

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 1% year on year, to THB 4.10 billion in the third quarter of 2007 from THB 4.06 billion for the third quarter of 2006. Sales Revenue in USD terms increased by 12% to USD 120.3m in Q3 2007 from USD 107.8m in Q3 2006. Operating Profits increased 1% to 674.1m Baht in Q3 2007 from 666.3m Baht in Q3 2006.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>30-Sep-06</u>		<u>30-Sep-07</u>		<u>Q307-Q306</u>	
<i>PCBA (Lamphun)</i>	1,223,015	30%	1,552,640	38%	329,625	27%
<i>PCBA (Shanghai)</i>	712,134	18%	712,687	17%	553	0%
<i>CPG - (Bangkok)</i>	573,625	14%	432,213	11%	-141,412	-25%
<i>IC (Ayuthaya)</i>	1,363,608	34%	1,205,899	29%	-157,709	-12%
<i>IC (JiaXing)</i>	156,917	4%	165,128	4%	8,211	5%
<i>HMT (USA)</i>	33,002	1%	28,086	1%	-4,916	-15%
Total Revenue	4,062,301		4,096,653		34,352	1%

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

Quarter 3 2007 saw revenue growth for the group with year-on-year with sales increasing 12% in actual USD sales currency. However, due to a 10% stronger Thai Baht Q307/Q306 the sales revenues in THB equivalent increased by 1%. The microelectronics divisions performed strongly with a 29% sales increases year on year in USD terms. The IC division in Thailand was 2% lower whilst and the IC China revenues from the China plant were 17% higher year on year.

Quarter on Quarter Sales Revenue Analysis

Sales grew in Q307 by 6% over Q207 in USD terms with the sales growth coming from both the microelectronics 7% and IC divisions 15%. However, the CPG division in BKK was 16% lower. In THB equivalent the group sales increased by 3% in Q307 compared to Q207.

Sales Revenue Split

	<u>Q3 2007</u>	<u>Q2 2007</u>	<u>Q1 2007</u>	<u>Q4 2006</u>	<u>Q3 2006</u>
PCBA (Thailand)	38%	36%	35%	35%	30%
PCBA (China)	17%	18%	16%	14%	18%
CPG - (Bangkok)	11%	13%	13%	13%	14%
IC (AYT)	29%	28%	33%	31%	33%
IC (JXG)	4%	3%	3%	4%	4%
HMT (USA)	1%	1%	1%	2%	1%
	100%	100%	100%	100%	100%

Gross Profit / Cost of Sale Analysis

The Gross Profit margin was 1% lower at 19% in Q307 compared to Q306. Whilst the stronger THB has a negative effect on margins, this was largely offset by the better operating leverage as a result of higher sales. The Gross Profit margin was 5% higher at 19% in Q307 compared to 14% in Q207. 2% was due to non recurring expenses in Q207 such as additional bonus accrual and stock revaluation. Material costs were 2% lower due to a more favourable product mix and the remaining 1% was due to increased sales.

Sales and General Administration Expense Analysis

Sales and General Administration "SGA" expenses increased by 4% from Q306 however due to the sales increase the SGA expenses as a percent were similar at 5% of sales revenues in Q307 and in Q306. SGA expenses were well controlled in Q307. An additional expense in 2007 was incurred due to the performance bonus in lieu of stock option grant in THB 40m per quarter in 2007.

Operating Profit Analysis

Operating profits were 1% higher year on year and margins were similar at 16% in Q307 and Q306. The divisional performance was mixed with the microelectronics division achieving profit growth due to the substantial 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 34.06 from 37.69 in Q306 (and from Baht/USD 34.70 in Q207) .

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 34.26 at 30/9/07, and 34.54 at 30/6/07 or the respective rate applicable to each offshore subsidiary's base currency.

The operating profit sensitivity to USD/Baht exchange rate movements

As all the groups sales revenue are in foreign currency (primarily USD) and foreign currency costs are 63% percent of sales revenues, the Group operating profit sensitivity to change in Baht/USD exchange rate is currently about Baht 120m per quarter for every 10% change in the average USD/Baht rate. 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 20m, 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. Therefore the foreign exchange gain/loss booked for every 10% movement in the closing Baht/USD exchange rate is now negligible but it still affects the operating income due to fluctuation in the exchange rate during the quarter.

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.

Payout Analysis

No dividend was paid out in Q307.

