

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue were similar year on year at THB 4.0 billion for the fourth quarter of 2010 and for the fourth quarter of 2009. Sales Revenue in USD terms increased by 11% to USD 133m from USD 120m in Q4 2009. Operating Profits decreased 29% to THB 492m in Q4 2010 from THB 694m in Q4 2009.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>31-Dec-10</u>		<u>31-Dec-09</u>		<u>Q410-Q409</u>	<u>Q410-Q409</u>
<i>PCBA (Lamphun, Thailand)</i>	1,369,295	34%	1,753,718	44%	(384,423)	-22%
<i>PCBA (Jiaxing, China)</i>	723,235	18%	599,906	15%	123,329	21%
<i>CPG (Bangkok, Thailand)</i>	174,345	4%	247,274	6%	(72,929)	-29%
<i>IC (Ayutthaya, Thailand)</i>	1,446,632	36%	1,175,092	29%	271,540	23%
<i>IC (Jiaxing, China)</i>	189,573	5%	184,271	5%	5,302	3%
<i>HMT (Ohio, USA)</i>	84,548	2%	31,112	1%	53,436	172%
Total Revenue	3,987,628		3,991,373		(3,745)	0%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 4 2010 sales revenue for the group increased 10% year-on-year in USD terms, from USD 119.8m in Q409 to USD 133.0m in Q410 as the market demand grew in 2010 from 2009. The average exchange rate for Q410 was 10% stronger at THB/USD 29.99 from THB/USD 33.31 in Q409. As a result the sales in THB terms was similar year on year.

Year-on-year, the microelectronics divisions sales decreased by 1% in USD terms. Sales in Lamphun decreased by 10% whilst JiaXing increased by 34%. The IC divisions USD sales revenues were 34% higher, with revenues the IC divisions in Ayutthaya and JiaXing increasing by 37% and 14% respectively. The CPG division sales declined by 12% as the division winds down due to the land lease expiry in Feb 2014.

Quarter on Quarter Sales Revenue Analysis

Group sales decreased quarter on quarter by 10% from USD 147m in Q310 to USD 133m in Q410. Sales across both the microelectronics and IC divisions, dropped from the record levels in Q310 as the electronics cycle matured. In THB equivalent the group sales decreased by 14% in Q410 compared to Q310. The average THB/USD exchange rate strengthened by 5.2% from 31.63 in Q310 to 29.99 in Q410.

Quarter-on-quarter, sales revenues from the microelectronics divisions were 10% lower with Lamphun decreasing 10% and JiaXing decreasing 9%. Sales revenues from the IC divisions were 10% lower with Ayutthaya sales decreasing by 10% and JiaXing IC sales decreasing by 10% also. The CPG division sales were 21% lower quarter on quarter. HMT sales increased by 199% from Q409 due to strong growth in the LCOS displays for optical switches.

Sales Revenue Split

	<u>Q4 2010</u>	<u>Q3 2010</u>	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>
<i>PCBA (Lamphun, Thailand)</i>	34%	35%	38%	41%	44%
<i>PCBA (Jiaxing, China)</i>	18%	18%	16%	14%	15%
<i>CPG (Bangkok, Thailand)</i>	4%	5%	5%	6%	6%
<i>IC (Ayutthaya, Thailand)</i>	36%	36%	34%	33%	29%
<i>IC (Jiaxing, China)</i>	5%	5%	6%	5%	5%
<i>HMT (Ohio, USA)</i>	2%	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 14% in Q410 down 7% from 21% in Q409 due to the 10% stronger THB exchange rate (4%), higher wage costs (2%) in each location and increased depreciation costs (1%).

Operating Profit Analysis

Year-on-year operating profits were 29% lower in Q410 and operating margins were 5% lower at 12% in Q410 from 17% in Q409 due to the lower Gross Profit margin. SG&A expenses were 1% lower in Q410 due to reversals of provisions made in Q409 offsetting the increase in salaries. SG&A expenses were 23% higher in Q410 than Q310 due to Q310 benefitting from doubtful debt provision reversals.

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 Q410 was Baht/USD 29.99 from 33.31 in Q409 (and from Baht/USD 31.64 in Q310).

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 30.15 at 31/12/10, and 30.42 at 30/09/10 or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid out in Q410.

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st December, 2010 were THB 5.0 billion down from 31st December, 2009 of THB 6.0 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 55 days in Q410 and 52 days in Q409.

