

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 16% year on year, to THB 3.99 billion for the fourth quarter of 2009 from THB 3.44 billion for the fourth quarter of 2008. Sales Revenue in USD terms increased by 21% to USD 119.8m from USD 98.9m in Q4 2008. Operating Profits increased 111% to THB 694m in Q4 2009 from THB 328m in Q4 2008.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>31-Dec-09</u>		<u>31-Dec-08</u>		<u>Q409-Q408</u>	<u>Q409-Q408</u>
PCBA (Lamphun)	1,753,718	44%	1,347,607	39%	406,111	30%
PCBA (JiaXing)	599,906	15%	626,376	18%	(26,470)	-4%
CPG - (Bangkok)	247,274	6%	304,067	9%	(56,793)	-19%
IC (Ayutthaya)	1,175,092	29%	996,952	29%	178,140	18%
IC (JiaXing)	184,271	5%	138,691	4%	45,580	33%
HMT (USA)	31,112	1%	31,074	1%	38	0%
Total Revenue	<u>3,991,373</u>		<u>3,444,767</u>		<u>546,606</u>	16%

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

Quarter 4 2009 sales revenue for the group increased 21% year-on-year in USD terms, from USD 99m in Q408 to USD 120m in Q409 as the markets recovered to levels similar to the peak in 2008. The average exchange rate for Q409 was 4% stronger at THB/USD 33.31 from THB/USD 34.85 in Q408 resulting in the sales increase in THB terms was lower accordingly at 16% increase year on year.

Year-on-year, the microelectronics divisions sales increased by 25% in USD terms. Sales in Lamphun increased by 35% whilst JiaXing increased by 3%. The IC divisions USD sales revenues were 25% higher, with revenues in both the IC division in Ayutthaya and JiaXing increasing by 23% and 36% respectively. The CPG division sales declined by 15%.

Quarter on Quarter Sales Revenue Analysis

Group sales increased quarter on quarter by 13% from USD 106m in Q309 to USD 120m in Q409.

Sales across all divisions, except the CPG division, continued to rebound to levels similar to that seen at the previous peak in Q308. In THB equivalent the group sales increased by 10% in Q409 compared to Q309. The average THB/USD exchange rate strengthened by 2% from 33.96 in Q309 to 33.31 in Q409. Quarter-on-quarter, sales revenues from the microelectronics divisions were 17% higher with Lamphun increasing 12% and JiaXing 30%. Sales revenues from the IC divisions were 14% higher with Ayutthaya sales increasing by 12% and JiaXing IC sales increasing by 28%. The CPG division sales were 19% lower quarter on quarter as the division continues to wind down due to the land lease expiry in Feb 2014.

Sales Revenue Split

	<u>Q4 2009</u>	<u>Q3 2009</u>	<u>Q2 2009</u>	<u>Q1 2009</u>	<u>Q4 2008</u>
PCBA (Thailand)	44%	44%	41%	42%	39%
PCBA (China)	15%	13%	15%	17%	18%
CPG - (Bangkok)	6%	9%	9%	10%	9%
IC (AYT)	29%	30%	31%	27%	29%
IC (JXG)	5%	4%	4%	2%	4%
HMT (USA)	1%	1%	1%	1%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

The Gross Profit margin was 21% in Q409 up 5% from 16% in Q408. An inventory revaluation of THB 28m in Q409 caused the margin to decrease 1% which was offset by higher margin product mix 3% and a higher operating leverage 2%.

SG&A expenses in Q409 were similar to Q309 but lower than Q408 by 22% (THB 58m) due to redundancy costs provided for in Q408.

Operating Profit Analysis

Year-on-year operating profits were 111% higher in Q409 and operating margins were 7% higher at 17% compared to 10% in Q408 mainly due to the higher operating leverage from the THB 547m sales increase over Q408. Prior year margins also suffered due to the THB 63m redundancy costs in paid Q408.

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 Q409 was Baht/USD 33.31 from 34.85 in Q408 (and from Baht/USD 33.96 in Q309).

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 33.37 at 31/12/09, and 33.56 at 30/9/09 or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid out in Q409.

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st December, 2009 were THB 6.0 billion up from 31st December, 2008 of THB 4.7 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 Q409 and 40 days in Q408.

Accounts receivable - other companies	<u>31-Dec-09</u>	<u>31-Dec-08</u>	'000
Less than 3 months	2,281,059	1,514,771	
3 - 6 months	9,382	30,274	
6 - 12 months	3,266	7,013	
More than 12 months	5,768	1,266	
Total accounts receivable - other companies	2,299,475	1,553,325	
Less : Allowance for doubtful accounts	-6,415	(13,052)	
	<u>2,293,060</u>	<u>1,540,272</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 50 days as at 31st December, 2009 and 64 days as at 31st December, 2008.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q4 2009 was THB 951m which was 67% higher than Q4 2008 was THB 571m.

