

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue was down 7% year on year at THB 4.8 billion for the second quarter of 2016 compared to THB 5.1 billion for the second quarter of 2015. Sales Revenue in USD terms decreased by 12% to USD 135m from USD 154m in Q2 2015. Operating Profits decreased 5% to THB 374m in Q2 2016 from THB 394m in Q2 2015.

Net Profit increased 4% to THB 417m in Q216 from THB 399m in Q215, due to lower operating profit offset by Bht 50m positive change in foreign exchange gain (loss).

THB '000	Quarter		Quarter		Q216-Q215	%
	Q216		Q215			
PCBA (Lamphun, Thailand)	1,740,638	37%	2,167,680	43%	(427,042)	-20%
PCBA (Jiaxing, China)	873,858	19%	1,038,585	20%	(164,727)	-16%
PCBA (Cambodia)	13,634	0%	-	0%	13,634	
IC (Ayutthaya, Thailand)	1,666,182	35%	1,523,076	30%	143,106	9%
IC (Jiaxing, China)	260,883	5%	318,026	6%	(57,143)	-18%
HMT (Ohio, USA)	208,483	4%	71,255	1%	137,228	193%
Total Revenue	4,763,679	100%	5,118,622	100%	(354,943)	-7%

**Sales Revenue Analysis**

**Year on Year Sales Revenue Analysis**

Quarter 2 2016 sales revenue for the group decreased 12% year-on-year in USD terms, from USD 154m in Q215 to USD 135m in Q216. The average exchange rate for Q216 was 6% weaker at THB/USD 35.3 from THB/USD 33.3 in Q215. As a result the sales revenue in THB terms was 7% lower year on year.

Year-on-year, the microelectronics divisions sales decreased by 21% in USD terms. Sales in Lamphun decreased 24% (due to a drop in high material content sales and computer products) whilst JiaXing decreased by 21%. The IC divisions USD sales revenues decreased 1% in Q216, with revenues of the IC divisions in Ayutthaya increasing by 8% and JiaXing decreasing by 23%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 276%.

**Quarter on Quarter Sales Revenue Analysis**

Group sales increased quarter on quarter by 1% from USD 133m in Q116 to USD 135m in Q216. Sales in the microelectronics division decreased 3% with Lamphun decreasing 7% and JiaXing increasing 7%. Sales revenues from the IC divisions were 3% higher in Q216 with Ayutthaya sales increasing by 4% and JiaXing IC sales increasing by 3%. The microdisplay division sales increased 67% in Q216 compared to Q116. In THB equivalent the group sales were similar in Q216 compared to Q116. The average THB/USD exchange rate was 1% stronger at 35.3 in Q216 from 35.7 in Q116.

**Sales Revenue Split**

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
PCBA (Lamphun, Thailand)	37%	41%	40%	41%	43%
PCBA (Jiaxing, China)	19%	17%	19%	19%	20%
PCBA (Cambodia)	0%	0%	0%	0%	0%
IC (Ayutthaya, Thailand)	35%	34%	33%	32%	30%
IC (Jiaxing, China)	5%	5%	6%	6%	6%
HMT (Ohio, USA)	4%	3%	2%	2%	1%
	100%	100%	100%	100%	100%

**Gross Profit / Cost of Sales Analysis and Sales and Administration Analysis**

The Gross Profit margin was 12% in Q216 similar to Q215 at 12% due to lower material costs (2%) offset by higher depreciation (-1%) and higher salary expenses (-1%).

### **Operating Profit Analysis**

Year-on-year operating profits were 5% lower at THB 374m in Q216 compared to THB 394m in Q215. The Operating margin was 8% in Q216 similar to Q215 due to lower sales revenue (1%) offset by lower SGA costs. SG&A expenses were 3% lower in Q216 than in Q215. SG&A expenses in Q216 were 18% lower than Q116 due to the increased doubtful debts provision in Q116 reversed in Q216.

### **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 Q216 was Baht/USD 35.28, Q215 was Baht/USD 33.36 (and Baht/USD 35.67 in Q116).

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 35.18 at 30/06/16, and Baht/USD 33.78 at 30/06/15 (35.24 at 31/03/16) or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

In Q216 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2015.

In Q215 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2014.

### **Financial Status**

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 30th June, 2016 were THB 9.5 billion up from 30th June, 2015 were THB 8.7 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 Q216 and 58 days in Q215.

	<u>30-Jun-16</u>	<u>30-Jun-15</u>	THB '000
Trade Receivables			
Less than 3 months	2,835,338	3,109,279	
3 - 6 months	29,338	7,792	
6 - 12 months	5,306	7,499	
More than 12 months	2,073	2,046	
Total accounts receivable - other companies	2,872,055	3,126,616	
Less : Allowance for doubtful accounts	(13,622)	(12,142)	
	<u>2,858,433</u>	<u>3,114,474</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 78 days as at 30th June, 2016 and 64 days as at 30th June, 2015.

#### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q2 2016 was THB 666m which was 3% lower than Q2 2015 was THB 686m.