Accounts receivable - other companies	<u>31-Dec-10</u>	<u>31-Dec-09</u>	'000
Less than 3 months	2,423,065	2,281,059	
3 - 6 months	8,957	9,382	
6 - 12 months	2,782	3,266	
More than 12 months		5,768	
Total accounts receivable - other companies	<u>2,434,803</u>	<u>2,299,475</u>	
Less : Allowance for doubtful accounts	(3,240)	(6,415)	
	<u>2,431,564</u>	<u>2,293,060</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 67 days as at 31st December, 2010 and 50 days as at 31st December, 2009.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q4 2010 was THB 804m which was 16% lower than Q4 2009 was THB 951m.

Capital Expenditure

Capital Expenditure was THB 324m in Q4 2010 and THB 454m in Q4 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 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 170m per quarter for every 10% change in the average Baht/USD and CNY/USD rates (i.e. $(1 - 0.60) \times \text{Sales Revenue} \times 10\%$).

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

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>31-Dec-10</u>		<u>31-Dec-09</u>		<u>Q410-Q409</u>	<u>Q410-Q409</u>
REVENUES						
Sales	3,987,628		3,991,373		(3,746)	0%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	1,369,295	34%	1,753,718	44%	(384,423)	-22%
<i>PCBA (Jiaxing, China)</i>	723,235	18%	599,906	15%	123,329	21%
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<i>HMT (Ohio, USA)</i>	84,548	2%	31,112	1%	53,436	172%
	<u>3,987,628</u>	100%	<u>3,991,373</u>	100%	<u>(3,745)</u>	0%
Share of Assoc. company Profit	-		-		-	
Interest	34,540		27,237		7,302	27%
Other Income - Operating	138,813		46,607		92,206	198%
Other Income - Non Operating	0		5,727		(5,727)	-100%
TOTAL REVENUES	<u>4,160,982</u>		<u>4,070,944</u>		<u>90,038</u>	2%
EXPENSES						
Cost of Sales	3,431,505	86%	3,138,737	79%	292,768	9%
Selling & Admin. Expenses	202,717	5%	205,497	5%	(2,781)	-1%
Interest Expenses	2,005		1,609		396	
TOTAL EXPENSES	<u>3,636,227</u>	91%	<u>3,345,844</u>	84%	<u>290,383</u>	9%
EARNINGS from Operation	<u>524,755</u>	0.126	<u>725,100</u>	0.178	<u>(200,346)</u>	-28%
Exchange Gain (Loss)	49,616		24,995		24,622	
Share of Assoc. company Loss	-		-		-	
EARNINGS before Income Tax	<u>574,371</u>	14%	<u>750,095</u>	18%	<u>(175,724)</u>	-23%
Corporate Income Tax	(9,437)	2%	(100,171)	13%	90,734	-91%
Earnings before Exceptional Items	<u>564,933</u>		<u>649,924</u>		<u>(84,991)</u>	-13%
Exceptional Items	-		-		-	
NET EARNINGS for the Period	<u>564,933</u>	14%	<u>649,924</u>	16%	<u>(84,991)</u>	-13%
EARNINGS % of SALES	14%		16%		-2%	
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch.	0.64		0.78		- 0.14	
EARNINGS per SHARE (baht) after excepti	0.70		0.81		- 0.11	
Operating Profit (EBIT)	492,219		693,746		(201,527)	
	12%		17%			
Depreciation	311,532		257,466		54,066	
EBITDA (excl exchange gain/loss)	803,752		951,212		(147,460)	
EBITDA % of Sales Revenue	20%		24%			
Cashflow Earnings per Share	1.00		1.18		- 0.18	

