

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 36% year on year, to THB 4.39 billion for the second quarter of 2010 from THB 3.22 billion for the second quarter of 2009. Sales Revenue in USD terms increased by 46% to USD 135.6m from USD 92.7m in Q2 2009. Operating Profits increased 77% to THB 679m in Q2 2010 from THB 382m in Q2 2009.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>30-Jun-10</u>		<u>30-Jun-09</u>		<u>Q210-Q209</u>	<u>Q210-Q209</u>
PCBA (Lamphun, Thailand)	1,684,803	38%	1,322,714	41%	362,089	27%
PCBA (Jiaxing, China)	683,924	16%	472,567	15%	211,357	45%
CPG (Bangkok, Thailand)	234,595	5%	281,760	9%	(47,165)	-17%
IC (Ayutthaya, Thailand)	1,499,495	34%	999,230	31%	500,265	50%
IC (Jiaxing, China)	242,138	6%	122,589	4%	119,549	98%
HMT (Ohio, USA)	44,523	1%	19,051	1%	25,472	134%
Total Revenue	4,389,478		3,217,911		1,171,567	36%

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

Quarter 2 2010 sales revenue for the group increased 46% year-on-year in USD terms, from USD 92.7m in Q209 to USD 136m in Q210 as the markets recovered to levels above the peak in 2008. The average exchange rate for Q210 was 6.8% stronger at THB/USD 32.4 from THB/USD 34.7 in Q209 resulting in the sales increase in THB terms was lower accordingly at 36% increase year on year.

Year-on-year, the microelectronics divisions sales increased by 44% in USD terms. Sales in Lamphun increased by 44% whilst JiaXing increased by 55%. The IC divisions USD sales revenues were 67% higher, with revenues the IC divisions in Ayutthaya and JiaXing increasing by 61% and 108% respectively. The CPG division sales declined by 11% as the division winds down due to the land lease expiry in Feb 2014.

Quarter on Quarter Sales Revenue Analysis

Group sales increased quarter on quarter by 13% from USD 119m in Q110 to USD 136m in Q210. Sales across both the microelectronics and IC divisions, grew to record levels above that seen at the previous peak in Q308. In THB equivalent the group sales increased by 12% in Q210 compared to Q110. The average THB/USD exchange rate strengthened by 1.5% from 32.90 in Q110 to 32.38 in Q210.

Quarter-on-quarter, sales revenues from the microelectronics divisions were 10% higher with Lamphun increasing 6% and JiaXing 24%. Sales revenues from the IC divisions were 18% higher with Ayutthaya sales increasing by 17% and JiaXing IC sales increasing by 29%. The CPG division sales were 4% higher quarter on quarter

Sales Revenue Split

	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>	<u>Q3 2009</u>	<u>Q2 2009</u>
PCBA (Lamphun, Thailand)	38%	41%	44%	44%	41%
PCBA (Jiaxing, China)	16%	14%	15%	13%	15%
CPG (Bangkok, Thailand)	5%	6%	6%	9%	9%
IC (Ayutthaya, Thailand)	34%	33%	29%	30%	31%
IC (Jiaxing, China)	6%	5%	5%	4%	4%
HMT (Ohio, USA)	1%	1%	1%	1%	1%
	100%	100%	100%	100%	100%

Gross Profit / Cost of Sales Analysis and Sales and Administration Analysis

The Gross Profit margin was 18% in Q210 up 1% from 17% in Q209 due to higher operating leverage. SG&A expenses were lower in Q210 by 15% (THB 28m) than in Q209 due to writeback of obsolete inventory and doubtful debts in Q210. SG&A expenses in Q210 were 12% lower than Q110 (THB 12M) due to inventory provision write back in Q210 of THB 12m.

Operating Profit Analysis

Year-on-year operating profits were 77% higher in Q210 and operating margins were 3% points higher at 15% compared to 12% in Q209 mainly due to the higher operating leverage from the THB 1.2b sales increase over Q209 and writeback of provisions allowed for in 2009.

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 Q210 was Baht/USD 32.38 from 34.73 in Q209 (and from Baht/USD 32.90 in Q110).

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 32.44 at 30/06/10, and 32.37 at 31/03/10 or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

THB 1,127m for the final dividend of THB 1.40 per share was paid during the quarter as the first and final dividend from the profits of 2009. The dividend was subject to 10% withholding tax deduction.