Capital Expenditure

Capital Expenditure was THB 454m in Q4 2009 and THB 143m in Q4 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 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>31-Dec-09</u>		<u>31-Dec-08</u>		<u>Q409-Q408</u>	<u>Q409-Q408</u>
REVENUES						
Sales	3,991,373		3,444,767		546,607	16%
consisting of:						
<i>PCBA (Thailand)</i>	1,753,718	44%	1,347,607	39%	406,111	30%
<i>PCBA (China)</i>	599,906	15%	626,376	18%	(26,470)	-4%
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<i>IC (AYT)</i>	1,175,092	29%	996,952	29%	178,140	18%
<i>IC (JXG)</i>	184,271	5%	138,691	4%	45,580	33%
<i>HMT (USA)</i>	31,112	1%	31,074	1%	38	0%
	<u>3,991,373</u>	100%	<u>3,444,767</u>	100%	<u>546,606</u>	16%
Share of Assoc. company Profit	-		-		-	
Interest	27,237		50,539		(23,302)	-46%
Other Income - Operating	46,607		49,975		(3,368)	-7%
Other Income - Non Operating	5,727		1,293		4,434	343%
TOTAL REVENUES	<u>4,070,944</u>		<u>3,546,573</u>		<u>524,371</u>	15%
EXPENSES						
Cost of Sales	3,138,737	79%	2,902,365	84%	236,372	8%
Selling & Admin. Expenses	205,497	5%	263,934	8%	(58,437)	-22%
Interest Expenses	1,609		2,325		(716)	
TOTAL EXPENSES	<u>3,345,844</u>	84%	<u>3,168,624</u>	92%	<u>177,220</u>	6%
EARNINGS from Operation	<u>725,100</u>	18%	<u>377,950</u>	11%	<u>347,151</u>	92%
Exchange Gain (Loss)	24,995		(11,015)		36,009	
Share of Assoc. company Loss	-		-		-	
EARNINGS before Income Tax	<u>750,095</u>	18%	<u>366,935</u>	10%	<u>383,160</u>	104%
Corporate Income Tax	(100,171)	13%	(31,203)	9%	(68,968)	221%
Earnings before Exceptional Items	<u>649,924</u>		<u>335,732</u>		<u>314,192</u>	94%
Exceptional Items	-		-		-	
NET EARNINGS for the Period	<u>649,924</u>	16%	<u>335,732</u>	9%	<u>314,192</u>	94%
EARNINGS % of SALES	16%		10%		0.07	
Average number of shares (1 Baht par)	804,879		830,424		- 25,545	
EARNINGS per SHARE (baht) before exch. & exce	0.78		0.42		0.36	
EARNINGS per SHARE (baht) after exceptionals	0.81		0.40		0.40	
Operating Profit (EBIT)	693,746		328,442		365,304	111%
	17%		10%			
Depreciation	257,466		242,709		14,757	6%
EBITDA (excl exchange gain/loss)	951,212		571,152		380,060	67%
EBITDA % of Sales Revenue	24%		17%			
Cashflow Earnings per Share	1.18		0.69		0.49	

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 31-Dec-09</u>	<u>Quarter 31-Dec-08</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	750,095	366,935
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	257,367	249,655
Unrealised (gain) Loss on exchange	25,808	(53,265)
Increase (Decrease) in allowance for doubtful debts	15,260	(1,880)
Increase (Decrease) in allowance for obsolete inventories	11,364	37,204
Change in other provisions	(14,017)	14,652
	<u>295,781</u>	<u>246,367</u>
Working Capital (increase) decrease		
Trade accounts receivable	(68,756)	562,598
Inventories	(215,395)	208,070
Trade accounts payable	127,187	(515,731)
Other	(191,943)	(101,729)
	<u>(348,907)</u>	<u>153,208</u>
Net Cashflow from Operating Activities	<u>696,969</u>	<u>766,509</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	(338,046)	(82,824)
Increase in property, plant and equipment	(159,917)	(377,829)
Proceeds from sale of fixed assets	3,757	4,210
Increase (decrease) in translation adjustment	(35,972)	141,912
Revaluation deficit on investments	0	(6)
Other		
	<u>(530,177)</u>	<u>(314,537)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	-	0
Dividend paid	-	-
Other	(31,985)	(41,037)
Net cash (used in) from financing activities	<u>(31,985)</u>	<u>(41,036)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	134,807	410,936
Cash and Equivalents at the beginning of the period	<u>4,137,258</u>	<u>3,905,362</u>
Cash and Equivalents at the end of the period	4,272,065	4,316,298
Increase (decrease) in payables for purchases of plant/equipment	341,933	43,710