period	<u>2,117,760</u>	<u>3,386,431</u>
Cash and Equivalents at the end of the period	2,323,096	3,721,196
Increase (decrease) in payables for purchases of plant/equipment	- 258,262	122,521

# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	Quarter <u>31-Mar-07</u>	Quarter <u>31-Mar-08</u>	<u>Q108-Q107</u>
<b>Profitability Ratios</b>			
Gross Profit Margin (%)	14%	15%	1%
Operating Profit Margin (%)	8%	10%	2%
Net Profit before Exceptional Margin (%)	10%	12%	2%
Net Profit after Exceptional Margin (%)	10%	12%	2%
EBITDA margin (%)	14%	16%	3%
Return On Equity (%) pa	15%	16%	1%
<b>Efficiency Ratios</b>			
Working Capital turnover	4.8	5.1	0.3
Account Receivable days	53	53	- 0.3
Inventory days	69	58	- 10.7
Accounts Payable days	43	41	- 2.4
<b>Liquidity Ratios</b>			
Current Ratio	3.2	3.7	0.5
Quick Ratio	2.0	2.6	0.6
<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	