

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue was down 7% year on year at THB 5.1 billion for the second quarter of 2015 compared to THB 5.5 billion for the second quarter of 2014. Sales Revenue in USD terms decreased by 10% to USD 154m from USD 170m in Q2 2014. Operating Profits decreased 36% to THB 394m in Q2 2015 from THB 618m in Q2 2014.

Net Profit decreased 42% to THB 400m in Q215 from THB 686m in Q214, due to lower sales revenue and gross profit and THB 99m change in exchange gain (loss) year on year.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>30-Jun-15</u>		<u>30-Jun-14</u>		<u>Q215-Q214</u>	<u>Q215-Q214</u>
PCBA (Lamphun, Thailand)	2,167,680	42%	2,508,859	45%	(341,179)	-14%
PCBA (Jiaxing, China)	1,038,585	20%	1,138,657	21%	(100,072)	-9%
IC (Ayutthaya, Thailand)	1,523,076	30%	1,531,547	28%	(8,471)	-1%
IC (Jiaxing, China)	318,026	6%	295,314	5%	22,712	8%
HMT (Ohio, USA)	71,255	1%	48,663	1%	22,592	46%
Total Revenue	5,118,622		5,523,040		(404,418)	-7%

**Sales Revenue Analysis**

**Year on Year Sales Revenue Analysis**

Quarter 2 2015 sales revenue for the group decreased 10% year-on-year in USD terms, from USD 170m in Q214 to USD 154m in Q215. The average exchange rate for Q215 was 2% weaker at THB/USD 33.26 from THB/USD 32.45 in Q214. As a result the sales revenue in THB terms was 7% lower year on year.

Year-on-year, the microelectronics divisions sales decreased by 14% in USD terms. Sales in Lamphun decreased 16% whilst JiaXing decreased by 11%. The IC divisions USD sales revenues decreased 2% in Q215, with revenues of the IC divisions in Ayutthaya decreasing by 3% and JiaXing increasing by 5%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 46%.

**Quarter on Quarter Sales Revenue Analysis**

Group sales increased quarter on quarter by 1% from USD 153m in Q115 to USD 154m in Q215. Sales in the microelectronics division decreased 3% with Lamphun decreasing 7% and JiaXing increasing 11%. Sales revenues from the IC divisions were 6% higher in Q215 with Ayutthaya sales increasing by 6% and JiaXing IC sales increasing by 11%. The microdisplay division sales increased 35% in Q215 compared to Q115. In THB equivalent the group sales increased by 3% in Q215 compared to Q115. The average THB/USD exchange rate was 2% weaker at 33.26 in Q215 from 32.65 in Q115.

**Sales Revenue Split**

	<u>Q2 2015</u>	<u>Q1 2015</u>	<u>Q4 2014</u>	<u>Q3 2014</u>	<u>Q2 2014</u>
PCBA (Lamphun, Thailand)	42%	46%	48%	47%	45%
PCBA (Jiaxing, China)	20%	19%	20%	20%	21%
IC (Ayutthaya, Thailand)	30%	28%	25%	26%	28%
IC (Jiaxing, China)	6%	6%	6%	6%	5%
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 12% in Q215 down from Q214 at 14% due to lower economies of scale from lower sales (1%) and higher salaries expense (1%).

### **Operating Profit Analysis**

Year-on-year operating profits were 36% lower at THB 394m in Q215 compared to THB 618m in Q214. The Operating margin was 8% in Q215 down from 11% Q214 due to lower gross profits (2%) and higher SGA expenses (1%). SG&A expenses were 14% higher in Q215 than in Q214 due to increased building depreciation and other costs from the opening the new factory in Lamphun in Q414. SG&A expenses in Q215 were 5% higher than in Q115 due to higher salaries expense.

### **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 Q215 was Baht/USD 33.26 from Q214 was Baht/USD 32.45 (and Baht/USD 32.65 in Q115).

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 33.78 at 30/06/15, and Baht/USD 32.46 at 30/06/14 (32.56 at 31/03/15) or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

THB 805m dividend of THB 1.00 per share was paid during the quarter as the second and final dividend from the profits of 2014. THB 0.50 per share was paid from the BOI profits of the company and not subject to withholding tax deduction. THB 0.50 per share was paid from the non BOI profits of the company and subject to 10% withholding tax deduction.

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### **Financial Status**

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 30th June, 2015 were THB 8.7 billion up from 30th June, 2014 were THB 8.6 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 58 days in Q215 and 55 days in Q214.

