

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue increased 8% year on year, to Bht 3.98 billion in the second quarter of 2007 from Bht 3.67 billion for the second quarter of 2006. Sales Revenue in USD terms increased by 19% to USD 114.4m in Q2 2007 from USD 96.3m in Q2 2006. Operating Profits decreased 27% to 422.0m Baht in Q2 2007 from 581.9m Baht in Q2 2006.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>30-Jun-06</u>		<u>30-Jun-07</u>		<u>Q207-Q206</u>	<u>Q207-Q206</u>
PCBA Divisions	1,721,811	47%	2,154,240	54%	432,429	25%
CPG - (Bangkok)	459,950	13%	525,408	13%	65,458	14%
IC Divisions	1,455,786	40%	1,256,786	32%	-199,000	-14%
HMT (USA)	31,546	1%	31,059	1%	-487	-2%
Total Revenue	3,669,093		3,967,493		298,400	8%

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

Quarter 2 2007 saw revenue growth for the group with year-on-year with sales increasing 19% in actual USD sales currency. However, due to a 9% stronger Thai Baht Q207/Q206 the sales revenues in THB equivalent increased by 8%. The microelectronics divisions performed strongly with double digit sales increases year on year in USD terms, whilst, the IC divisions in Thailand and China revenues were 8% lower year on year.

**Quarter on Quarter Sales Revenue Analysis**

Sales grew in Q207 by 13% over Q107 in USD terms with the sales growth coming primarily from the microelectronics divisions. In THB equivalent the group sales increased by 11% in Q207 compared to Q107. Sales grew at the microelectronics divisions from Q107 by 22% with 19% growth in Lamphun and by 30% growth in China, (albeit rebounding from a drop in sales in Q107 from Q406).

Sales at the IC division in Ayutthaya declined marginally in Q207 from Q107, however, sales revenues at the IC division in JiaXing rebounded to increase by 50% in Q207.

**Sales Revenue Split**

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

**Gross Profit / Cost of Sale Analysis**

Gross margins were similar on a quarter on quarter basis, at 14% in Q207. A 1% reduction in both quarters of THB 48m was due to the recurring non recurring revaluation of stock at the end of both Q107 and Q207 from the 3.2% strengthening of the standard rate used for the THB and CNY currencies during the each quarter.

Gross margins declined by 6% from 20% in Q206 to 14% in Q207, due to the stock revaluation 1%, THB and CNY strengthening effect on local expenses (primarily labour and salaries) 3%, a change in sales mix to higher microelectronics sales 1%, higher material costs 2% over the year and additional performance bonus in lieu of employee stock option program 1%. The performance bonus in lieu of stock option grant in THB 26m per quarter in 2007. However as there was no accrual in Q107, THB 52m was expensed in Q207.

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

Sales and General Administration "SGA" expenses increased by 7% from Q206 however due to the sales increase the SGA expenses were lower at 5% of sales revenues in Q107 and 6% of sales revenues in Q206. SGA expenses were well controlled in Q207. An additional expense was incurred due to the performance bonus in lieu of stock option grant in THB 13m per quarter in 2007. However as there was no accrual in Q107, THB 26m was expensed in Q207.

### **Operating Profit Analysis**

Operating Profit margins fell 5% from 16% Q206 to 11% in Q207 due to the above mentioned reasons. Operating profits dropped by THB 160m due to the reasons mentioned above.

The IC division in Ayutthaya profits dropped due to flat sales revenues year on year and higher THB expenses compared to the microelectronics division in Lamphun. The microelectronics division in China profits also dropped due to the additional overhead costs involved with moving to the new larger plant in JiaXing.

Of the THB 160m reduction, THB 87m is from non recurring expenses. THB 48m of which is due to the stock revaluation arising from the 3% strengthening of the THB in Q207 and is non recurring unless the THB strengthens in Q307. The remaining THB 39m is also non recurring and due to the portion of bonus in lieu of the employee share option program awarded to staff in previous years, being accrued in Q207 but which would have been accrued in Q107.

### **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 34.70 from 38.12 in Q206 (and from Baht/USD 35.59 in Q107) .

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 34.54 at 30/6/07, and 35.02 at 31/3/06 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**

THB 827m for the final dividend if THB 1.00 per share was paid during the quarter 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 for 2006 to THB 1.50 per share.

