

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue decreased 14% year on year, to THB 3.44 billion in the fourth quarter of 2008 from THB 4.00 billion for the fourth quarter of 2007. Sales Revenue in USD terms declined by 16% to USD 98.9m from USD 118m in Q4 2007. Operating Profits decreased 39% to 328.4m Baht in Q4 2008 from 540.8m Baht in Q4 2007.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>31-Dec-07</u>		<u>31-Dec-08</u>		<u>Q408-Q407</u>	<u>Q408-Q407</u>
PCBA (Lamphun)	1,480,150	37%	1,347,607	39%	(132,543)	-9%
PCBA (JiaXing)	711,269	18%	626,376	18%	(84,893)	-12%
CPG - (Bangkok)	401,069	10%	304,067	9%	(97,002)	-24%
IC (Ayutthaya)	1,200,568	30%	996,952	29%	(203,616)	-17%
IC (JiaXing)	184,232	5%	138,691	4%	(45,541)	-25%
HMT (USA)	26,862	1%	31,074	1%	4,212	16%
Total Revenue	4,004,150		3,444,767		(559,383)	-14%

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

Quarter 4 2008 sales revenue for the group dropped 16% year-on-year in USD terms, from USD 118m in Q407 to USD 99m in Q408 as the recession induced by the global credit crunch suddenly struck in the last quarter of 2008. The average exchange rate for Q408 was 3% weaker at THB/USD 34.85 from THB/USD 33.92 in Q4 2007 resulting in the sales decline in THB terms being slightly less at 14% decline year on year.

The microelectronics divisions sales decreased by 13% in USD terms, with sales in both Lamphun and JiaXing decreasing by 13%. The IC divisions USD sales revenues were 20% lower, with revenues in both the IC division in Ayutthaya and JiaXing decreasing by 19% and 25% respectively. The CPG division sales also declined by 26%.

Quarter on Quarter Sales Revenue Analysis

Group Sales in Q408 also declined quarter on quarter by 17% from USD 120m Q308 to USD 99m in Q408. In THB equivalent the group sales decreased by 15% in Q408 compared to Q308, as the average THB/USD exchange rate weakened by 3% from 33.88 in Q308 to 34.85 in Q408. Sales revenues from the microelectronics divisions were 12% lower, with Lamphun dropping 12% and JiaXing 8%. Sales revenues from the IC divisions were 24% lower with Ayutthaya sales decreasing by 24% and Jiaxing IC sales decreasing by 27%. The CPG division sales were 33% lower quarter on quarter.

Sales Revenue Split

	<u>Q4 2008</u>	<u>Q3 2008</u>	<u>Q2 2008</u>	<u>Q1 2008</u>	<u>Q4 2007</u>
PCBA (Thailand)	39%	36%	39%	36%	37%
PCBA (China)	18%	16%	17%	19%	18%
CPG - (Bangkok)	9%	11%	11%	12%	10%
IC (AYT)	29%	31%	28%	28%	30%
IC (JXG)	4%	5%	4%	4%	5%
HMT (USA)	1%	1%	1%	1%	1%
	100%	100%	100%	100%	100%

Gross Profit / Cost of Sale Analysis

The Gross Profit margin was 16% in Q408 which was 1% lower than in Q407 due to the lower economies of scale in Q408 as the sales revenues declined.

Sales and General Administration Expense Analysis

SGA expenses were 31% higher by THB 63m mainly due to redundancy costs in Q408.

Operating Profit Analysis

Year-on-year operating profits were 39% lower in Q408 and operating margins were also lower by 4% at 10% in Q408 from 14% Q407. The 4% reduction is a result of lower gross profit margin 1%, increased SGA expenses 2%, decreased operating leverage 1%.

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 34.85 from 33.92 in Q407 (and from Baht/USD 33.88 in Q308).

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 34.94 at 31/12/08, and 34.05 at 30/09/08 or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividend was paid out in Q408.

Financial Status

The group currently has no interest bearing debt. Cash (and equivalents) reserves at the 31st December, 2008 were THB 4.7 billion up from the level at 31st December, 2007 of THB 3.4 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 40 days in Q408 and 55 days in Q407.