	<u>30-Jun-15</u>	<u>30-Jun-14</u>	'000
Trade Receivables			
Less than 3 months	3,109,279	3,241,221	
3 - 6 months	7,792	6,490	
6 - 12 months	7,499	19,691	
More than 12 months	2,046	95	
Total accounts receivable - other companies	<u>3,126,616</u>	<u>3,267,497</u>	
Less : Allowance for doubtful accounts	(12,142)	(15,957)	
	<u>3,114,474</u>	<u>3,251,540</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 64 days as at 30th June, 2015 and 64 days as at 30th June, 2014

#### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q2 2015 was THB 685m which was 24% lower than Q2 2014 was THB 902m.

#### **Capital Expenditure**

Net Capital Expenditure was THB 317m in Q2 2015 and THB 211m in Q2 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 150m 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		%	
		30-Jun-15		30-Jun-14		Q215-Q214	Q215-Q214
<b>REVENUES</b>							
Sales		5,118,622		5,523,040		(404,418)	-7%
consisting of:							
PCBA (Lamphun, Thailand)		2,167,680	42%	2,508,859	45%	(341,179)	-14%
PCBA (Jiaxing, China)		1,038,585	20%	1,138,657	21%	(100,072)	-9%
CPG (Bangkok, Thailand)		-	0%	-	0%	-	
IC (Ayutthaya, Thailand)		1,523,076	30%	1,531,547	28%	(8,471)	-1%
IC (Jiaxing, China)		318,026	6%	295,314	5%	22,712	8%
HMT (Ohio, USA)		71,255	1%	48,663	1%	22,592	46%
		<u>5,118,622</u>	100%	<u>5,523,040</u>	100%	<u>(404,418)</u>	-7%
Share of Assoc. company Profit		-		-		-	
Other Income - Operating		53,965		58,862		(4,897)	-8%
<b>TOTAL OPERATING REVENUES</b>		<u>5,172,587</u>		<u>5,581,902</u>		<u>(409,315)</u>	-7%
<b>EXPENSES</b>							
Cost of Sales		4,504,100	88%	4,724,156	86%	(220,056)	-5%
Selling & Admin. Expenses		274,065	5%	239,404	4%	34,661	14%
		<u>4,778,165</u>	93%	<u>4,963,560</u>	90%	<u>(185,395)</u>	-4%
<b>TOTAL EXPENSES</b>		<u>4,778,165</u>		<u>4,963,560</u>		<u>(185,395)</u>	-4%
<b>OPERATING EARNINGS</b>		<u>394,422</u>	8%	<u>618,342</u>	11%	<u>(223,920)</u>	-36%
Other Income - Non Operating		6,336		7,448		(1,112)	
Interest		57,697		57,279		418	1%
Interest Expenses		(1,812)		(2,376)		564	
<b>EARNINGS before Income Tax</b>		<u>456,643</u>	9%	<u>680,693</u>	12%	<u>(224,050)</u>	-33%
Corporate Income Tax		(15,360)	0%	(51,456)	-1%	36,096	-70%
<b>Earnings before Exch. &amp; Exceptional Items</b>		<u>441,283</u>		<u>629,237</u>		<u>(187,954)</u>	-30%
Exchange Gain (Loss)		(42,034)		57,086		(99,120)	
Exceptional Items		-		-		-	
<b>NET EARNINGS for the Period</b>		<u>399,249</u>	8%	<u>686,323</u>	12%	<u>(287,074)</u>	-42%
<b>EARNINGS % of SALES</b>							
Average number of shares (1 Baht par)		804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals		0.55		0.78		-	0.23
EARNINGS per SHARE (baht) after exceptionals		0.50		0.85		-	0.35
Operating Profit (EBIT)		394,422		618,342		(223,920)	-36%
Operating Profit Margin		8%		11%			
Depreciation		291,396		283,632		7,764	
EBITDA (excl exchange gain/loss)		685,818		901,974		(216,156)	-24%
EBITDA % of Sales Revenue		13%		16%			
Cashflow Earnings per Share		0.85		1.12		-	0.27

