

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue was down 8% year on year at THB 5.3 billion for the third quarter of 2015 compared to THB 5.7 billion for the third quarter of 2014. Sales Revenue in USD terms decreased by 16% to USD 150m from USD 179m in Q3 2014. Operating Profits increased 22% to THB 649m in Q3 2015 from THB 531m in Q3 2014.

Net Profit decreased 44% to THB 329m in Q315 from THB 587m in Q314, due to Bht 380m exchange rate loss from mark-to-market of forward foreign exchange contract hedges.

	<u>Quarter</u>		<u>Quarter</u>			<u>%</u>
	<u>30-Sep-15</u>		<u>30-Sep-14</u>		<u>Q315-Q314</u>	<u>Q315-Q314</u>
PCBA (Lamphun, Thailand)	2,161,765	41%	2,716,741	47%	(554,976)	-20%
PCBA (Jiaxing, China)	1,010,857	19%	1,169,511	20%	(158,654)	-14%
IC (Ayutthaya, Thailand)	1,681,717	32%	1,467,039	26%	214,678	15%
IC (Jiaxing, China)	333,131	6%	327,033	6%	6,098	2%
HMT (Ohio, USA)	88,943	2%	51,211	1%	37,732	74%
Total Revenue	5,284,500		5,731,535		(447,035)	-8%

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

Quarter 3 2015 sales revenue for the group decreased 16% year-on-year in USD terms, from USD 179m in Q314 to USD 150m in Q315. The average exchange rate for Q315 was 10% weaker at THB/USD 35.25 from THB/USD 32.10 in Q314. As a result the sales revenue in THB terms was 8% lower year on year.

Year-on-year, the microelectronics divisions sales decreased by 26% in USD terms. Sales in Lamphun decreased 28% whilst JiaXing decreased by 2%. The IC divisions USD sales revenues increased 2% in Q315, with revenues of the IC divisions in Ayutthaya increasing by 4% and JiaXing decreasing by 7%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 60%.

Quarter on Quarter Sales Revenue Analysis

Group sales decreased quarter on quarter by 2% from USD 154m in Q215 to USD 150m in Q315. Sales in the microelectronics division decreased 7% with Lamphun decreasing 6% and JiaXing decreasing 7%. Sales revenues from the IC divisions were 3% higher in Q315 with Ayutthaya sales increasing by 4% and JiaXing IC sales decreasing by 1%. The microdisplay division sales increased 5% in Q315 compared to Q215. In THB equivalent the group sales increased by 3% in Q315 compared to Q215. The average THB/USD exchange rate was 6% weaker at 35.25 in Q315 from 33.26 in Q215.

Sales Revenue Split

	<u>Q3 2015</u>	<u>Q2 2015</u>	<u>Q1 2015</u>	<u>Q4 2014</u>	<u>Q3 2014</u>
PCBA (Lamphun, Thailand)	41%	42%	46%	48%	47%
PCBA (Jiaxing, China)	19%	20%	19%	20%	20%
IC (Ayutthaya, Thailand)	32%	30%	28%	25%	26%
IC (Jiaxing, China)	6%	6%	6%	6%	6%
HMT (Ohio, USA)	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 17% in Q315 up from Q314 at 13% due to weaker THB exchange rate (3%) and stock revaluation (1%).

Operating Profit Analysis

Year-on-year operating profits were 22% higher at THB 649m in Q315 compared to THB 531m in Q314. The Operating margin was 12% in Q315 up from 9% Q314 due to higher gross profits (4%) and less increased SGA expenses (-1%). SG&A expenses were 22% higher in Q315 than in Q314 due to increased building depreciation and other costs from the opening the new factory in Lamphun in Q414 and new factory in Cambodia in Q315. SG&A expenses in Q315 were 13% higher than in Q215 due to opening new factory in Cambodia and weaker THB vs CNY.

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 Q315 was Baht/USD 35.25, Q314 was Baht/USD 32.10 (and Baht/USD 33.26 in Q215).

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 36.37 at 30/09/15, and Baht/USD 32.37 at 30/09/14 (33.78 at 30/06/15) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid out during the quarter.

