

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue was down 9% year on year at THB 3.6 billion for the first quarter of 2013 compared to THB 4.0 billion for the first quarter of 2012. Sales Revenue in USD terms decreased by 7% to USD 120m from USD 130m in Q1 2012. Operating Profits decreased 102% to a loss of THB 6m in Q1 2013 from THB 245m in Q1 2012.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>31-Mar-13</u>		<u>31-Mar-12</u>		<u>Q113-Q112</u>	<u>Q113-Q112</u>
PCBA (Lamphun, Thailand)	1,536,431	42%	1,853,429	46%	(316,998)	-17%
PCBA (Jiaxing, China)	806,199	22%	950,043	24%	(143,844)	-15%
CPG (Bangkok, Thailand)	-	0%	67,903	2%	(67,903)	-100%
IC (Ayutthaya, Thailand)	1,014,941	28%	834,500	21%	180,441	22%
IC (Jiaxing, China)	229,469	6%	244,422	6%	(14,953)	-6%
HMT (Ohio, USA)	34,826	1%	37,320	1%	(2,494)	-7%
Total Revenue	3,621,866		3,987,617		(365,751)	-9%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 1 2013 sales revenue for the group decreased 7% year-on-year in USD terms, from USD 130m in Q112 to USD 120m in Q113. The average exchange rate for Q113 was 2% stronger at THB/USD 30.10 from THB/USD 30.69 in Q112. As a result the sales revenue in THB terms was 9% lower year on year.

Year-on-year, the microelectronics divisions sales decreased by 13% in USD terms. Sales in Lamphun decreased 14% whilst JiaXing decreased by 12%. The IC divisions USD sales revenues were 20% higher, with revenues of the IC divisions in Ayutthaya increasing by 26% and JiaXing decreasing by 3%. "HMT" the microdisplay/RFID operation in Ohio sales revenue decreased 2%.

Quarter on Quarter Sales Revenue Analysis

Group sales decreased quarter on quarter by 8% from USD 130m in Q412 to USD 120m in Q113. Sales in the microelectronics division decreased 8% with Lamphun decreasing 2% and JiaXing decreasing 22%. Sales revenues from the IC divisions were 9% lower with Ayutthaya sales decreasing by 10% and JiaXing IC sales decreasing by 3%. The microdisplay division sales decreased 24% in Q113 compared to Q412. In THB equivalent the group sales decreased by 11% in Q113 compared to Q412. The average THB/USD exchange rate strengthened by 2% from 30.68 in Q412 to 30.10 in Q113.

Sales Revenue Split

	<u>Q1 2013</u>	<u>Q4 2012</u>	<u>Q3 2012</u>	<u>Q2 2012</u>	<u>Q1 2012</u>
PCBA (Lamphun, Thailand)	42%	40%	39%	42%	46%
PCBA (Jiaxing, China)	22%	25%	25%	25%	24%
CPG (Bangkok, Thailand)	0%	0%	0%	0%	2%
IC (Ayutthaya, Thailand)	28%	28%	27%	25%	21%
IC (Jiaxing, China)	6%	6%	8%	7%	6%
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 5% in Q113 down from 9% in Q112. 1% due to higher material costs, 1% due to higher wages costs from the minimum wage increase in April 2012, 2% due to higher salary costs and 1% from lower utility expenses than normal at Ayutthaya plant in Q112 due to low activity during that quarter in the post flood period.

Operating Profit Analysis

Year-on-year operating profits were 102% lower in Q113 and operating margins were 6% lower at 0% in Q113 from 6% in Q112 due to the low gross profit in Q113 and increased salary costs. SG&A expenses were 8% higher in Q113 than in Q112 due to increased salary expenses. SG&A expenses in Q113 were 3% lower than in Q412 due to higher flood related material provision in Q412.

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 Q113 was Baht/USD 30.10 from 30.69 in Q112 (and Baht/USD 30.68 in Q412).

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 29.31 at 31/03/13, and 30.84 at 31/03/12 (30.63 at 31/12/12) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid out in Q113 or Q112.

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st March, 2013 were THB 5.9 billion and 31st March, 2012 at THB 5.9 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 59 days in Q113 and 66 days in Q112.

	<u>31-Mar-13</u>	<u>31-Mar-12</u>	'000
Accounts receivable - other companies			
Less than 3 months	2,255,612	2,778,426	
3 - 6 months	29,584	23,726	
6 - 12 months	16,321	11,935	
More than 12 months	2,575	2,098	
Total accounts receivable - other companies	2,304,092	2,816,185	
Less : Allowance for doubtful accounts	(4,606)	(5,104)	
	<u>2,299,486</u>	<u>2,811,081</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 March, 2013 and 62 days as at 31st March, 2012.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q1 2013 was THB 341m which was 36% lower than Q1 2012 which was THB 535m.