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Jun-15</u>	Quarter <u>30-Jun-14</u>	<u>Q215-Q214</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	5,010,715	5,498,113	(487,398)
Financial Investments	3,361,861	2,769,087	592,774
Accounts Receivable - trade	3,289,155	3,403,084	(113,929)
Amounts due from Related Companies	-	-	
Inventories	3,223,442	3,365,838	(142,396)
Other Current Assets	145,953	95,074	50,879
<b>TOTAL CURRENT ASSETS</b>	<u>15,031,126</u>	<u>15,131,196</u>	<u>(100,070)</u>
Fixed Deposit	339,947	326,118	13,829
<b>FIXED ASSETS (net)</b>	6,618,410	6,543,851	74,559
<b>OTHER ASSETS</b>	202,011	185,815	16,196
<b>TOTAL ASSETS</b>	<u>22,191,494</u>	<u>22,186,980</u>	<u>4,514</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	-	13,423	(13,423)
Accounts & Notes Payable	2,427,396	2,935,601	(508,205)
Corporate Income Tax Payable	17,318	286,263	(268,945)
Accrued Expenses	378,715	427,967	(49,252)
Other Current Liabilities	104,926	107,545	(2,619)
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,928,355</u>	<u>3,770,799</u>	<u>(842,444)</u>
<b>LONG TERM LIABILITIES</b>	565,380	412,598	152,782
<b>TOTAL LIABILITIES</b>	<u>3,493,735</u>	<u>4,183,397</u>	<u>(689,662)</u>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	804,879	804,879	
Treasury Shares	-	-	
Share Premium	1,723,219	1,723,219	
Retained Earnings			
Appropriated Statutory Reserve	412,808	386,272	26,536
Unappropriated	15,113,357	14,762,513	350,844
Translation adj. & Investment revaluation	643,496	326,700	316,796
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<u>18,697,759</u>	<u>18,003,583</u>	<u>694,176</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<u>22,191,494</u>	<u>22,186,980</u>	<u>4,514</u>
	(0)	0	
Cash & Equivalents	8,712,523	8,593,318	119,205
Liabilities	3,493,735	4,183,397	-689,662
Debt/Equity	0.19	0.23	-0.05
Net Debt (Net cash)	-5,218,788	-4,409,921	-808,867
Net Debt/Equity	-0.28	-0.24	-0.03

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Jun-15</u>	Quarter <u>30-Jun-14</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings before tax	414,609	737,779
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	293,364	284,461
Unrealised (gain) Loss on exchange	48,619	(13,428)
Increase (Decrease) in allowance for doubtful debts	(6,285)	(6,386)
Increase (Decrease) in allowance for obsolete inventories	(30,998)	12,371
Change in other provisions	(8,153)	(14,510)
	<u>296,547</u>	<u>262,508</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	(88,521)	(430,336)
Inventories	146,632	(147,956)
Trade accounts payable	(133,943)	477,190
Other	(152,623)	100,798
	<u>(228,455)</u>	<u>(304)</u>
<b>Net Cashflow from Operating Activities</b>	<u>482,701</u>	<u>999,983</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	(632,785)	(312,906)
Increase in property, plant and equipment	(382,358)	(332,389)
Proceeds from sale of fixed assets	4,061	11,161
Increase (decrease) in translation adjustment	336,248	2,674
Revaluation deficit on investments	(840)	1,580
Other		
	<u>(675,674)</u>	<u>(629,880)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	-	(109)
Dividend paid	(804,879)	(804,879)
Other	-	(276)
Net cash (used in ) from financing activities	<u>(804,879)</u>	<u>(805,264)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(997,852)	(435,161)
Cash and Equivalents at the beginning of the period	<u>6,008,567</u>	<u>5,933,274</u>
Cash and Equivalents at the end of the period	<u>5,010,715</u>	<u>5,498,113</u>

# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	<u>Quarter</u> <u>30-Jun-15</u>	<u>Quarter</u> <u>30-Jun-14</u>	<u>Q215-Q214</u>
<b>Profitability Ratios</b>			
Gross Profit Margin (%)	12%	14%	-2%
Operating Profit Margin (%)	8%	11%	-3%
Net Profit before Exceptional Margin (%)	9%	11%	-3%
Net Profit after Exceptional Margin (%)	8%	12%	-5%
EBITDA margin (%)	13%	16%	-3%
Return On Equity (%) pa	9%	15%	-7%
Return On Assets (%) pa	7%	12%	-5%
Return On Operating Capital Employed (%) pa	15%	25%	-10%
<b>Efficiency Ratios</b>			
Working Capital turnover	5	11	- 6
Account Receivable days	58	55	3
Inventory days	64	64	0
Accounts Payable days	49	56	- 7
<b>Liquidity Ratios</b>			
Current Ratio	5	4	1
Quick Ratio	4	3	1
<b>Financial Capital Ratios</b>			
Debt / Equity	0	0	0
Net Debt to Equity	0	0	0
Interest Coverage	n/a	n/a	