

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue were similar year on year, at THB 4.0 billion in the fourth quarter of 2007 and for the fourth quarter of 2006. Sales Revenue in USD terms increased by 9% to USD 118.0m in Q4 2007 from USD 108.5m in Q4 2006. Operating Profits increased 4% to 540.8m Baht in Q4 2007 from 521.0m Baht in Q4 2006.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>31-Dec-06</u>		<u>31-Dec-07</u>		<u>Q407-Q406</u>	<u>Q407-Q406</u>
PCBA (Lamphun)	1,415,411	35%	1,480,150	37%	64,739	5%
PCBA (Shanghai)	571,456	14%	711,269	18%	139,813	24%
CPG - (Bangkok)	522,201	13%	401,069	10%	-121,132	-23%
IC (Ayutthaya)	1,258,397	31%	1,200,568	30%	-57,829	-5%
IC (JiaXing)	156,917	4%	184,232	5%	27,315	17%
HMT (USA)	82,313	2%	26,862	1%	-55,451	-67%
Total Revenue	4,006,695		4,004,150		-2,545	0%

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

Quarter 4 2007 saw revenue growth for the group with year-on-year with sales increasing 9% in actual USD sales currency. However, due to a 8% stronger Thai Baht Q407 and Q406 the sales revenues in THB equivalent were similar. The microelectronics divisions performed strongly with a 16% sales increases year on year in USD terms. The IC divisions sales revenues were 14% higher with the IC division in Thailand up 11% and the IC China revenues up 42% year on year.

**Quarter on Quarter Sales Revenue Analysis**

Sales in Q407 were slightly lower than Q307 at USD 118m compared to USD 120m in Q307. Sales from the microelectronics divisions were 5% lower and sales revenues from the IC divisions 1% higher. The CPG division in BKK was 7% lower. In THB equivalent the group sales decreased by 2% in Q407 compared to Q307 due to the strengthening of the Thai Baht during the quarter.

**Sales Revenue Split**

	<u>Q4 2007</u>	<u>Q3 2007</u>	<u>Q2 2007</u>	<u>Q1 2007</u>	<u>Q4 2006</u>
PCBA (Thailand)	37%	38%	36%	35%	35%
PCBA (China)	18%	17%	18%	16%	14%
CPG - (Bangkok)	10%	11%	13%	13%	13%
IC (AYT)	30%	29%	28%	33%	31%
IC (JXG)	5%	4%	3%	3%	4%
HMT (USA)	1%	1%	1%	1%	2%
	100%	100%	100%	100%	100%

**Gross Profit / Cost of Sale Analysis**

The Gross Profit margin was 17% in Q407 similar to Q406. Whilst the stronger THB has 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 17% in Q407 compared to 19% in Q307. The 2% reduction was due to higher material costs at the IC divisions and the microelectronics division in China, which was mainly due to product mix changes.

**Sales and General Administration Expense Analysis**

Sales and General Administration "SGA" expenses in Q407 were similar to Q406 even though the additional performance bonus in lieu of stock option grant in THB 40m was paid during Q407 in 2007. The SGA expenses as a percent were also similar at 5% of sales revenues in Q407 and Q406.

**Operating Profit Analysis**

Operating profits were higher in Q407 year on year and margins were also higher at 14% in Q407 and 13% Q406. 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 33.92 from 36.94 in Q406 (and from Baht/USD 34.06 in Q307) .

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 33.77 at 31/12/07, and 34.26 at 30/9/07 or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

No dividend was paid out in Q407.

### **Financial Status**

The group currently has no interest bearing debt. Cash (and equivalents) reserves at the 31st December, 2007 were THB 3.4 billion up from the level at 31st December, 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 were similar at 55 days in Q407 and Q407.

Accounts receivable - other companies	<u>31/12/2006</u>	<u>31/12/2007</u>	'000
Less than 3 months	2,326,046	2,429,800	99%
3 - 6 months	122,578	20,921	1%
6 - 12 months	7,720	5,295	0%
More than 12 months	3,272	1,132	0%
Total accounts receivable - other companies	<u>2,459,616</u>	<u>2,457,148</u>	
Less : Allowance for doubtful accounts	-2,267	-7,608	0%
	<u>2,457,349</u>	<u>2,449,540</u>	0%

### **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 31st December, 2007 from 66 days as at 31st December, 2006.

### **Liquidity**

The group has THB 3.3 billion in cash and no interest bearing debt liquidity ratios are high at approximately 3 times current liabilities. Operating Cashflow (EBITDA) in Q4 2007 was THB 768m billion which was 5% higher than THB 733m in Q4 2006. Cash reserves at the end of Q407 were THB 3.4 billion, up from THB 2.1 billion at the end of Q406.