Financial Status

The group currently has no interest bearing debt. Cash (and equivalents) reserves at the 30th September, 2007 were THB 3.0 billion up from the level at 30th September, 2006 of THB 2.2 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 decreased from 58 days in Q306 to 54 days in Q307.

Accounts receivable - other companies	<u>30/09/2006</u>	<u>30/09/2007</u>	'000
Less than 3 months	2,552,465	2,272,717	99%
3 - 6 months	60,148	7,427	0%
6 - 12 months	14,272	6,242	0%
More than 12 months	880	633	0%
Total accounts receivable - other companies	<u>2,627,765</u>	<u>2,287,019</u>	
Less : Allowance for doubtful accounts	-996	-15	0%
	<u>2,626,769</u>	<u>2,287,004</u>	-13%

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 60 days as at 30th September, 2007 from 61 days as at 30th September, 2006.

Liquidity

The group has THB 3.0 billion in cash and no interest bearing debt liquidity ratios are high at approximately 3 times current liabilities. Operating Cashflow (EBITDA) in Q3 2007 was THB 883m billion which was 4% higher than THB 847m in Q3 2006. Cash reserves at the end of Q307 were THB 3.0 billion, up from THB 2.2 billion at the end of Q306.

Capital Expenditure

Net Capital Expenditure was THB 484m in Q3 2007 and THB 629m in Q3 2006. 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 Baht/USD exchange rate is currently about Baht 150m per quarter for every 10% change in the average USD/Baht rate. 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 30m, 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. Therefore the foreign exchange gain/loss booked for every 10% movement in the closing Baht/USD exchange rate is now negligible but it still affects the operating income due to fluctuation in the exchange rate during the quarter.

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 sold 100% of its 23.4% ownership in AIT in July 2007 to Unisem. The sales and purchase transaction is completed and the Company's subsidiary received approximately USD 14.9 million. A further distribution of approximately USD 0.6 million will be received after all expenses of the transaction are finalized. Furthermore, another subsidiary received a loan repayment of USD 0.9 million from the associate.

THB 150m was provided as a contingency due to an income tax claim by the revenue department. This amount was previously mentioned as a note to the accounts. The company is in the appeal process.

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 Q108.

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>30-Sep-06</u>		<u>30-Sep-07</u>		<u>Q307-Q306</u>	<u>Q307-Q306</u>
REVENUES						
Sales	4,062,301		4,096,653		34,352	1%
consisting of:						
PCBA (Thailand)	1,223,015	30%	1,552,640	38%	329,625	27%
PCBA (China)	712,134	18%	712,687	17%	553	0%
CPG - (Bangkok)	573,625	14%	432,213	11%	-141,412	-25%
IC (AYT)	1,363,608	34%	1,205,899	29%	-157,709	-12%
IC (JXG)	156,917	4%	165,128	4%	8,211	5%
HMT (USA)	33,002	1%	28,086	1%	-4,916	-15%
	<u>4,062,301</u>	100%	<u>4,096,653</u>	100%	<u>34,352</u>	1%
Share of Assoc. company Profit	0		0		0	
Interest	19,679		10,527		-9,152	-47%
Other Income - Operating	45,154		77,357		32,203	71%
Other Income - Non Operating	1,222		30,191		28,969	2371%
TOTAL REVENUES	<u>4,128,356</u>		<u>4,214,728</u>		<u>86,372</u>	2%
EXPENSES						
Cost of Sales	3,248,755	80%	3,299,687	81%	50,932	2%
Selling & Admin. Expenses	192,401	5%	200,253	5%	7,852	4%
Interest Expenses	0		1,431		1,431	
TOTAL EXPENSES	<u>3,441,156</u>	85%	<u>3,501,371</u>	85%	<u>60,215</u>	2%
EARNINGS from Operation	<u>687,200</u>	17%	<u>713,357</u>	17%	<u>26,157</u>	4%
Exchange Gain (Loss)	31,986		8,832		-23,154	
Share of Assoc. company Loss					0	
EARNINGS before Income Tax	<u>719,186</u>	17%	<u>722,189</u>	17%	<u>3,003</u>	0%
Corporate Income Tax	-36,268	5%	-28,134	4%	8,134	-22%
Earnings before Exceptional Items	<u>682,918</u>		<u>694,055</u>		<u>11,137</u>	2%
Exceptional Items	-5,393		339,596		344,989	
NET EARNINGS for the Period	<u>677,525</u>	16%	<u>1,033,651</u>	25%	<u>356,126</u>	53%
EARNINGS % of SALES	14%		25%		0.11	
Average number of shares (1 Baht par)	814,283		828,590		14,307	
EARNINGS per SHARE (baht) before exch. & exce	0.80		0.83		0.03	
EARNINGS per SHARE (baht) after exceptionals	0.83		1.25		0.42	
Operating Profit (EBIT)	666,299		674,070		7,771	1%
	16%		16%			
Depreciation	180,867		216,491		35,624	20%
EBITDA (excl exchange gain/loss)	847,166		890,561		43,395	5%
EBITDA % of Sales Revenue	21%		22%			
Cashflow Earnings per Share	1.04		1.07		0.03	
Net Capital Expenditure	628,746		484,633		- 144,113	-23%

