

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue was up 10% year on year at THB 5.3 billion for the fourth quarter of 2014 compared to THB 4.8 billion for the fourth quarter of 2013. Sales Revenue in USD terms increased by 7% to USD 162m from USD 152m in Q4 2013. Operating Profits increased 25% to THB 523m in Q4 2014 from THB 418m in Q4 2013. Net Profit decreased by 6% to THB 542m in Q414 from THB 578m in Q413 as Q413 had THB 199m exceptional income from insurance proceeds related to the flood at Ayutthaya in 2011.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>31-Dec-14</u>		<u>31-Dec-13</u>		<u>Q414-Q413</u>	
PCBA (Lamphun, Thailand)	2,527,031	48%	2,183,773	45%	343,258	16%
PCBA (Jiaxing, China)	1,052,294	20%	1,037,846	22%	14,448	1%
IC (Ayutthaya, Thailand)	1,357,295	26%	1,275,069	26%	82,226	6%
IC (Jiaxing, China)	314,201	6%	281,708	6%	32,493	12%
HMT (Ohio, USA)	51,780	1%	39,147	1%	12,633	32%
Total Revenue	5,302,601		4,817,543		485,058	10%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 4 2014 sales revenue for the group increased 7% year-on-year in USD terms, from USD 152m in Q413 to USD 162m in Q414. The average exchange rate for Q414 was 3% weaker at THB/USD 32.71 from THB/USD 31.73 in Q413. As a result the sales revenue in THB terms was 10% higher year on year. Year-on-year, the microelectronics divisions sales increased by 8% in USD terms. Sales in Lamphun increased 12% whilst JiaXing decreased by 2%. The IC divisions USD sales revenues increased 4% in Q414, with revenues of the IC divisions in Ayutthaya increasing by 3% and JiaXing increasing by 8%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 28%.

Quarter on Quarter Sales Revenue Analysis

Group sales decreased quarter on quarter by 9% from USD 179m in Q314 to USD 162m in Q414. Sales in the microelectronics division decreased 10% with Lamphun decreasing 9% and JiaXing decreasing 12%. Sales revenues from the IC divisions were 19% lower with Ayutthaya sales decreasing by 9% and JiaXing IC sales decreasing by 6%. The microdisplay division sales decreased 1% in Q414 compared to Q314. In THB equivalent the group sales decreased by 7% in Q414 compared to Q314. The average THB/USD exchange rate weakened by 2% to 32.71 in Q414 from 32.11 in Q314.

Sales Revenue Split

	<u>Q4 2014</u>	<u>Q3 2014</u>	<u>Q2 2014</u>	<u>Q1 2014</u>	<u>Q4 2013</u>
PCBA (Lamphun, Thailand)	48%	47%	45%	47%	45%
PCBA (Jiaxing, China)	20%	20%	21%	20%	22%
IC (Ayutthaya, Thailand)	26%	26%	28%	26%	26%
IC (Jiaxing, China)	6%	6%	5%	6%	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 higher in Q414 at 14% up from 12% in Q413 due to increased sales and change in product mix in the PCBA divisions resulting in a higher value added.

Operating Profit Analysis

Year-on-year operating profits were 25% higher at THB 523m in Q414 due to the higher gross margin in Q414. The Operating margin was higher at 10% in Q414 from 9% in Q413 due to the higher gross margin in Q414. SG&A expenses were 27% higher in Q414 than in Q413 due to higher salary expenses, doubtful debt provision in Q414 and provision reversals in Q413. SG&A expenses in Q414 were 18% higher than in Q314 due to higher salary costs in Q414.

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 Q414 was Baht/USD 32.71 from 31.73 in Q413 (and Baht/USD 32.10 in Q314).

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 32.96 at 31/12/14, and Baht/USD 31.73 at 31/12/13 (32.37 at 30/09/14) 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 an interim dividend from the profits of 2014.

In Q213 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2013

THB 402m dividend of THB 0.50 per share was paid during the quarter as an interim dividend from the profits of 2013.

In Q213 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2012.

In Q412, THB 402m dividend of THB 0.50 per share was paid during the quarter as an interim dividend from the profits of 2012.

In Q212 THB 805m dividend of THB 1.00 per share was paid during the quarter as final dividend from the profits of 2011.

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st December, 2014 were THB 8.7 billion up from 31st December, 2013 of THB 6.7 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 57 days in Q414 and 61 days in Q413.

