

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue decreased 18% year on year, to THB 3.22 billion for the second quarter of 2009 from THB 3.93 billion for the second quarter of 2008. Sales Revenue in USD terms declined by 23% to USD 92.7m from USD 120.5m in Q2 2008. Operating Profits decreased 27% to THB 382.5m in Q2 2009 from THB 522.3m in Q2 2008.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>30-Jun-09</u>		<u>30-Jun-08</u>		<u>Q209-Q208</u>	<u>Q209-Q208</u>
PCBA (Lamphun)	1,322,714	41%	1,522,355	39%	(199,641)	-13%
PCBA (JiaXing)	472,567	15%	679,484	17%	(206,917)	-30%
CPG - (Bangkok)	281,760	9%	450,508	11%	(168,748)	-37%
IC (Ayutthaya)	999,230	31%	1,086,746	28%	(87,516)	-8%
IC (JiaXing)	122,589	4%	152,650	4%	(30,061)	-20%
HMT (USA)	19,051	1%	33,482	1%	(14,431)	-43%
Total Revenue	3,217,911		3,925,225		(707,314)	-18%

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

Quarter 2 2009 sales revenue for the group dropped 23% year-on-year in USD terms, from USD 121m in Q208 to USD 93m in Q209 as the recession induced by the global credit crunch starting in last quarter of 2008 continued albeit less severe than in Q109. The average exchange rate for Q209 was 7% weaker at THB/USD 34.73 from THB/USD 32.58 in Q208 resulting in the sales decline in THB terms being less, at a 18% decline year on year.

Year-on-year, the microelectronics divisions sales decreased by 25% in USD terms, with sales in both Lamphun decreasing 20% and JiaXing decreasing 35%. The IC divisions USD sales revenues were 16% lower, with revenues in both the IC division in Ayutthaya and JiaXing decreasing by 14% and 25% respectively. The CPG division sales declined by 42%.

Quarter on Quarter Sales Revenue Analysis

Group sales in Q209 increased quarter on quarter by 24% from USD 75m in Q109 to USD 93m in Q209. Sales across all divisions rebounded from the excessive product supply chain contraction in Q109. In THB equivalent the group sales increased by 22% in Q209 compared to Q109, as the average THB/USD exchange rate strengthened by 2% from 35.34 in Q109 to 34.73 in Q209.

Quarter-on-quarter, sales revenues from the microelectronics divisions were 16% higher, with Lamphun increasing 20% and JiaXing 7%. Sales revenues from the IC divisions were 46% higher with Ayutthaya sales increasing by 41% and JiaXing IC sales increasing by 99%. The CPG division sales were 8% higher quarter on quarter.

Sales Revenue Split

	<u>Q2 2009</u>	<u>Q1 2009</u>	<u>Q4 2008</u>	<u>Q3 2008</u>	<u>Q2 2008</u>
PCBA (Thailand)	41%	42%	39%	36%	39%
PCBA (China)	15%	17%	18%	16%	17%
CPG - (Bangkok)	9%	10%	9%	11%	11%
IC (AYT)	31%	27%	29%	31%	28%
IC (JXG)	4%	2%	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 17% in Q209 similar to Q208 with the weaker baht and cost reductions in Q109 offsetting the lower value added compared to Q208.

Sales and General Administration Expense Analysis

SG&A expenses in Q209 were lower than Q208 by 4% (THB 8m) due to cost savings.

Operating Profit Analysis

Year-on-year operating profits were 27% lower in Q209 and but operating margins were 1% lower at 12% in Q209 compared to 13% in Q208, as SG&A cost reductions achieved (in Q408 and Q109) were less than the 18% drop in sales in Q209.

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 Q209 was Baht/USD 34.73 from 32.58 in Q208 (and from Baht/USD 35.34 in Q109).

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 34.03 at 30/6/09, and 35.53 at 31/3/09 or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

THB 981m for the final dividend of THB 1.20 per share was paid during the quarter as the first and final dividend from the profits of 2008. The dividend was paid from the BOI profits and therefore was not subject to withholding tax deduction.

In Q208 THB 1,079m for the final dividend of THB 1.30 per share was paid during the quarter as the first and final dividend from the profits of 2007. The dividend was paid from the BOI profits and therefore was not subject to withholding tax deduction.

Financial Status

The group currently has no interest bearing debt. Cash (and equivalents) reserves at the 30th June, 2009 were THB 4.6 billion up from the level at 30th June, 2008 of THB 3.5 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 54 days in Q209 and 55 days in Q208.