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Dec-10</u>	Quarter <u>31-Dec-09</u>	<u>Q410-Q409</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	2,974,544	4,272,065	(1,297,521)
Financial Investments	2,035,009	1,729,129	305,880
Accounts Receivable - trade	2,431,564	2,293,060	138,504
Amounts due from Related Companies	-	-	
Inventories	2,555,008	1,756,824	798,184
Other Current Assets	243,141	106,158	136,983
TOTAL CURRENT ASSETS	<u>10,239,265</u>	<u>10,157,236</u>	82,029
LOAN TO OTHER COMPANY	97	97	
FIXED ASSETS (net)	6,526,493	5,605,407	921,086
OTHER ASSETS	38,080	48,161	(10,081)
TOTAL ASSETS	<u>16,803,935</u>	<u>15,810,901</u>	993,035
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	43,906	(43,906)
Accounts & Notes Payable	1,698,690	1,506,486	192,204
Corporate Income Tax Payable	25,266	108,305	(83,039)
Accrued Expenses	327,058	302,247	24,812
Other Current Liabilities	674,386	843,671	(169,285)
TOTAL CURRENT LIABILITIES	<u>2,725,399</u>	<u>2,804,614</u>	(79,215)
TOTAL LIABILITIES	<u>2,725,399</u>	<u>2,804,614</u>	(79,215)
SHAREHOLDERS EQUITY			
Share Capital	830,475	830,475	
Treasury Shares	(262,987)	(262,987)	
Share Premium	1,723,219	1,723,219	
Retained Earnings			
Appropriated Statutory Reserve	320,218	320,218	(0)
Unappropriated	11,963,352	10,340,762	1,622,590
Translation adj. & Investment revaluation	(599,614)	(14,397)	(585,217)
Unrealised gain(loss) on change in investments	103,873	68,996	34,876
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>14,078,536</u>	<u>13,006,286</u>	1,072,250
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>16,803,935</u>	<u>15,810,900</u>	993,035
	-	0	
Cash & Equivalents	5,009,553	6,001,194	-991,641
Liabilities	2,725,399	2,804,614	-79,215
Debt/Equity	0.19	0.22	-0
Net Debt (Net cash)	-2,284,153	-3,196,580	912,426
Net Debt/Equity	-0.16	-0.25	0

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 31-Dec-10</u>	<u>Quarter 31-Dec-09</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	574,371	750,095
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	314,675	257,367
Unrealised (gain) Loss on exchange	(28,124)	25,808
Increase (Decrease) in allowance for doubtful debts	(3,161)	15,260
Increase (Decrease) in allowance for obsolete inventories	(4,181)	11,364
Change in other provisions	(69,064)	(14,017)
	<u>210,145</u>	<u>295,781</u>
Working Capital (increase) decrease		
Trade accounts receivable	355,009	(68,756)
Inventories	(184,986)	(215,395)
Trade accounts payable	(134,488)	127,187
Other	(198,016)	(191,943)
	<u>(162,482)</u>	<u>(348,907)</u>
Net Cashflow from Operating Activities	<u>622,034</u>	<u>696,969</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	(18,438)	(338,046)
Increase in property, plant and equipment	(715,023)	(159,917)
Proceeds from sale of fixed assets	7,450	3,757
Increase (decrease) in translation adjustment	(49,111)	(35,972)
Revaluation deficit on investments	65,618	0
Other		
	<u>(709,503)</u>	<u>(530,177)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	-	-
Dividend paid	(0)	-
Other	(768)	(31,985)
Net cash (used in) from financing activities	<u>(768)</u>	<u>(31,985)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(88,238)	134,807
Cash and Equivalents at the beginning of the period	<u>3,062,782</u>	<u>4,137,258</u>
Cash and Equivalents at the end of the period	2,974,544	4,272,065

HANA MICROELECTRONICS GROUP

Financial Ratios

'000 Baht	<u>Quarter</u> <u>31-Dec-10</u>	<u>Quarter</u> <u>31-Dec-09</u>	<u>Q410-Q409</u>	
Profitability Ratios				
Gross Profit Margin (%)	14%	21%	-	-7%
Operating Profit Margin (%)	12%	17%	-	-5%
Net Profit before Exceptional Margin (%)	14%	16%	-	-2%
Net Profit after Exceptional Margin (%)	14%	16%	-	-2%
EBITDA margin (%)	20%	24%	-	-4%
Return On Equity (%) pa	16%	20%	-	-4%
Efficiency Ratios				
Working Capital turnover	5.5	6.3	-	0.8
Account Receivable days	55	52	-	3.2
Inventory days	67	50	-	16.6
Accounts Payable days	45	43	-	1.4
Liquidity Ratios				
Current Ratio	3.8	3.6	-	0.1
Quick Ratio	2.7	3.0	-	0.2
Financial Capital Ratios				
Debt / Equity	0.2	0.2	-	0.0
Net Debt to Equity	-0.2	-0.2	-	0.1
Interest Coverage	n/a	n/a	-	-