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 30th September, 2015 were THB 9.5 billion up from 30th September, 2014 at THB 9.2 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 62 days in Q315 and 55 days in Q314.

	<u>30-Sep-15</u>	<u>30-Sep-14</u>	'000
Trade Receivables			
Less than 3 months	3,427,931	3,362,960	
3 - 6 months	23,477	16,633	
6 - 12 months	8,694	2,602	
More than 12 months	3,186	4,195	
Total accounts receivable - other companies	3,463,288	3,386,390	
Less : Allowance for doubtful accounts	(28,025)	(20,181)	
	<u>3,435,263</u>	<u>3,366,209</u>	

Inventory

In general, Hana's production is based on clients' orders, 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 69 days as at 30th September, 2015 and 62 days as at 30th September, 2014

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q3 2015 was THB 937m which was 16% higher than Q3 2014 was THB806m.

Capital Expenditure

Net Capital Expenditure was THB 523m in Q3 2015 and THB 242m in Q3 2014. 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 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% 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 200m 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 140m 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

Subsequent Event

None

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>30-Sep-15</u>		<u>30-Sep-14</u>		<u>Q315-Q314</u>	<u>Q315-Q314</u>
REVENUES						
Sales	5,284,500		5,731,535		(447,035)	-8%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	2,161,765	41%	2,716,741	47%	(554,976)	-20%
<i>PCBA (Jiaxing, China)</i>	1,010,857	19%	1,169,511	20%	(158,654)	-14%
<i>PCBA (Cambodia)</i>	8,086	0%	-	0%	8,086	
<i>IC (Ayutthaya, Thailand)</i>	1,681,717	32%	1,467,039	26%	214,678	15%
<i>IC (Jiaxing, China)</i>	333,131	6%	327,033	6%	6,098	2%
<i>HMT (Ohio, USA)</i>	88,943	2%	51,211	1%	37,732	74%
	<u>5,284,500</u>	100%	<u>5,731,535</u>	100%	<u>(447,035)</u>	-8%
Share of Assoc. company Profit	-		-		-	
Other Income - Operating	65,172		58,484		6,688	11%
TOTAL OPERATING REVENUES	<u>5,349,672</u>		<u>5,790,019</u>		<u>(440,347)</u>	-8%
EXPENSES						
Cost of Sales	4,390,442	83%	5,006,077	87%	(615,635)	-12%
Selling & Admin. Expenses	309,863	6%	253,256	4%	56,607	22%
TOTAL EXPENSES	<u>4,700,305</u>	89%	<u>5,259,333</u>	92%	<u>(559,028)</u>	-11%
OPERATING EARNINGS	<u>649,367</u>	12%	<u>530,686</u>	9%	<u>118,681</u>	22%
Other Income - Non Operating	17,272		16,227		1,045	
Interest	55,228		55,572		(344)	-1%
Interest Expenses	(1,998)		(1,943)		(55)	
EARNINGS before Income Tax	<u>719,869</u>	13%	<u>600,542</u>	10%	<u>119,327</u>	20%
Corporate Income Tax	(12,560)	0%	(24,381)	0%	11,821	-48%
Earnings before Exch. & Exceptional Items	<u>707,309</u>		<u>576,161</u>		<u>131,148</u>	23%
Exchange Gain (Loss)	(378,650)		10,694		(389,344)	
Exceptional Items	-		-		-	
NET EARNINGS for the Period	<u>328,659</u>	6%	<u>586,855</u>	10%	<u>(258,196)</u>	-44%
EARNINGS % of SALES						
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals	0.88		0.72		0.16	
EARNINGS per SHARE (baht) after exceptionals	0.41		0.73		- 0.32	
Operating Profit (EBIT)	649,367		530,686		118,681	22%
Operating Profit Margin	12%		9%			
Depreciation	287,352		274,859		12,493	
EBITDA (excl exchange gain/loss)	936,719		805,545		131,174	16%
EBITDA % of Sales Revenue	18%		14%			
Cashflow Earnings per Share	1.16		1.00		0.16	

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CONSOLIDATED STATEMENT OF EARNINGS