Capital Expenditure

Capital Expenditure was THB 278m in Q1 2013 and THB 510m in Q1 2012. 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 group's funding is from the shareholders' equity.

Major Factors which could have an Impact on the Company's Performance

The company's business is that of an electronics manufacturing service company. The company 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.

The group's sales revenue are in foreign currency (primarily USD) and USD currency costs are approximately 60% percent of sales revenues. The Group's 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 group's foreign exchange exposure, USD 80m 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 effect concerning its movement.

Exceptional Items

The plant of Hana Semiconductor (Ayutthaya) Co., LTD, a 100% owned subsidiary of the company, which is located in Hitech Industrial Estate in Ayutthaya province, was inundated in early October 2011 as a result of the extensive flooding in Thailand during the fourth quarter of 2011.

The plant, equipment and business of the subsidiary suffered major damage with approximately USD 40m of property damage and significant business interruption losses. In the 2011 Financial Statements the subsidiary made full provision for the book value of the damaged property which is to be replaced. The subsidiary has also expensed repairs incurred during the fourth quarter in the 2011 accounts with further repairs of THB 84m accounted for in Q1 2012 and THB 72m in Q2 2012 for repairs and materials damage. The subsidiary is in the process of making claims on its property and business interruption insurance policies for the damage resulting from the flood at its Ayutthaya facility. In Q2 2012 THB 204m was received as the part payment for the first interim payment for the business interruption insurance claim. In Q3 2012 THB 196m was received as the remaining payment for the first interim payment for the business interruption insurance claim.

THB 30m was received as a further part payment for the property claim settlement in Q113.

Subsequent Event

THB 582m was further received in Q213 as part of the final insurance proceeds for the machinery and building property claim settlement.

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>31-Mar-13</u>		<u>31-Mar-12</u>		<u>Q113-Q112</u>	<u>Q113-Q112</u>
REVENUES						
Sales	3,621,866		3,987,617		(365,751)	-9%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	1,536,431	42%	1,853,429	46%	(316,998)	-17%
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<i>IC (Jiaxing, China)</i>	229,469	6%	244,422	6%	(14,953)	-6%
<i>HMT (Ohio, USA)</i>	34,826	1%	37,320	1%	(2,494)	-7%
	<u>3,621,866</u>	100%	<u>3,987,617</u>	100%	<u>(365,751)</u>	-9%
Share of Assoc. company Profit	-		-		-	
Interest	35,244		43,235		(7,991)	-18%
Other Income - Operating	52,963		114,030		(61,067)	-54%
Other Income - Non Operating	14,176		1,378		12,798	
TOTAL REVENUES	<u>3,724,249</u>		<u>4,146,260</u>		<u>(422,011)</u>	-10%
EXPENSES						
Cost of Sales	3,447,416	95%	3,640,796	91%	(193,380)	-5%
Selling & Admin. Expenses	233,197	6%	216,155	5%	17,042	8%
Interest Expenses	1,839		1,789		50	
TOTAL EXPENSES	<u>3,682,452</u>	102%	<u>3,858,740</u>	97%	<u>(176,288)</u>	-5%
EARNINGS from Operation	<u>41,797</u>	0.011	<u>287,520</u>	0.069	<u>(245,723)</u>	-85%
Exchange Gain (Loss)	72,132		89,620		(17,488)	
Share of Assoc. company Loss	-		-		-	
EARNINGS before Income Tax	<u>113,929</u>	3%	<u>377,140</u>	9%	<u>(263,211)</u>	-70%
Corporate Income Tax	399	0%	(18,190)	5%	18,589	-102%
Earnings before Exceptional Items	<u>114,328</u>		<u>358,950</u>		<u>(244,622)</u>	-68%
Exceptional Items	29,689		(84,216)		113,905	
NET EARNINGS for the Period	<u>144,017</u>	4%	<u>274,734</u>	7%	<u>(130,717)</u>	-48%
EARNINGS % of SALES						
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & ex	0.05		0.33		-	0.28
EARNINGS per SHARE (baht) after exceptionals	0.18		0.34		-	0.16
Operating Profit (EBIT)	(5,784)		244,696		(250,480)	
	0%		6%			
Depreciation	303,004		290,828		12,176	
EBITDA (excl exchange gain/loss)	297,220		535,524		(238,304)	
EBITDA % of Sales Revenue	8%		13%			
Cashflow Earnings per Share	0.37		0.67		-	0.30