### **Financial Status**

The group currently has no interest bearing debt. Cash (and equivalents) reserves at the 30th June, 2007 were THB 2.2 billion up from the level at 30th June, 2006 of THB 2.1 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 67 days in Q206 to 57 days in Q207.

Accounts receivable - other companies	<u>30/06/2006</u>	<u>30/06/2007</u>	'000
Less than 3 months	2,645,415	2,270,419	98%
3 - 6 months	110,697	41,106	2%
6 - 12 months	1,748	10,838	0%
More than 12 months	345	1,262	0%
Total accounts receivable - other companies	<u>2,758,205</u>	<u>2,323,625</u>	
Less : Allowance for doubtful accounts	-3,726	-3,909	0%
	<u>2,754,479</u>	<u>2,319,716</u>	-16%

### 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 61 days as at 30th June, 2007 from 72 days as at 30th June, 2006.

### Liquidity

The group has THB 2.3 billion in cash and no interest bearing debt liquidity ratios are high at approximately 3 times current liabilities. Operating Cashflow (EBITDA) in Q2 2007 was THB 627m billion which was 17% lower than THB 751m in Q2 2006. Cash reserves at the end of Q207 were THB 2.3 billion, similar to the THB 2.2 billion at the end of Q206.

### Capital Expenditure

Net Capital Expenditure was THB 262m in Q2 2007 and THB 338m in Q2 2006. with continuing strong demand requiring a greater expansion of machine capacity in 2006 and 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 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.

**Associate company - AIT**

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.

**Exceptional Items**

None

**Future Plan**

The company completed in April 2007 the THB 300m expansion of the microelectronics facility in Lamphun of an additional building of 10,000 sq. meters, which will increase the floor space available in the Lamphun plant by 60%.

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>30-Jun-06</u>		<u>30-Jun-07</u>		<u>Q207-Q206</u>	<u>Q207-Q206</u>
<b>REVENUES</b>						
Sales	3,669,093		3,967,493		298,400	8%
consisting of:						
PCBA (Thailand)	1,105,101	30%	1,441,397	36%	336,296	30%
PCBA (China)	616,710	17%	712,843	18%	96,133	16%
CPG - (Bangkok)	459,950	13%	525,408	13%	65,458	14%
IC (AYT)	1,296,517	35%	1,119,923	28%	-176,594	-14%
IC (JXG)	159,269	4%	136,863	3%	-22,406	-14%
HMT (USA)	31,546	1%	31,059	1%	-487	-2%
	<u>3,669,093</u>	100%	<u>3,967,493</u>	100%	<u>298,400</u>	8%
Share of Assoc. company Profit	0		0		0	
Interest	14,981		13,909		-1,072	-7%
Other Income - Operating	38,682		70,065		31,383	81%
Other Income - Non Operating	1,257		1,248		-9	-1%
<b>TOTAL REVENUES</b>	<u>3,724,013</u>		<u>4,052,715</u>		<u>328,702</u>	9%
<b>EXPENSES</b>						
Cost of Sales	2,923,681	80%	3,398,956	86%	475,275	16%
Selling & Admin. Expenses	202,213	6%	216,565	5%	14,352	7%
Interest Expenses	0		786		786	
<b>TOTAL EXPENSES</b>	<u>3,125,894</u>	85%	<u>3,616,307</u>	91%	<u>490,413</u>	16%
<b>EARNINGS from Operation</b>	<u>598,119</u>	16%	<u>436,408</u>	11%	<u>-161,711</u>	-27%
Exchange Gain (Loss)	1,666		5,562		3,896	
Share of Assoc. company Loss					0	
<b>EARNINGS before Income Tax</b>	<u>599,785</u>	16%	<u>441,970</u>	11%	<u>-157,815</u>	-26%
Corporate Income Tax	-26,424	4%	-9,608	2%	16,816	-64%
<b>Earnings before Exceptional Items</b>	<u>573,361</u>		<u>432,362</u>		<u>-140,999</u>	-25%
Exceptional Items	0		0		0	
<b>NET EARNINGS for the Period</b>	<u>573,361</u>	15%	<u>432,362</u>	11%	<u>-140,999</u>	-25%
<b>EARNINGS % of SALES</b>	14%		11%		-	0.03
Average number of shares (1 Baht par)	815,068		828,807		13,738	
<b>EARNINGS per SHARE (baht) before exch. &amp; exce</b>	0.70		0.51		-	0.19
<b>EARNINGS per SHARE (baht) after exceptionals</b>	0.70		0.52		-	0.18
Operating Profit (EBIT)	581,881		422,037		-	159,844
	16%		11%			-27%
Depreciation	169,432		205,025		35,593	21%
EBITDA (excl exchange gain/loss)	751,313		627,062		-	124,251
EBITDA % of Sales Revenue	20%		16%			-17%
Cashflow Earnings per Share	0.92		0.76		-	0.17
Net Capital Expenditure	338,406		262,027		-	76,379
						-23%