Accounts receivable - other companies	<u>30/06/2009</u>	<u>30/06/2008</u>	'000
Less than 3 months	1,909,579	2,376,824	98%
3 - 6 months	11,126	8,464	1%
6 - 12 months	29,483	2,315	2%
More than 12 months	6,876	(3,269)	0%
Total accounts receivable - other companies	1,957,064	2,384,334	
Less : Allowance for doubtful accounts	-12,428	(2,436)	-1%
	<u>1,944,636</u>	<u>2,381,898</u>	-18%

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 50 days as at 30th June, 2009 to the 59 days as at 30th June, 2008.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q2 2009 was THB 632m which was 18% lower than Q2 2008 was THB 767m.

Capital Expenditure

Capital Expenditure was THB 74m in Q2 2009 and THB 258m in Q2 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-Jun-09</u>		<u>30-Jun-08</u>		<u>Q209-Q208</u>		<u>Q209-Q208</u>
REVENUES							
Sales	3,217,911		3,925,225		(707,314)		-18%
consisting of:							
<i>PCBA (Thailand)</i>	1,322,714	41%	1,522,355	39%	(199,641)		-13%
<i>PCBA (China)</i>	472,567	15%	679,484	17%	(206,917)		-30%
<i>CPG - (Bangkok)</i>	281,760	9%	450,508	11%	(168,748)		-37%
<i>IC (AYT)</i>	999,230	31%	1,086,746	28%	(87,516)		-8%
<i>IC (JXG)</i>	122,589	4%	152,650	4%	(30,061)		-20%
<i>HMT (USA)</i>	19,051	1%	33,482	1%	(14,431)		-43%
	<u>3,217,911</u>	100%	<u>3,925,225</u>	100%	<u>(707,314)</u>		-18%
Share of Assoc. company Profit	-		-		-		
Interest	26,983		9,192		17,791		194%
Other Income - Operating	24,155		71,650		(47,495)		-66%
Other Income - Non Operating	40,991		1,355		39,636		2925%
TOTAL REVENUES	<u>3,310,040</u>		<u>4,007,422</u>		<u>(697,382)</u>		-17%
EXPENSES							
Cost of Sales	2,664,173	83%	3,271,158	83%	(606,985)		-19%
Selling & Admin. Expenses	195,402	6%	203,420	5%	(8,018)		-4%
Interest Expenses	1,641		-		1,641		
TOTAL EXPENSES	<u>2,861,216</u>	89%	<u>3,474,578</u>	89%	<u>(613,362)</u>		-18%
EARNINGS from Operation	<u>448,824</u>	14%	<u>532,844</u>	13%	<u>(84,020)</u>		-16%
Exchange Gain (Loss)	56,837		29,957		26,880		
Share of Assoc. company Loss	-		-		-		
EARNINGS before Income Tax	<u>505,661</u>	15%	<u>562,801</u>	14%	<u>(57,140)</u>		-10%
Corporate Income Tax	(1,428)	0%	(16,891)	3%	15,463		-92%
Earnings before Exceptional Items	<u>504,233</u>		<u>545,910</u>		<u>(41,677)</u>		-8%
Exceptional Items	-		-		-		
NET EARNINGS for the Period	<u>504,233</u>	15%	<u>545,910</u>	14%	<u>(41,677)</u>		-8%
EARNINGS % of SALES	16%		14%		0.02		
Average number of shares (1 Baht par)	817,751		830,424		-	12,673	
EARNINGS per SHARE (baht) before exch. & exce	0.55		0.62		-	0.07	
EARNINGS per SHARE (baht) after exceptionals	0.62		0.66		-	0.04	
Operating Profit (EBIT)	382,491		522,297		-	139,806	-27%
	12%		13%				
Depreciation	249,403		244,865		4,538		2%
EBITDA (excl exchange gain/loss)	631,894		767,162		-	135,268	-18%
EBITDA % of Sales Revenue	20%		20%				
Cashflow Earnings per Share	0.77		0.92		-	0.15	