In Q209 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.

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 30th June, 2010 were THB 5.1 billion up from 30th June, 2009 of THB4.6 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 Q210 and 54 days in Q209.

Accounts receivable - other companies	<u>30-Jun-10</u>	<u>30-Jun-09</u>	'000
Less than 3 months	2,561,495	1,909,579	
3 - 6 months	8,648	11,126	
6 - 12 months	7,505	29,483	
More than 12 months	483	6,876	
Total accounts receivable - other companies	<u>2,578,131</u>	<u>1,957,064</u>	
Less : Allowance for doubtful accounts	(4,078)	(12,428)	
	<u>2,574,053</u>	<u>1,944,636</u>	

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 54 days as at 30th June, 2010 and 50 days as at 30th June, 2009.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q2 2010 was THB 954m which was 51% higher than Q2 2009 was THB 632m.

Capital Expenditure

Capital Expenditure was THB 514m in Q2 2010 and THB 74m in Q2 2009. 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 as 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 60% 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 135m per quarter for every 10% change in the average Baht/USD and CNY/USD rates (i.e. $(1 - 0.60) \times \text{Sales Revenue} \times 10\%$).

The Group's Thai companies balance sheet exposure is a net asset of approximately USD 55m, 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.

Exceptional Items

None

Future Plan

In 2010, THB 200m for construction of a 5,000m facility at the Ayutthaya site. THB 100m for construction of a 3,000m facility at the Lamphun site. THB 150m for purchase of land for expansion in Lamphun.

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>30-Jun-10</u>		<u>30-Jun-09</u>		<u>Q210-Q209</u>	<u>Q210-Q209</u>
REVENUES						
Sales	4,389,478		3,217,911		1,171,567	36%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	1,684,803	38%	1,322,714	41%	362,089	27%
<i>PCBA (Jiaxing, China)</i>	683,924	16%	472,567	15%	211,357	45%
<i>CPG (Bangkok, Thailand)</i>	234,595	5%	281,760	9%	(47,165)	-17%
<i>IC (Ayutthaya, Thailand)</i>	1,499,495	34%	999,230	31%	500,265	50%
<i>IC (Jiaxing, China)</i>	242,138	6%	122,589	4%	119,549	98%
<i>HMT (Ohio, USA)</i>	44,523	1%	19,051	1%	25,472	134%
	<u>4,389,478</u>	100%	<u>3,217,911</u>	100%	<u>1,171,567</u>	36%
Share of Assoc. company Profit	-		-		-	
Interest	48,703		26,983		21,720	80%
Other Income - Operating	55,172		24,155		31,017	128%
Other Income - Non Operating	25,060		40,991		(15,931)	-39%
TOTAL REVENUES	<u>4,518,413</u>		<u>3,310,040</u>		<u>1,208,373</u>	37%
EXPENSES						
Cost of Sales	3,598,999	82%	2,664,173	83%	934,826	35%
Selling & Admin. Expenses	166,780	4%	195,402	6%	(28,622)	-15%
Interest Expenses	2,048		1,641		407	
			-			
TOTAL EXPENSES	<u>3,767,827</u>	86%	<u>2,861,216</u>	89%	<u>906,611</u>	32%
EARNINGS from Operation	<u>750,586</u>	17%	<u>448,824</u>	14%	<u>301,762</u>	67%
Exchange Gain (Loss)	17,336		56,837		(39,501)	
Share of Assoc. company Loss			-		-	
EARNINGS before Income Tax	<u>767,922</u>	17%	<u>505,661</u>	15%	<u>262,261</u>	52%
Corporate Income Tax	(24,476)	3%	(1,428)	0%	(23,048)	1614%
Earnings before Exceptional Items	<u>743,446</u>		<u>504,233</u>		<u>239,213</u>	47%
Exceptional Items	-		-		-	
NET EARNINGS for the Period	<u>743,446</u>	16%	<u>504,233</u>	15%	<u>239,213</u>	47%
EARNINGS % of SALES		17%		16%		0.01
Average number of shares (1 Baht par)	804,879		817,750		-	12,871
EARNINGS per SHARE (baht) before exch. & exce	0.90		0.55		0.36	
EARNINGS per SHARE (baht) after exceptionals	0.92		0.62		0.31	
Operating Profit (EBIT)	678,871		382,491		296,380	77%
	15%		12%			
Depreciation	277,575		249,403		28,172	11%
EBITDA (excl exchange gain/loss)	956,446		631,894		324,552	51%
EBITDA % of Sales Revenue	22%		20%			
Cashflow Earnings per Share	1.19		0.77		0.42	