	<u>31/12/2007</u>	<u>31/12/2008</u>	'000
Accounts receivable - other companies			
Less than 3 months	2,429,800	1,514,771	98%
3 - 6 months	20,921	30,274	2%
6 - 12 months	5,295	7,013	0%
More than 12 months	1,132	1,266	0%
Total accounts receivable - other companies	<u>2,457,148</u>	<u>1,553,325</u>	
Less : Allowance for doubtful accounts	-7,608	-13,052	-1%
	<u>2,449,540</u>	<u>1,540,272</u>	-37%

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 64 days as at 31st December, 2008 to the 60 days as at 31st December, 2007.

Liquidity

Liquidity ratios are high at approximately 3 times current liabilities. Operating Cashflow (EBITDA) in Q4 2008 was THB 549m which was 29% lower than Q4 2007 was THB 768m.

Capital Expenditure

Capital Expenditure was THB 143m in Q4 2008 and THB 251m in Q4 2007. 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 66% 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. $(1 - 0.66) \times \text{Sales Revenue} \times 10\%$).

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.

Exceptional Items

None

Future Plan

None

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CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>31-Dec-07</u>		<u>31-Dec-08</u>		<u>Q408-Q407</u>	<u>Q408-Q407</u>
REVENUES						
Sales	4,004,150		3,444,767		(559,383)	-14%
consisting of:						
PCBA (Thailand)	1,480,150	37%	1,347,607	39%	(132,543)	-9%
PCBA (China)	711,269	18%	626,376	18%	(84,893)	-12%
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IC (JXG)	184,232	5%	138,691	4%	(45,541)	-25%
HMT (USA)	26,862	1%	31,074	1%	4,212	16%
	<u>4,004,150</u>	100%	<u>3,444,767</u>	100%	<u>(559,383)</u>	-14%
Share of Assoc. company Profit	-		-		-	
Interest	20,050		50,539		30,489	152%
Other Income - Operating	44,188		49,975		5,787	13%
Other Income - Non Operating	1,207		1,293		85	7%
TOTAL REVENUES	<u>4,069,596</u>		<u>3,546,573</u>		<u>(523,023)</u>	-13%
EXPENSES						
Cost of Sales	3,306,431	83%	2,902,365	84%	(404,066)	-12%
Selling & Admin. Expenses	201,144	5%	263,934	8%	62,790	31%
Interest Expenses	(3)		2,325		2,328	
TOTAL EXPENSES	<u>3,507,571</u>	88%	<u>3,168,624</u>	92%	<u>(338,948)</u>	-10%
EARNINGS from Operation	<u>562,024</u>	14%	<u>377,950</u>	11%	<u>(184,075)</u>	-33%
Exchange Gain (Loss)	64,280		(11,015)		(75,295)	
Share of Assoc. company Loss	-		-		-	
EARNINGS before Income Tax	<u>626,305</u>	15%	<u>366,935</u>	10%	<u>(259,370)</u>	-41%
Corporate Income Tax	(37,006)	6%	(31,203)	9%	5,803	-16%
Earnings before Exceptional Items	<u>589,299</u>		<u>335,732</u>		<u>(253,567)</u>	-43%
Exceptional Items	24,072		-		(24,072)	
NET EARNINGS for the Period	<u>613,371</u>	15%	<u>335,732</u>	9%	<u>(277,639)</u>	-45%
EARNINGS % of SALES	15%		10%		-	0.06
Average number of shares (1 Baht par)	830,009		830,133		125	
EARNINGS per SHARE (baht) before exch. & exce	0.63		0.42		-	0.21
EARNINGS per SHARE (baht) after exceptionals	0.74		0.40		-	0.33
Operating Profit (EBIT)	540,763		328,442		-	212,321
	14%		10%			-39%
Depreciation	227,713		242,709		14,996	7%
EBITDA (excl exchange gain/loss)	768,477		571,152		-	197,325
EBITDA % of Sales Revenue	19%		17%			-26%
Cashflow Earnings per Share	0.93		0.69		-	0.24