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Jun-09</u>	Quarter <u>30-Jun-08</u>	<u>Q209-Q208</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	4,590,854	3,505,780	1,085,074
Deposits at Finance Companies & Notes Receivable			
Accounts Receivable - trade	1,944,636	2,381,898	(437,262)
Amounts due from Related Companies	-	-	
Inventories	1,478,949	2,157,770	(678,821)
Other Current Assets	201,733	113,063	88,670
TOTAL CURRENT ASSETS	8,216,172	8,158,511	57,661
LOAN TO OTHER COMPANY	97	97	
FIXED ASSETS (net)	5,444,250	5,666,359	(222,109)
OTHER ASSETS	18,257	2,154	16,103
TOTAL ASSETS	<u>13,678,776</u>	<u>13,827,121</u>	(148,345)
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	1,131,759	1,634,862	(503,103)
Corporate Income Tax Payable	21,767	42,663	(20,896)
Accrued Expenses	358,985	419,751	(60,766)
Other Current Liabilities	362,508	441,640	(79,132)
TOTAL CURRENT LIABILITIES	<u>1,875,019</u>	<u>2,538,916</u>	(663,897)
TOTAL LIABILITIES	1,875,019	2,538,916	(663,897)
SHAREHOLDERS EQUITY			
Share Capital	830,475	830,451	24
Share subscription received in advance	-	175	(175)
Share Premium	1,723,219	1,722,822	397
Retained Earnings			
Appropriated Statutory Reserve	322,909	322,301	608
Unappropriated	8,737,568	8,515,710	221,858
Translation adj. & Investment revaluation	189,586	55,471	134,115
Excess Cost over Net Book Value of Subsidiary Investments	-	(158,725)	158,725
TOTAL SHAREHOLDERS EQUITY	<u>11,803,757</u>	<u>11,288,205</u>	515,552
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>13,678,776</u>	<u>13,827,121</u>	(148,345)
Cash & Equivalents	4,590,854	3,505,780	1,085,074
Liabilities	1,875,019	2,538,916	-663,897
Debt/Equity	0.16	0.22	-0
Net Debt (Net cash)	-2,715,835	-966,864	-1,748,971
Net Debt/Equity	-0.23	-0.09	-0

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 30-Jun-09</u>	<u>Quarter 30-Jun-08</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	505,661	562,801
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	248,632	244,865
Unrealised (gain) Loss on exchange	5,331	4,281
Change in other provisions	(109,127)	73,445
Share of loss from AIT associate under equity method	-	-
Provision for diminution in value of investment in AIT	-	-
	<u>144,836</u>	<u>322,591</u>
Working Capital (increase) decrease		
Trade accounts receivable	(348,383)	(215,268)
Inventories	323,948	(129,148)
Trade accounts payable	219,080	217,152
Other	(7,354)	95,379
	<u>187,291</u>	<u>(31,885)</u>
Net Cashflow from Operating Activities	<u>837,788</u>	<u>853,507</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	(232,640)	-
Increase in property, plant and equipment	(3,288)	(340,237)
Proceeds from sale of fixed assets	25,374	1,378
Increase (decrease) in translation adjustment	(251,382)	348,325
Revaluation deficit on investments	-	-
Other	-	-
	<u>(461,936)</u>	<u>9,466</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	-	964
Dividend paid	(981,010)	(1,079,353)
Other	(71,274)	-
Net cash (used in) from financing activities	<u>(1,052,284)</u>	<u>(1,078,389)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(676,432)	(215,416)
Cash and Equivalents at the beginning of the period	<u>4,361,155</u>	<u>3,721,196</u>
Cash and Equivalents at the end of the period	3,684,724	3,505,780
Increase (decrease) in payables for purchases of plant/equipment	21,585	(278,819)

HANA MICROELECTRONICS GROUP

Financial Ratios

'000 Baht	<u>Quarter</u> <u>30-Jun-09</u>	<u>Quarter</u> <u>30-Jun-08</u>	<u>Q209-Q208</u>	
Profitability Ratios				
Gross Profit Margin (%)	17%	17%		1%
Operating Profit Margin (%)	12%	13%		-1%
Net Profit before Exceptional Margin (%)	16%	14%		2%
Net Profit after Exceptional Margin (%)	16%	14%		2%
EBITDA margin (%)	20%	20%		0%
Return On Equity (%) pa	17%	19%		-2%
Efficiency Ratios				
Working Capital turnover	5.0	10.8	-	5.9
Account Receivable days	54	55	-	0.2
Inventory days	50	59	-	9.4
Accounts Payable days	38	45	-	6.7
Liquidity Ratios				
Current Ratio	4.4	3.2		1.2
Quick Ratio	3.5	2.3		1.2
Financial Capital Ratios				
Debt / Equity	0.2	0.2	-	0.1
Net Debt to Equity	-0.2	-0.1	-	0.1
Interest Coverage	n/a	n/a		