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	YTD		YTD		%	
	<u>30-Jun-06</u>		<u>30-Jun-07</u>		<u>ytd207-ytd206</u>	<u>ytd207-ytd206</u>
<b>REVENUES</b>						
Sales	6,936,016		7,534,765		598,749	9%
consisting of:						
PCBA (Thailand)	2,017,555	29%	2,680,216	36%	662,661	33%
PCBA (China)	1,283,527	19%	1,271,108	17%	-12,419	-1%
CPG - (Bangkok)	843,596	12%	997,787	13%	154,191	18%
IC (AYT)	2,478,875	36%	2,295,569	30%	-183,306	-7%
IC (JXG)	253,641	4%	229,178	3%	-24,463	-10%
HMT (USA)	58,822	1%	60,907	1%	2,085	4%
	<u>6,936,016</u>	100%	<u>7,534,765</u>	100%	<u>598,749</u>	9%
					0	
Interest	22,928		19,019		-3,909	-17%
Other Income - Operating	75,146		110,025		34,879	46%
Other Income - Non Operating	2,465		2,425		-40	-2%
<b>TOTAL REVENUES</b>	<u>7,036,555</u>		<u>7,666,234</u>		<u>629,679</u>	9%
<b>EXPENSES</b>						
Cost of Sales	5,595,732	81%	6,470,078	86%	874,346	16%
Selling & Admin. Expenses	398,539	6%	462,177	6%	63,638	16%
Interest Expenses	0		786		786	
<b>TOTAL EXPENSES</b>	<u>5,994,271</u>	86%	<u>6,933,041</u>	92%	<u>938,770</u>	16%
<b>EARNINGS from Operation</b>	<u>1,042,284</u>	15%	<u>733,193</u>	10%	<u>-309,091</u>	-30%
Exchange Gain (Loss)	33,395		106,547		73,152	
					0	
<b>EARNINGS before Income Tax</b>	<u>1,075,679</u>	15%	<u>839,740</u>	11%	<u>-235,939</u>	-22%
Corporate Income Tax	-44,424	4%	-37,601	4%	6,823	-15%
<b>Earnings before Exceptional Items</b>	<u>1,031,255</u>		<u>802,139</u>		<u>-229,116</u>	-22%
Exceptional Items	0		0		0	
<b>NET EARNINGS for the Period</b>	<u>1,031,255</u>	15%	<u>802,139</u>	10%	<u>-229,116</u>	-22%
<b>EARNINGS % of SALES</b>	15%		11%		-	0.04
Average number of shares (1 Baht par)	822,883		828,822		5,939	
<b>EARNINGS per SHARE (baht) before exch. &amp; exce</b>	1.21		0.84		-	0.37
<b>EARNINGS per SHARE (baht) after exceptionals</b>	1.25		0.97		-	0.29
Operating Profit (EBIT)	1,016,891		712,535		-	304,356
	15%		9%			-30%
Depreciation	326,096		405,276		79,180	24%
EBITDA (excl exchange gain/loss)	1,342,987		1,117,811		-	225,176
EBITDA % of Sales Revenue	19%		15%			-17%
Cashflow Earnings per Share	1.63		1.35		-	0.28
Net Capital Expenditure	784,755		542,638		-	242,117
						-31%