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CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	YTD		YTD		YTD	YTD %
	<u>30-Jun-10</u>		<u>30-Jun-09</u>		<u>Q210-Q209</u>	<u>Q210-Q209</u>
REVENUES						
Sales	8,314,385		5,854,102		2,460,283	42%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	3,297,694	40%	2,436,609	42%	861,085	35%
<i>PCBA (Jiaxing, China)</i>	1,242,398	15%	920,874	16%	321,524	35%
<i>CPG (Bangkok, Thailand)</i>	463,535	6%	547,701	9%	(84,166)	-15%
<i>IC (Ayutthaya, Thailand)</i>	2,800,393	34%	1,719,820	29%	1,080,573	63%
<i>IC (Jiaxing, China)</i>	429,744	5%	185,621	3%	244,123	132%
<i>HMT (Ohio, USA)</i>	80,621	1%	43,477	1%	37,144	85%
	<u>8,314,385</u>	100%	<u>5,854,102</u>	100%	<u>2,460,283</u>	42%
					-	
Interest	70,782		40,563		30,219	74%
Other Income - Operating	109,950		59,782		50,168	84%
Other Income - Non Operating	29,816		42,155		(12,339)	-29%
TOTAL REVENUES	<u>8,524,933</u>		<u>5,996,602</u>		<u>2,528,331</u>	42%
EXPENSES						
Cost of Sales	6,823,467	82%	4,935,723	84%	1,887,744	38%
Selling & Admin. Expenses	346,002	4%	389,174	7%	(43,172)	-11%
Interest Expenses	3,961		3,410		551	
TOTAL EXPENSES	<u>7,173,430</u>	86%	<u>5,328,307</u>	91%	<u>1,845,123</u>	35%
EARNINGS from Operation	<u>1,351,503</u>	16%	<u>668,295</u>	11%	<u>683,208</u>	102%
Exchange Gain (Loss)	39,380		49,543		(10,163)	
					-	
EARNINGS before Income Tax	<u>1,390,883</u>	16%	<u>717,838</u>	12%	<u>673,045</u>	94%
Corporate Income Tax	(50,035)	4%	(12,399)	2%	(37,636)	304%
Earnings before Exceptional Items	<u>1,340,848</u>		<u>705,439</u>		<u>635,409</u>	90%
Exceptional Items	-		-		-	
NET EARNINGS for the Period	<u>1,340,848</u>	16%	<u>705,439</u>	12%	<u>635,409</u>	90%
EARNINGS % of SALES	16%		12%		0.04	
Average number of shares (1 Baht par)	804,879		816,800	-	11,921	
EARNINGS per SHARE (baht) before exch. & exce	1.62		0.80		0.81	
EARNINGS per SHARE (baht) after exceptionals	1.67		0.86		0.80	
Operating Profit (EBIT)	1,254,866		588,987		665,879	113%
	15%		10%			
Depreciation	546,369		498,042		48,327	10%
EBITDA (excl exchange gain/loss)	1,801,235		1,087,029		714,206	66%
EBITDA % of Sales Revenue	22%		19%			
Cashflow Earnings per Share	2.24		1.33		0.91	