Trade Receivables	<u>31-Dec-14</u>	<u>31-Dec-13</u>	'000
Less than 3 months	3,196,751	3,132,604	
3 - 6 months	24,772	13,813	
6 - 12 months	7,820	1,222	
More than 12 months	2,024	3,150	
Total accounts receivable - other companies	<u>3,231,367</u>	<u>3,150,789</u>	
Less : Allowance for doubtful accounts	(24,410)	(4,269)	
	<u>3,206,957</u>	<u>3,146,520</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 66 days as at 31st December, 2014 and 68 days as at 31st December, 2013.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q4 2014 was THB 815m which was 11% higher than Q4 2013 which was THB 734m.

Capital Expenditure

Net Capital Expenditure was THB 124m in Q4 2014 and THB 345m in Q4 2013. 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 110m 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

	Quarter		Quarter		%		
	'000 Baht	31-Dec-14	31-Dec-13	Q414-Q413	Q414-Q413		
REVENUES							
Sales		5,302,601	4,817,543	485,058		10%	
consisting of:							
PCBA (Lamphun, Thailand)		2,527,031	48%	2,183,773	45%	343,258	16%
PCBA (Jiaxing, China)		1,052,294	20%	1,037,846	22%	14,448	1%
CPG (Bangkok, Thailand)		-	0%	-	0%	-	
IC (Ayutthaya, Thailand)		1,357,295	26%	1,275,069	26%	82,226	6%
IC (Jiaxing, China)		314,201	6%	281,708	6%	32,493	12%
HMT (Ohio, USA)		51,780	1%	39,147	1%	12,633	32%
		<u>5,302,601</u>	100%	<u>4,817,543</u>	100%	<u>485,058</u>	10%
Share of Assoc. company Profit		-	-	-			
Other Income - Operating		59,426		74,679		(15,253)	-20%
TOTAL OPERATING REVENUES		<u>5,362,027</u>		<u>4,892,222</u>		<u>469,805</u>	10%
EXPENSES							
Cost of Sales		4,539,224	86%	4,239,667	88%	299,557	7%
Selling & Admin. Expenses		299,588	6%	234,995	5%	64,593	27%
TOTAL EXPENSES		<u>4,838,812</u>	91%	<u>4,474,662</u>	93%	<u>364,150</u>	8%
OPERATING EARNINGS		<u>523,215</u>	10%	<u>417,560</u>	9%	<u>105,655</u>	25%
Other Income - Non Operating		8,486		7,427		1,059	
Interest		59,678		45,454		14,224	31%
Interest Expenses		(2,042)		(1,687)		(355)	
EARNINGS before Income Tax		<u>589,337</u>	11%	<u>468,755</u>	10%	<u>120,582</u>	26%
Corporate Income Tax		(13,302)	0%	(21,397)	0%	8,095	-38%
Earnings before Exch. & Exceptional Items		<u>576,035</u>		<u>447,358</u>		<u>128,677</u>	29%
Exchange Gain (Loss)		(34,039)		(69,562)		35,523	
Exceptional Items		-		199,790		(199,790)	
NET EARNINGS for the Period		<u>541,996</u>	10%	<u>577,586</u>	12%	<u>(35,590)</u>	-6%
EARNINGS % of SALES		10%		12%		-2%	
Average number of shares (1 Baht par)		804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & ex		0.72		0.56		0.16	
EARNINGS per SHARE (baht) after exceptionals		0.67		0.72	-	0.04	
Operating Profit (EBIT)		523,215		417,560		105,655	25%
		10%		9%			
Depreciation		275,905		279,407		(3,502)	
EBITDA (excl exchange gain/loss)		799,120		696,967		102,153	15%
EBITDA % of Sales Revenue		15%		14%			
Cashflow Earnings per Share		0.99		0.87		0.13	