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Jun-06</u>	Quarter <u>30-Jun-07</u>	<u>Q207-Q206</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	2,072,524	2,235,771	163,247
Deposits at Finance Companies & Notes Receivable			
Accounts Receivable - trade	2,745,804	2,319,716	(426,088)
Amounts due from Related Companies	0	0	
Inventories	2,353,054	2,232,267	(120,787)
Other Current Assets	240,467	213,771	(26,696)
<b>TOTAL CURRENT ASSETS</b>	<b>7,411,849</b>	<b>7,001,525</b>	<b>(410,324)</b>
LOAN TO OTHER COMPANY	97	97	
<b>FIXED ASSETS (net)</b>	<b>4,587,139</b>	<b>5,276,147</b>	<b>689,008</b>
OTHER ASSETS	2,269	7,784	5,515
<b>TOTAL ASSETS</b>	<b><u>12,001,354</u></b>	<b><u>12,285,553</u></b>	<b>284,199</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	0	180,000	180,000
Accounts & Notes Payable	1,892,750	1,516,437	(376,313)
Corporate Income Tax Payable	43,212	48,827	5,615
Accrued Expenses	297,169	255,334	(41,835)
Other Current Liabilities	553,751	595,255	41,504
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>2,786,882</u></b>	<b><u>2,595,853</u></b>	<b>(191,029)</b>
<b>TOTAL LIABILITIES</b>	<b>2,786,882</b>	<b>2,595,853</b>	<b>(191,029)</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	816,193	828,528	12,335
Share subscription received in advance	156	3,921	3,765
Share Premium	1,596,540	1,711,031	114,491
Retained Earnings			
Appropriated Statutory Reserve	308,570	320,100	11,530
Unappropriated	6,220,595	6,956,692	736,097
Translation adjustment	431,143	28,153	(402,990)
Excess Cost over Net Book Value of Subsidiary Investm	-158,725	-158,725	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b><u>9,214,472</u></b>	<b><u>9,689,700</u></b>	<b>475,228</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<b><u>12,001,354</u></b>	<b><u>12,285,553</u></b>	<b>284,199</b>
edit chk	0	0	0
Cash and short term investments (K USD equivalent)			
Year ending THB/USD exchange rate			
Cash & Equivalents	2,072,524	2,235,771	163,247
Liabilities	2,786,882	2,595,853	(191,029)
Debt/Equity	0.30	0.27	(0)
Net Debt (Net cash)	714,358	360,082	(354,276)
Net Debt/Equity	0.08	0.04	(0)

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Jun-06</u>	Quarter <u>30-Jun-07</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings	573,361	432,362
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	173,150	205,025
Unrealised (gain) Loss on exchange	- 5,670	9,974
Change in other provisions	50,385	18,141
Share of loss from AIT associate under equity method	-	0
Provision for dimunition in value of investment in AIT	-	0
	<u>217,865</u>	<u>233,140</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	- 555,728	(193,544)
Inventories	- 592,380	93,866
Trade accounts payable	102,304	31,721
Other	125,084	257,409
	<u>- 920,720</u>	<u>189,452</u>
<b>Net Cashflow from Operating Activities</b>	<u>- 129,494</u>	<u>854,954</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	-	0
Increase in property, plant and equipment	- 341,772	(276,289)
Proceeds from sale of fixed assets	3,366	14,262
Increase (decrease) in translation adjustment	- 43,630	(46,471)
Decrease in short term loans to related parties	-	0
Other		
	<u>- 382,036</u>	<u>- 308,498</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	39,653	193,343
Dividend paid	- 732,577	(827,124)
	<u>- 692,924</u>	<u>- 633,781</u>
Net cash (used in ) from financing activities		
	<u>- 692,924</u>	<u>- 633,781</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	- 1,204,454	- 87,325
Cash and Equivalents at the beginning of the period	<u>3,276,978</u>	<u>2,323,096</u>
Cash and Equivalents at the end of the period	<u>2,072,524</u>	<u>2,235,771</u>

# HANA MICROELECTRONICS GROUP

# Financial Ratios

'000 Baht	Quarter <u>30-Jun-06</u>	Quarter <u>30-Jun-07</u>	<u>Q207-Q206</u>	
<b>Profitability Ratios</b>				
Gross Profit Margin (%)	20%	14%		-6%
Operating Profit Margin (%)	16%	11%		-5%
Net Profit before Exceptional Margin (%)	16%	11%		-5%
Net Profit after Exceptional Margin (%)	16%	11%		-5%
EBITDA margin (%)	20%	16%		-5%
Return On Equity (%) pa	25%	18%		-7%
<b>Efficiency Ratios</b>				
Working Capital turnover	4.6	5.1		0.5
Account Receivable days	67	57	-	9.9
Inventory days	72	61	-	11.7
Accounts Payable days	58	45	-	13.1
<b>Liquidity Ratios</b>				
Current Ratio	2.7	2.7		0.0
Quick Ratio	1.7	1.8		0.0
<b>Financial Capital Ratios</b>				
Debt / Equity	0.3	0.3	-	0.0
Net Debt to Equity	0.1	0.0	-	0.0
Interest Coverage	n/a	n/a		