	'000 Baht	YTD		YTD		YTD		YTD %	
		30-Sep-15		30-Sep-14		Q315-Q314		Q315-Q314	
REVENUES									
Sales		15,396,688		15,924,608		(527,920)			-3%
consisting of:									
<i>PCBA (Lamphun, Thailand)</i>		6,625,031	43%	7,425,798	47%	(800,767)			-11%
<i>PCBA (Jiaxing, China)</i>		3,000,790	19%	3,238,013	20%	(237,223)			-7%
<i>PCBA (Cambodia)</i>		8,086	0%	-	0%	8,086			
<i>IC (Ayutthaya, Thailand)</i>		4,618,169	30%	4,234,306	27%	383,863			9%
<i>IC (Jiaxing, China)</i>		932,682	6%	885,423	6%	47,259			5%
<i>HMT (Ohio, USA)</i>		211,929	1%	141,068	1%	70,861			50%
		<u>15,396,688</u>	100%	<u>15,924,608</u>	100%	<u>(527,920)</u>			-3%
Other Income - Operating		163,758		167,660		(3,902)			-2%
TOTAL OPERATING REVENUES		<u>15,560,446</u>		<u>16,092,268</u>		<u>(531,822)</u>			-3%
EXPENSES									
Cost of Sales		13,284,636	86%	13,819,237	87%	(534,601)			-4%
Selling & Admin. Expenses		845,624	5%	732,651	5%	112,973			15%
		<u>14,130,260</u>	92%	<u>14,551,888</u>	91%	<u>(421,628)</u>			-3%
OPERATING EARNINGS		<u>1,430,186</u>	9%	<u>1,540,380</u>	10%	<u>(110,194)</u>			-7%
Other Income - Non Operating		28,157		36,070		(7,913)			-22%
Interest		167,121		155,320		11,801			8%
Interest Expenses		(5,728)		(6,228)		500			
EARNINGS before Income Tax		<u>1,619,736</u>	10%	<u>1,725,542</u>	11%	<u>(105,806)</u>			-6%
Corporate Income Tax		(42,459)	3%	(353,465)	20%	311,006			-88%
Earnings before Exch. & Exceptional Items		<u>1,577,277</u>		<u>1,372,077</u>		<u>205,200</u>			15%
Exchange Gain (Loss)		(332,679)		141,421		(474,100)			
Exceptional Items		-		1,350,000		(1,350,000)			
NET EARNINGS for the Period		<u>1,244,598</u>	8%	<u>2,863,498</u>	18%	<u>(1,618,900)</u>			-57%
EARNINGS % of SALES									
Average number of shares (1 Baht par)		804,879		804,879		-			-10%
EARNINGS per SHARE (baht) before exch. & exceptionals		1.96		1.70		0.26			
EARNINGS per SHARE (baht) after exceptionals		1.55		3.54		-			1.99
Operating Profit (EBIT)		1,430,186		1,540,380		(110,194)			
Operating Profit Margin		9%		10%					
Depreciation		863,837		846,252		17,585			
EBITDA (excl exchange gain/loss)		2,294,023		2,386,632		(92,609)			
EBITDA % of Sales Revenue		15%		15%					
Cashflow Earnings per Share		2.85		2.95		-			0.10