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

'000 Baht

	Quarter 31-Dec-14	Quarter 31-Dec-13	Q414-Q413
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	5,467,223	4,185,699	1,281,523
Financial Investments	2,863,280	2,524,310	338,969
Accounts Receivable - trade	3,354,080	3,241,169	112,911
Amounts due from Related Companies	-	-	-
Inventories	3,328,914	3,171,981	156,933
Other Current Assets	118,864	154,586	(35,722)
TOTAL CURRENT ASSETS	15,132,361	13,277,747	1,854,614
LOAN TO OTHER COMPANY	330,690	97	330,593
FIXED ASSETS (net)	6,405,504	6,844,878	(439,374)
OTHER ASSETS	182,778	34,416	148,362
TOTAL ASSETS	22,051,332	20,157,137	1,894,195
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	15,946	(15,946)
Accounts & Notes Payable	2,477,893	2,484,859	(6,966)
Corporate Income Tax Payable	171,712	17,606	154,106
Accrued Expenses	360,134	419,335	(59,201)
Other Current Liabilities	162,120	239,514	(77,394)
TOTAL CURRENT LIABILITIES	3,171,859	3,177,261	(5,402)
LONG TERM LIABILITIES	515,862	385,799	130,063
TOTAL LIABILITIES	3,687,720	3,563,060	124,661
SHAREHOLDERS EQUITY			
Share Capital	804,879	804,879	-
Treasury Shares	-	-	-
Share Premium	1,723,219	1,723,219	-
Retained Earnings			
Appropriated Statutory Reserve	386,272	375,919	10,353
Unappropriated	15,028,833	13,301,102	1,727,731
Translation adj. & Investment revaluation	420,409	388,959	31,450
Unrealised gain(loss) on change in investments	-	-	-
Excess Cost over Net Book Value of Subsidiary Investments	-	-	-
TOTAL SHAREHOLDERS EQUITY	18,363,612	16,594,078	1,769,534
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	22,051,332	20,157,137	1,894,195
	-	-	-
Cash & Equivalents	8,330,502	6,710,010	1,620,492
Liabilities	3,687,720	3,563,060	124,661
Debt/Equity	0.20	0.21	-0.01
Net Debt (Net cash)	-4,642,782	-3,146,950	-1,495,832
Net Debt/Equity	-0.25	-0.19	-0.06

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CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>31-Dec-14</u>	Quarter <u>31-Dec-13</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	571,602	598,983
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	299,279	281,579
Unrealised (gain) Loss on exchange	83,611	86,583
Increase (Decrease) in allowance for doubtful debts	4,229	(3,967)
Increase (Decrease) in allowance for obsolete inventories	(14,628)	(48,262)
Change in other provisions	2,254	(89,070)
	<u>374,745</u>	<u>226,862</u>
Working Capital (increase) decrease		
Trade accounts receivable	132,982	(220,729)
Inventories	216,202	92,735
Trade accounts payable	(818,342)	(637,490)
Other	(63,779)	(124,983)
	<u>(532,938)</u>	<u>(890,466)</u>
Net Cashflow from Operating Activities	<u>413,410</u>	<u>(64,621)</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	(55,225)	(258,390)
Increase in property, plant and equipment	(296,583)	(485,440)
Proceeds from sale of fixed assets	1,596	28,403
Increase (decrease) in translation adjustment	141,208	408,617
Revaluation deficit on investments	(3,280)	32,945
Other		
	<u>(212,284)</u>	<u>(273,865)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	(0)	(132)
Dividend paid	(804,879)	(402,439)
Other	(0)	(583)
Net cash (used in) from financing activities	<u>(804,879)</u>	<u>(403,155)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(603,753)	(741,642)
Cash and Equivalents at the beginning of the period	<u>6,034,652</u>	<u>4,891,017</u>
Cash and Equivalents at the end of the period	5,430,899	4,149,376

HANA MICROELECTRONICS GROUP

Financial Ratios

'000 Baht	<u>Quarter</u> <u>31-Dec-14</u>	<u>Quarter</u> <u>31-Dec-13</u>	<u>Q414-Q413</u>
Profitability Ratios			
Gross Profit Margin (%)	14%	12%	2%
Operating Profit Margin (%)	10%	9%	2%
Net Profit before Exceptional Margin (%)	11%	9%	2%
Net Profit after Exceptional Margin (%)	10%	12%	-2%
EBITDA margin (%)	15%	14%	1%
Return On Equity (%) pa	12%	14%	-2%
Return On Assets (%) pa	10%	11%	-2%
Return On Operating Capital Employed (%) pa	21%	17%	4%
Efficiency Ratios			
Working Capital turnover	5	9	- 4
Account Receivable days	57	61	- 4
Inventory days	66	67	- 1
Accounts Payable days	49	53	- 4
Liquidity Ratios			
Current Ratio	5	4	1
Quick Ratio	4	3	1
Financial Capital Ratios			
Debt / Equity	0	0	0
Net Debt to Equity	0	0	0
Interest Coverage	n/a	n/a	