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

'000 Baht

	Quarter 31-Mar-13	Quarter 31-Mar-12	Q113-Q112
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	3,686,335	3,905,562	(219,227)
Financial Investments	2,207,110	1,954,024	253,086
Accounts Receivable - trade	2,378,027	2,926,850	(548,823)
Amounts due from Related Companies	-	-	
Inventories	2,552,420	2,499,373	53,047
Other Current Assets	151,661	142,412	9,249
TOTAL CURRENT ASSETS	10,975,553	11,428,221	(452,668)
LOAN TO OTHER COMPANY	97	97	
FIXED ASSETS (net)	6,520,641	6,541,648	(21,007)
OTHER ASSETS	56,207	35,018	21,189
TOTAL ASSETS	17,552,498	18,004,984	(452,486)
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	21,640	54,949	(33,309)
Accounts & Notes Payable	1,888,129	2,418,453	(530,324)
Corporate Income Tax Payable	56,477	30,226	26,251
Accrued Expenses	444,341	369,508	74,833
Other Current Liabilities	44,443	72,752	(28,309)
TOTAL CURRENT LIABILITIES	2,455,030	2,945,888	(490,858)
LONG TERM LIABILITIES	397,497	365,384	32,113
TOTAL LIABILITIES	2,852,527	3,311,272	(458,745)
SHAREHOLDERS EQUITY			
Share Capital	804,879	804,879	
Treasury Shares	-	-	
Share Premium	1,723,219	1,723,219	
Retained Earnings			
Appropriated Statutory Reserve	375,919	352,497	23,422
Unappropriated	12,315,539	12,051,472	264,067
Translation adj. & Investment revaluation	(519,585)	(238,355)	(281,230)
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	14,699,971	14,693,712	6,259
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	17,552,498	18,004,984	(452,486)
	-	-	
Cash & Equivalents	5,893,445	5,859,586	33,859
Liabilities	2,852,527	3,311,272	-458,745
Debt/Equity	0.19	0.23	-0.03
Net Debt (Net cash)	-3,040,918	-2,548,314	-492,604
Net Debt/Equity	-0.21	-0.17	-0.03

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 31-Mar-13</u>	<u>Quarter 31-Mar-12</u>
Cashflow from Operating Activities		
Net Earnings before tax	143,618	292,924
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	(924,979)	(901,203)
Unrealised (gain) Loss on exchange	(3,595)	(42,506)
Increase (Decrease) in allowance for doubtful debts	1,987	(14,034)
Increase (Decrease) in allowance for obsolete inventories	(47,774)	(113,077)
Change in other provisions	94,004	(178,049)
	<u>(880,357)</u>	<u>(1,248,869)</u>
Working Capital (increase) decrease		
Trade accounts receivable	564,799	(275,522)
Inventories	544,310	351,854
Trade accounts payable	290,691	(447,898)
Other	(174,348)	669,520
	<u>1,225,453</u>	<u>297,955</u>
Net Cashflow from Operating Activities	<u>488,714</u>	<u>(657,990)</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	267,803	6,590
Increase in property, plant and equipment	1,239,683	962,964
Proceeds from sale of fixed assets	(99,777)	10,174
Increase (decrease) in translation adjustment	(100,587)	(632,733)
Revaluation deficit on investments	2,899	(21,546)
Other		
	<u>1,310,021</u>	<u>325,449</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	(115)	(87)
Dividend paid	1,207,318	1,247,562
Other	11,590	(22,132)
Net cash (used in) from financing activities	<u>1,218,794</u>	<u>1,225,343</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	3,017,529	892,801
Cash and Equivalents at the beginning of the period	<u>3,111,181</u>	<u>3,824,147</u>
Cash and Equivalents at the end of the period	6,128,710	4,716,949

HANA MICROELECTRONICS GROUP

Financial Ratios

'000 Baht	Quarter <u>31-Mar-13</u>	Quarter <u>31-Mar-12</u>	<u>Q113-Q112</u>	
Profitability Ratios				
Gross Profit Margin (%)	5%	9%	-	-4%
Operating Profit Margin (%)	0%	6%	-	-6%
Net Profit before Exceptional Margin (%)	3%	9%	-	-6%
Net Profit after Exceptional Margin (%)	4%	7%	-	-3%
EBITDA margin (%)	8%	13%	-	-5%
Return On Equity (%) pa	4%	7%	-	-4%
Efficiency Ratios				
Working Capital turnover	4.8	5.3	-	0.5
Account Receivable days	59	66	-	7.0
Inventory days	67	62	-	4.9
Accounts Payable days	49	60	-	10.5
Liquidity Ratios				
Current Ratio	4.5	3.9	-	0.6
Quick Ratio	3.4	3.0	-	0.4
Financial Capital Ratios				
Debt / Equity	0.2	0.2	-	0.0
Net Debt to Equity	-0.2	-0.2	-	0.0
Interest Coverage	n/a	n/a	-	0.0