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CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Sep-15</u>	Quarter <u>30-Sep-14</u>	<u>Q315-Q314</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	5,887,193	6,070,975	(183,782)
Financial Investments	3,289,830	2,813,172	476,658
Accounts Receivable - trade	3,632,723	3,489,628	143,095
Amounts due from Related Companies	-	-	
Inventories	3,347,462	3,457,760	(110,298)
Other Current Assets	173,433	107,683	65,750
TOTAL CURRENT ASSETS	<u>16,330,641</u>	<u>15,939,218</u>	<u>391,423</u>
Fixed Deposit	357,396	328,471	28,925
FIXED ASSETS (net)	6,954,421	6,524,850	429,571
OTHER ASSETS	216,601	179,019	37,582
TOTAL ASSETS	<u>23,859,059</u>	<u>22,971,558</u>	<u>887,501</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	2,991,444	3,362,839	(371,395)
Corporate Income Tax Payable	9,306	142,135	(132,829)
Accrued Expenses	343,414	362,493	(19,079)
Other Current Liabilities	391,780	101,169	290,611
TOTAL CURRENT LIABILITIES	<u>3,735,944</u>	<u>3,968,636</u>	<u>(232,692)</u>
LONG TERM LIABILITIES	590,140	425,997	164,143
TOTAL LIABILITIES	<u>4,326,084</u>	<u>4,394,633</u>	<u>(68,549)</u>
SHAREHOLDERS EQUITY			
Share Capital	804,879	804,879	
Treasury Shares	-	-	
Share Premium	1,723,219	1,723,219	
Retained Earnings			
Appropriated Statutory Reserve	413,124	386,272	26,852
Unappropriated	15,441,700	15,349,368	92,332
Translation adj. & Investment revaluation	1,150,053	313,187	836,866
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>19,532,975</u>	<u>18,576,925</u>	<u>956,050</u>
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>23,859,059</u>	<u>22,971,558</u>	<u>887,501</u>
	0	0	
Cash & Equivalents	9,534,419	9,212,618	321,801
Liabilities	4,326,084	4,394,633	-68,549
Debt/Equity	0.22	0.24	-0.02
Net Debt (Net cash)	-5,208,335	-4,817,985	-390,350
Net Debt/Equity	-0.27	-0.26	-0.01

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 30-Sep-15</u>	<u>Quarter 30-Sep-14</u>
Cashflow from Operating Activities		
Net Earnings before tax	341,219	611,236
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	288,403	275,639
Unrealised (gain) Loss on exchange	389,790	2,728
Increase (Decrease) in allowance for doubtful debts	15,884	4,224
Increase (Decrease) in allowance for obsolete inventories	(28,901)	(52,479)
Change in other provisions	(9,710)	(23,925)
	<u>655,466</u>	<u>206,187</u>
Working Capital (increase) decrease		
Trade accounts receivable	(302,766)	(76,049)
Inventories	(95,119)	(39,443)
Trade accounts payable	370,374	321,991
Other	(170,441)	(256,211)
	<u>(197,952)</u>	<u>(49,712)</u>
Net Cashflow from Operating Activities	<u>798,733</u>	<u>767,711</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	(116,444)	(24,589)
Increase in property, plant and equipment	(515,896)	(170,466)
Proceeds from sale of fixed assets	11,328	6,172
Increase (decrease) in translation adjustment	716,243	3,192
Revaluation deficit on investments	(17,486)	4,352
Other		
	<u>77,745</u>	<u>(181,339)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	-	(88)
Dividend paid	-	-
Other	-	(13,422)
Net cash (used in) from financing activities	<u>-</u>	<u>(13,510)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	876,478	572,862
Cash and Equivalents at the beginning of the period	<u>5,010,715</u>	<u>5,498,114</u>
Cash and Equivalents at the end of the period	5,887,193	6,070,976

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Financial Ratios

'000 Baht	<u>Quarter</u> <u>30-Sep-15</u>	<u>Quarter</u> <u>30-Sep-14</u>	<u>Q315-Q314</u>
Profitability Ratios			
Gross Profit Margin (%)	17%	13%	4%
Operating Profit Margin (%)	12%	9%	3%
Net Profit before Exceptional Margin (%)	13%	10%	3%
Net Profit after Exceptional Margin (%)	6%	10%	-4%
EBITDA margin (%)	18%	14%	4%
Return On Equity (%) pa	7%	13%	-6%
Return On Assets (%) pa	6%	10%	-5%
Return On Operating Capital Employed (%) pa	25%	22%	3%
Efficiency Ratios			
Working Capital turnover	6	11	- 5
Account Receivable days	62	55	7
Inventory days	69	62	7
Accounts Payable days	61	60	1
Liquidity Ratios			
Current Ratio	4	4	0
Quick Ratio	3	3	0
Financial Capital Ratios			
Debt / Equity	0	0	0
Net Debt to Equity	0	0	0
Interest Coverage	n/a	n/a	