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

	'000 Baht	YTD		YTD		%	
		<u>30-Sep-06</u>		<u>30-Sep-07</u>		<u>ytd307-ytd306</u>	<u>ytd307-ytd306</u>
REVENUES							
Sales		10,998,317		11,631,418		633,101	6%
consisting of:							
PCBA (Thailand)		3,240,570	29%	4,232,857	36%	992,287	31%
PCBA (China)		1,995,661	18%	1,983,795	17%	-11,866	-1%
CPG - (Bangkok)		1,417,221	13%	1,430,000	12%	12,779	1%
IC (AYT)		3,842,483	35%	3,501,468	30%	-341,015	-9%
IC (JXG)		410,558	4%	394,305	3%	-16,253	-4%
HMT (USA)		91,824	1%	88,993	1%	-2,831	-3%
		<u>10,998,317</u>	100%	<u>11,631,418</u>	100%	<u>633,101</u>	6%
						0	
Interest		42,607		29,546		-13,061	-31%
Other Income - Operating		120,300		187,382		67,082	56%
Other Income - Non Operating		3,687		3,694		7	0%
TOTAL REVENUES		<u>11,164,911</u>		<u>11,852,040</u>		<u>687,129</u>	6%
EXPENSES							
Cost of Sales		8,844,487	80%	9,769,765	84%	925,278	10%
Selling & Admin. Expenses		590,940	5%	662,430	6%	71,490	12%
Interest Expenses		0		2,217		2,217	
TOTAL EXPENSES		<u>9,435,427</u>	86%	<u>10,434,412</u>	90%	<u>998,985</u>	11%
EARNINGS from Operation		<u>1,729,484</u>	15%	<u>1,417,628</u>	12%	<u>-311,856</u>	-18%
Exchange Gain (Loss)		65,381		115,379		49,998	
						0	
EARNINGS before Income Tax		<u>1,794,865</u>	16%	<u>1,533,007</u>	13%	<u>-261,858</u>	-15%
Corporate Income Tax		-80,692	4%	-65,735	4%	14,957	-19%
Earnings before Exceptional Items		<u>1,714,173</u>		<u>1,467,272</u>		<u>-246,901</u>	-14%
Exceptional Items		0		368,518		368,518	
NET EARNINGS for the Period		<u>1,714,173</u>	15%	<u>1,835,790</u>	15%	<u>121,617</u>	7%
EARNINGS % of SALES		16%		16%		0.00	
Average number of shares (1 Baht par)		822,883		829,739		6,856	
EARNINGS per SHARE (baht) before exch. & exc		2.00		1.63		- 0.37	
EARNINGS per SHARE (baht) after exceptionals		2.08		2.21		0.13	
Operating Profit (EBIT)		1,683,190	15%	1,386,605	12%	- 296,585	-18%
Depreciation		506,963		621,767		114,804	23%
EBITDA (excl exchange gain/loss)		2,190,153		2,008,372		- 181,781	-8%
EBITDA % of Sales Revenue		20%		17%			
Cashflow Earnings per Share		2.66		2.42		- 0.24	
Net Capital Expenditure		1,413,501		1,027,271		- 386,230	-27%