### **Capital Expenditure**

Net Capital Expenditure was THB 251m in Q4 2007 and THB 317m in Q4 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 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 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 in Q3 2007. A further distribution of approximately USD 0.7 million was received after all expenses of the transaction were finalized.

**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		Q407-Q406	%
	31-Dec-06		31-Dec-07			
<b>REVENUES</b>						
Sales	4,006,695		4,004,150		-2,545	0%
consisting of:						
PCBA (Thailand)	1,415,411	35%	1,480,150	37%	64,739	5%
PCBA (China)	571,456	14%	711,269	18%	139,813	24%
CPG - (Bangkok)	522,201	13%	401,069	10%	-121,132	-23%
IC (AYT)	1,258,397	31%	1,200,568	30%	-57,829	-5%
IC (JXG)	156,917	4%	184,232	5%	27,315	17%
HMT (USA)	82,313	2%	26,862	1%	-55,451	-67%
	<u>4,006,695</u>	100%	<u>4,004,150</u>	100%	<u>-2,545</u>	0%
Share of Assoc. company Profit	0		0		0	
Interest	14,141		20,050		5,910	42%
Other Income - Operating	47,802		44,188		-3,614	-8%
Other Income - Non Operating	4,017		1,207		-2,810	-70%
<b>TOTAL REVENUES</b>	<u>4,072,655</u>		<u>4,069,596</u>		<u>-3,059</u>	0%
<b>EXPENSES</b>						
Cost of Sales	3,324,865	83%	3,306,431	83%	-18,434	-1%
Selling & Admin. Expenses	208,599	5%	201,144	5%	-7,455	-4%
Interest Expenses	0		-3		-3	
<b>TOTAL EXPENSES</b>	<u>3,533,463</u>	88%	<u>3,507,571</u>	88%	<u>-25,892</u>	-1%
<b>EARNINGS from Operation</b>	<u>539,192</u>	13%	<u>562,024</u>	14%	<u>22,833</u>	4%
Exchange Gain (Loss)	34,753		64,280		29,527	
Share of Assoc. company Loss					0	
<b>EARNINGS before Income Tax</b>	<u>573,944</u>	14%	<u>626,305</u>	15%	<u>52,360</u>	9%
Corporate Income Tax	-66,527	12%	-37,006	6%	29,522	-44%
<b>Earnings before Exceptional Items</b>	<u>507,417</u>		<u>589,299</u>		<u>81,882</u>	16%
Exceptional Items	0		24,072		24,072	
<b>NET EARNINGS for the Period</b>	<u>507,417</u>	12%	<u>613,371</u>	15%	<u>105,954</u>	21%
<b>EARNINGS % of SALES</b>	14%		15%		0.01	
Average number of shares (1 Baht par)	817,022		830,009		12,986	
<b>EARNINGS per SHARE (baht) before exch. &amp; exce</b>	0.58		0.63		0.05	
<b>EARNINGS per SHARE (baht) after exceptionals</b>	0.62		0.74		0.12	
Operating Profit (EBIT)	521,034		540,763		19,730	4%
	13%		14%			
Depreciation	211,801		227,713		15,913	8%
EBITDA (excl exchange gain/loss)	732,834		768,477		35,642	5%
EBITDA % of Sales Revenue	18%		19%			
Cashflow Earnings per Share	0.90		0.93		0.03	
Net Capital Expenditure	316,662		250,811		- 65,851	-21%