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Jun-10</u>	Quarter <u>30-Jun-09</u>	<u>Q210-Q209</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	3,254,727	3,684,723	(429,996)
Financial Investments	1,869,742	906,131	963,611
Accounts Receivable - trade	2,574,053	1,944,636	629,417
Amounts due from Related Companies	-	-	
Inventories	2,156,638	1,478,949	677,689
Other Current Assets	200,380	201,733	(1,353)
TOTAL CURRENT ASSETS	<u>10,055,540</u>	<u>8,216,172</u>	1,839,368
LOAN TO OTHER COMPANY	97	97	
FIXED ASSETS (net)	5,855,417	5,444,250	411,167
OTHER ASSETS	80,800	18,257	62,543
TOTAL ASSETS	<u>15,991,854</u>	<u>13,678,776</u>	2,313,078
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	1,740,381	1,131,759	608,622
Corporate Income Tax Payable	43,507	21,767	21,740
Accrued Expenses	239,582	358,985	(119,403)
Other Current Liabilities	934,169	362,508	571,661
TOTAL CURRENT LIABILITIES	<u>2,957,639</u>	<u>1,875,019</u>	1,082,620
TOTAL LIABILITIES	<u>2,957,639</u>	<u>1,875,019</u>	1,082,620
SHAREHOLDERS EQUITY			
Share Capital	830,475	830,475	(0)
Treasury Shares	(262,987)	(262,987)	
Share Premium	1,723,219	1,723,219	
Retained Earnings			
Appropriated Statutory Reserve	320,218	322,909	(2,691)
Unappropriated	10,554,780	9,000,555	1,554,225
Translation adj. & Investment revaluation	(191,329)	189,586	(380,915)
Unrealised gain(loss) on change in investments	59,839	-	59,839
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>13,034,215</u>	<u>11,803,757</u>	1,230,458
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>15,991,854</u>	<u>13,678,776</u>	2,313,078
	0	0	
Cash & Equivalents	5,124,469	4,590,854	533,615
Liabilities	2,957,639	1,875,019	1,082,620
Debt/Equity	0.23	0.16	0
Net Debt (Net cash)	-2,166,830	-2,715,835	549,005
Net Debt/Equity	-0.17	-0.23	0

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 30-Jun-10</u>	<u>Quarter 30-Jun-09</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	767,922	505,661
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	273,918	248,632
Unrealised (gain) Loss on exchange	(19,943)	(73,181)
Increase (Decrease) in allowance for doubtful debts	2,356	(12,866)
Increase (Decrease) in allowance for obsolete inventories	10,393	24,945
Change in other provisions	(56,835)	(42,694)
	<u>209,889</u>	<u>144,836</u>
Working Capital (increase) decrease		
Trade accounts receivable	(107,067)	(348,383)
Inventories	(255,791)	323,948
Trade accounts payable	286,895	219,080
Other	(100,272)	(7,354)
	<u>(176,235)</u>	<u>187,291</u>
Net Cashflow from Operating Activities	<u>801,576</u>	<u>837,788</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	993	(232,640)
Increase in property, plant and equipment	(520,203)	(3,288)
Proceeds from sale of fixed assets	2,552	25,374
Increase (decrease) in translation adjustment	8,331	(251,382)
Revaluation deficit on investments	(42,899)	-
Other		
	<u>(551,226)</u>	<u>(461,936)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	-	-
Dividend paid	(1,126,830)	(981,010)
Other	(41,923)	(71,274)
Net cash (used in) from financing activities	<u>(1,168,753)</u>	<u>(1,052,284)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(918,403)	(676,432)
Cash and Equivalents at the beginning of the period	<u>4,173,130</u>	<u>4,361,155</u>
Cash and Equivalents at the end of the period	3,254,727	3,684,724
Increase (decrease) in payables for purchases of plant/equipment	7,039	21,585

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Financial Ratios

'000 Baht	<u>Quarter</u> <u>30-Jun-10</u>	<u>Quarter</u> <u>30-Jun-09</u>	<u>Q210-Q209</u>	
Profitability Ratios				
Gross Profit Margin (%)	18%	17%	-	1%
Operating Profit Margin (%)	15%	12%	-	4%
Net Profit before Exceptional Margin (%)	17%	16%	-	1%
Net Profit after Exceptional Margin (%)	17%	16%	-	1%
EBITDA margin (%)	22%	20%	-	2%
Return On Equity (%) pa	23%	17%	-	6%
Efficiency Ratios				
Working Capital turnover	6.6	8.6	-	2.0
Account Receivable days	53	54	-	1.6
Inventory days	54	50	-	4.0
Accounts Payable days	44	38	-	5.3
Liquidity Ratios				
Current Ratio	3.4	4.4	-	1.0
Quick Ratio	2.6	3.5	-	0.9
Financial Capital Ratios				
Debt / Equity	0.2	0.2	-	0.1
Net Debt to Equity	-0.2	-0.2	-	0.1
Interest Coverage	n/a	n/a	-	-