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Sep-06</u>	Quarter <u>30-Sep-07</u>	<u>Q307-Q306</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	2,069,133	3,048,049	978,916
Deposits at Finance Companies & Notes Receivable			
Accounts Receivable - trade	2,626,769	2,287,004	-339,765
Amounts due from Related Companies	10,000	0	-10,000
Inventories	2,195,122	2,232,391	37,269
Other Current Assets	319,040	158,670	-160,370
TOTAL CURRENT ASSETS	7,220,064	7,726,114	506,050
LOAN TO OTHER COMPANY	97	97	
FIXED ASSETS (net)	5,035,217	5,547,624	512,407
OTHER ASSETS	2,252	27,421	25,169
TOTAL ASSETS	<u>12,257,630</u>	<u>13,301,256</u>	1,043,626
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	0	0	
Accounts & Notes Payable	1,562,283	1,291,603	-270,680
Corporate Income Tax Payable	20,930	34,655	13,725
Accrued Expenses	237,428	253,907	16,479
Other Current Liabilities	556,435	966,003	409,568
TOTAL CURRENT LIABILITIES	<u>2,377,076</u>	<u>2,546,168</u>	169,092
TOTAL LIABILITIES	2,377,076	2,546,168	169,092
SHAREHOLDERS EQUITY			
Share Capital	818,662	830,328	11,666
Share subscription received in advance	18,081	0	-18,081
Share Premium	1,638,401	1,720,535	82,134
Retained Earnings			
Appropriated Statutory Reserve	308,570	320,100	11,530
Unappropriated	6,898,120	7,990,342	1,092,222
Translation adjustment	357,445	52,508	-304,937
Excess Cost over Net Book Value of Subsidiary Investmer	-158,725	-158,725	
TOTAL SHAREHOLDERS EQUITY	<u>9,880,554</u>	<u>10,755,088</u>	874,534
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>12,257,630</u>	<u>13,301,256</u>	1,043,626
	edit chk	0	0
Cash and short term investments (K USD equivalent)			
Year ending THB/USD exchange rate			
Cash & Equivalents	2,069,133	3,048,049	978,916
Liabilities	2,377,076	2,546,168	169,092
Debt/Equity	0.24	0.24	-0
Net Debt (Net cash)	307,943	-501,881	-809,824
Net Debt/Equity	0.03	-0.05	-0

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Sep-06</u>	Quarter <u>30-Sep-07</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings	677,525	1,033,651
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	180,867	216,491
Unrealised (gain) Loss on exchange	- 2,809	11,741
Change in other provisions	33,150	166,180
Share of loss from AIT associate under equity method	-	0
Provision for diminution in value of investment in AIT	-	0
	<u>211,208</u>	<u>394,412</u>
Working Capital (increase) decrease		
Trade accounts receivable	124,512	50,593
Inventories	133,836	-1,742
Trade accounts payable	- 327,054	-214,517
Other	- 173,229	181,928
	<u>- 241,935</u>	<u>16,262</u>
Net Cashflow from Operating Activities	<u>646,798</u>	<u>1,444,325</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	-	0
Increase in property, plant and equipment	- 651,610	-545,971
Proceeds from sale of fixed assets	22,864	61,338
Increase (decrease) in translation adjustment	- 73,698	25,204
Decrease in short term loans to related parties	- 10,000	0
Other		
	<u>- 712,444</u>	<u>- 459,429</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	62,255	-172,617
Dividend paid	-	-1
Net cash (used in) from financing activities	<u>62,255</u>	<u>- 172,618</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	- 3,391	812,278
Cash and Equivalents at the beginning of the period	<u>2,072,524</u>	<u>2,235,771</u>
Cash and Equivalents at the end of the period	<u>2,069,133</u>	<u>3,048,049</u>

HANA MICROELECTRONICS GROUP

Financial Ratios

'000 Baht	Quarter <u>30-Sep-06</u>	Quarter <u>30-Sep-07</u>	<u>Q307-Q306</u>	
Profitability Ratios				
Gross Profit Margin (%)	20%	19%		-1%
Operating Profit Margin (%)	16%	16%		0%
Net Profit before Exceptional Margin (%)	17%	17%		0%
Net Profit after Exceptional Margin (%)	17%	25%		9%
EBITDA margin (%)	21%	22%		1%
Return On Equity (%) pa	27%	38%		11%
Efficiency Ratios				
Working Capital turnover	5.0	5.1		0.1
Account Receivable days	58	54	-	4.2
Inventory days	61	60	-	0.4
Accounts Payable days	43	39	-	4.4
Liquidity Ratios				
Current Ratio	3.0	3.0	-	0.0
Quick Ratio	2.0	2.1		0.1
Financial Capital Ratios				
Debt / Equity	0.2	0.2	-	0.0
Net Debt to Equity	0.0	0.0	-	0.1
Interest Coverage	n/a	n/a		