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Dec-06</u>	Quarter <u>31-Dec-07</u>	<u>Q407-Q406</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	2,117,760	3,386,431	1,268,671
Deposits at Finance Companies & Notes Receivable			
Accounts Receivable - trade	2,457,349	2,449,540	-7,810
Amounts due from Related Companies	0	0	
Inventories	2,428,338	2,205,351	-222,987
Other Current Assets	177,025	162,562	-14,463
<b>TOTAL CURRENT ASSETS</b>	<b>7,180,473</b>	<b>8,203,885</b>	<b>1,023,412</b>
LOAN TO OTHER COMPANY	97	97	
<b>FIXED ASSETS (net)</b>	<b>5,143,007</b>	<b>5,566,939</b>	<b>423,932</b>
OTHER ASSETS	23,181	2,531	-20,650
<b>TOTAL ASSETS</b>	<b><u>12,346,757</u></b>	<b><u>13,773,452</u></b>	<b>1,426,694</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	0	0	
Accounts & Notes Payable	1,738,249	1,519,428	-218,821
Corporate Income Tax Payable	125,179	73,446	-51,732
Accrued Expenses	122,424	276,925	154,501
Other Current Liabilities	489,267	612,804	123,537
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>2,475,119</u></b>	<b><u>2,482,603</u></b>	<b>7,484</b>
<b>TOTAL LIABILITIES</b>	<b>2,475,119</b>	<b>2,482,603</b>	<b>7,484</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	825,218	830,406	5,188
Share subscription received in advance	5,729	0	-5,729
Share Premium	1,686,021	1,722,078	36,056
Retained Earnings			
Appropriated Statutory Reserve	320,100	322,301	2,201
Unappropriated	6,981,677	8,601,512	1,619,835
Translation adjustment	211,618	-26,723	-238,341
Excess Cost over Net Book Value of Subsidiary Investmer	-158,726	-158,726	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b><u>9,871,638</u></b>	<b><u>11,290,848</u></b>	<b>1,419,210</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<b><u>12,346,757</u></b>	<b><u>13,773,452</u></b>	<b>1,426,694</b>
	edit chk	0	0
Cash and short term investments (K USD equivalent)			
Year ending THB/USD exchange rate			
Cash & Equivalents	2,117,760	3,386,431	1,268,671
Liabilities	2,475,119	2,482,603	7,484
Debt/Equity	0.25	0.22	-0
Net Debt (Net cash)	357,359	-903,828	-1,261,187
Net Debt/Equity	0.04	-0.08	-0

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 31-Dec-06</u>	<u>Quarter 31-Dec-07</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings	507,417	613,371
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	211,801	227,713
Unrealised (gain) Loss on exchange	- 34,887	-24,551
Change in other provisions	55,500	-83,170
Share of loss from AIT associate under equity method	-	0
Provision for diminution in value of investment in AIT	-	0
	<u>232,414</u>	<u>119,992</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	130,169	-172,841
Inventories	- 293,774	128,581
Trade accounts payable	209,300	237,716
Other	80,593	-261,681
	<u>126,289</u>	<u>- 68,224</u>
<b>Net Cashflow from Operating Activities</b>	<u>866,120</u>	<u>665,140</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	-	0
Increase in property, plant and equipment	- 385,682	-278,895
Proceeds from sale of fixed assets	69,020	28,084
Increase (decrease) in translation adjustment	- 140,325	-77,566
Decrease in short term loans to related parties	10,000	0
Other	-	-
	<u>- 446,987</u>	<u>- 328,377</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	41,825	1,620
Dividend paid	- 412,331	0
	<u>- 370,506</u>	<u>1,620</u>
Net cash (used in ) from financing activities	<u>- 370,506</u>	<u>1,620</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	48,627	338,382
Cash and Equivalents at the beginning of the period	<u>2,069,133</u>	<u>3,048,049</u>
Cash and Equivalents at the end of the period	<u>2,117,760</u>	<u>3,386,431</u>

# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	Quarter <u>31-Dec-06</u>	Quarter <u>31-Dec-07</u>	<u>Q407-Q406</u>	
<b>Profitability Ratios</b>				
Gross Profit Margin (%)	17%	17%		0%
Operating Profit Margin (%)	13%	14%		1%
Net Profit before Exceptional Margin (%)	13%	15%		2%
Net Profit after Exceptional Margin (%)	13%	15%		3%
EBITDA margin (%)	18%	19%		1%
Return On Equity (%) pa	21%	22%		1%
<b>Efficiency Ratios</b>				
Working Capital turnover	5.1	5.1		0.0
Account Receivable days	55	55	-	0.1
Inventory days	66	60	-	5.7
Accounts Payable days	47	41	-	5.7
<b>Liquidity Ratios</b>				
Current Ratio	2.9	3.3		0.4
Quick Ratio	1.8	2.4		0.5
<b>Financial Capital Ratios</b>				
Debt / Equity	0.3	0.2	-	0.0
Net Debt to Equity	0.0	-0.1	-	0.1
Interest Coverage	n/a	n/a		