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CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Dec-07</u>	Quarter <u>31-Dec-08</u>	<u>Q408-Q407</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	3,386,431	4,678,922	1,292,491
Deposits at Finance Companies & Notes Receivable			
Accounts Receivable - trade	2,449,540	1,540,272	(909,268)
Amounts due from Related Companies	-	-	
Inventories	2,205,351	2,060,582	(144,769)
Other Current Assets	162,562	136,715	(25,847)
TOTAL CURRENT ASSETS	8,203,885	8,416,492	212,606
LOAN TO OTHER COMPANY	97	97	
FIXED ASSETS (net)	5,566,939	5,875,209	308,270
OTHER ASSETS	2,531	19,814	17,283
TOTAL ASSETS	<u>13,773,452</u>	<u>14,311,611</u>	538,159
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	1,519,428	1,087,988	(431,440)
Corporate Income Tax Payable	73,446	70,104	(3,343)
Accrued Expenses	276,925	306,906	29,981
Other Current Liabilities	612,804	449,135	(163,669)
TOTAL CURRENT LIABILITIES	<u>2,482,603</u>	<u>1,914,133</u>	(568,470)
TOTAL LIABILITIES	2,482,603	1,914,133	(568,470)
SHAREHOLDERS EQUITY			
Share Capital	830,406	830,475	69
Share subscription received in advance	-	-	
Share Premium	1,722,078	1,723,219	1,141
Retained Earnings			
Appropriated Statutory Reserve	322,301	322,420	118
Unappropriated	8,601,512	9,390,554	789,042
Translation adj. & Investment revaluation	(26,723)	285,786	312,509
Excess Cost over Net Book Value of Subsidiary Investmer	(158,726)	(154,976)	3,750
TOTAL SHAREHOLDERS EQUITY	<u>11,290,848</u>	<u>12,397,478</u>	1,106,630
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>13,773,452</u>	<u>14,311,611</u>	538,159
Cash & Equivalents	3,386,431	4,678,922	1,292,491
Liabilities	2,482,603	1,914,133	-568,470
Debt/Equity	0.22	0.15	-0
Net Debt (Net cash)	-903,828	-2,764,789	-1,860,961
Net Debt/Equity	-0.08	-0.22	-0

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CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 31-Dec-07</u>	<u>Quarter 31-Dec-08</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	650,377	366,935
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	225,815	249,655
Unrealised (gain) Loss on exchange	(24,551)	(13,770)
Change in other provisions	(81,275)	10,406
Share of loss from AIT associate under equity method	-	-
Provision for diminution in value of investment in AIT	-	-
	<u>119,989</u>	<u>246,292</u>
Working Capital (increase) decrease		
Trade accounts receivable	(172,841)	562,598
Inventories	128,581	208,070
Trade accounts payable	237,716	(515,731)
Other	(292,551)	(101,729)
	<u>(99,095)</u>	<u>153,208</u>
Net Cashflow from Operating Activities	<u>671,272</u>	<u>766,434</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	-	(82,806)
Increase in property, plant and equipment	(285,027)	(377,829)
Proceeds from sale of fixed assets	28,084	4,210
Increase (decrease) in translation adjustment	(77,566)	141,912
Revaluation deficit on investments	-	(6)
Other		
	<u>(334,509)</u>	<u>(314,519)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	1,620	0
Dividend paid	0	-
Other	-	(41,037)
Net cash (used in) from financing activities	<u>1,620</u>	<u>(41,036)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	338,382	410,879
Cash and Equivalents at the beginning of the period	<u>3,048,049</u>	<u>3,905,419</u>
Cash and Equivalents at the end of the period	3,386,431	4,316,298
Increase (decrease) in payables for purchases of plant/equipment	-	43,710

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Financial Ratios

'000 Baht	Quarter <u>31-Dec-07</u>	Quarter <u>31-Dec-08</u>	<u>Q408-Q407</u>	
Profitability Ratios				
Gross Profit Margin (%)	17%	16%	-	-2%
Operating Profit Margin (%)	14%	10%	-	-4%
Net Profit before Exceptional Margin (%)	15%	10%	-	-5%
Net Profit after Exceptional Margin (%)	15%	10%	-	-6%
EBITDA margin (%)	19%	17%	-	-3%
Return On Equity (%) pa	22%	11%	-	-11%
Efficiency Ratios				
Working Capital turnover	5.1	4.9	-	0.2
Account Receivable days	55	40	-	14.8
Inventory days	60	64	-	3.9
Accounts Payable days	41	34	-	7.6
Liquidity Ratios				
Current Ratio	3.3	4.4	-	1.1
Quick Ratio	2.4	3.2	-	0.9
Financial Capital Ratios				
Debt / Equity	0.2	0.2	-	0.1
Net Debt to Equity	-0.1	-0.2	-	0.1
Interest Coverage	n/a	n/a	-	