#### **Capital Expenditure**

Net Capital Expenditure was THB 155m in Q2 2016 and THB 317m in Q2 2015. 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		%	
	Q216		Q215		Q216-Q215	Q216-Q215
<b>REVENUES</b>						
Sales	4,763,679		5,118,622		(354,943)	-7%
consisting of:						
PCBA (Lamphun, Thailand)	1,740,638	37%	2,167,680	43%	(427,042)	-20%
PCBA (Jiaxing, China)	873,858	19%	1,038,585	20%	(164,727)	-16%
PCBA (Cambodia)	13,634	0%	-	0%	13,634	
IC (Ayutthaya, Thailand)	1,666,182	35%	1,523,076	30%	143,106	9%
IC (Jiaxing, China)	260,883	5%	318,026	6%	(57,143)	-18%
HMT (Ohio, USA)	208,483	4%	71,255	1%	137,228	193%
	<u>4,763,679</u>	100%	<u>5,118,622</u>	100%	<u>(354,943)</u>	-7%
Share of Assoc. company Profit	-		-		-	
Other Income - Operating	54,126		53,965		161	0%
<b>TOTAL OPERATING REVENUES</b>	<u>4,817,804</u>		<u>5,172,587</u>		<u>(354,783)</u>	-7%
<b>EXPENSES</b>						
Cost of Sales	4,176,893	88%	4,504,100	88%	(327,207)	-7%
Selling & Admin. Expenses	266,714	6%	274,065	5%	(7,351)	-3%
<b>TOTAL EXPENSES</b>	<u>4,443,607</u>	93%	<u>4,778,165</u>	93%	<u>(334,558)</u>	-7%
<b>OPERATING EARNINGS</b>	<u>374,197</u>	8%	<u>394,422</u>	8%	<u>(20,225)</u>	-5%
Other Income - Non Operating	9,539		6,336		3,203	
Interest	50,159		57,697		(7,538)	-13%
Interest Expenses	(1,692)		(1,812)		120	
<b>EARNINGS before Income Tax</b>	<u>432,204</u>	9%	<u>456,643</u>	9%	<u>(24,439)</u>	-5%
Corporate Income Tax	(24,574)	-1%	(15,360)	0%	(9,214)	60%
<b>Earnings before Exch. &amp; Exceptional Items</b>	<u>407,630</u>		<u>441,283</u>		<u>(33,653)</u>	-8%
Exchange Gain (Loss)	9,450		(42,034)		51,484	
Exceptional Items	-		-		-	
<b>NET EARNINGS for the Period</b>	<u>417,080</u>	9%	<u>399,249</u>	8%	<u>17,831</u>	4%
<b>EARNINGS % of SALES</b>	9%		8%		1%	
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals	0.51		0.55		-	0.04
EARNINGS per SHARE (baht) after exceptionals	0.52		0.50			0.02
Operating Profit (EBIT)	374,197		394,422		(20,225)	-5%
Operating Profit Margin	8%		8%			
Depreciation	292,192		291,396		796	
EBITDA (excl exchange gain/loss)	666,389		685,818		(19,429)	-3%
EBITDA % of Sales Revenue	14%		13%			
Cashflow Earnings per Share	0.83		0.85		-	0.02

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

	YTD		YTD		YTD		YTD %	
	'000 Baht	30-Jun-16		30-Jun-15		Q216-Q215		Q216-Q215
<b>REVENUES</b>								
Sales		9,506,075		10,112,188		(606,113)		-6%
consisting of:								
PCBA (Lamphun, Thailand)		3,639,714	38%	4,463,266	44%	(823,552)		-18%
PCBA (Jiaxing, China)		1,699,739	18%	1,989,933	20%	(290,194)		-15%
PCBA (Cambodia)		23,737	0%	-	0%	23,737		
IC (Ayutthaya, Thailand)		3,289,051	35%	2,936,452	29%	352,599		12%
IC (Jiaxing, China)		516,444	5%	599,551	6%	(83,107)		-14%
HMT (Ohio, USA)		337,390	4%	122,986	1%	214,404		174%
		<u>9,506,075</u>	100%	<u>10,112,188</u>	100%	<u>(606,113)</u>		-6%
Other Income - Operating		104,716		98,586		6,130		6%
<b>TOTAL OPERATING REVENUES</b>		<u>9,610,790</u>		<u>10,210,774</u>		<u>(599,984)</u>		-6%
<b>EXPENSES</b>								
Cost of Sales		8,337,227	88%	8,894,194	88%	(556,967)		-6%
Selling & Admin. Expenses		591,337	6%	535,761	5%	55,576		10%
		<u>8,928,564</u>	94%	<u>9,429,955</u>	93%	<u>(501,391)</u>		-5%
<b>OPERATING EARNINGS</b>		<u>682,226</u>	7%	<u>780,819</u>	8%	<u>(98,593)</u>		-13%
Other Income - Non Operating		12,178		10,885		1,293		12%
Interest		101,294		111,893		(10,599)		-9%
Interest Expenses		(3,432)		(3,730)		298		
<b>EARNINGS before Income Tax</b>		<u>792,267</u>	8%	<u>899,867</u>	9%	<u>(107,600)</u>		-12%
Corporate Income Tax		(28,969)	4%	(29,899)	3%	930		-3%
<b>Earnings before Exch. &amp; Exceptional Items</b>		<u>763,298</u>		<u>869,968</u>		<u>(106,670)</u>		-12%
Exchange Gain (Loss)		137,644		45,971		91,673		
Exceptional Items		-		-		-		
<b>NET EARNINGS for the Period</b>		<u>900,942</u>	9%	<u>915,939</u>	9%	<u>(14,997)</u>		-2%
<b>EARNINGS % of SALES</b>		9%		9%		0%		
Average number of shares (1 Baht par)		804,879		804,879		-		
EARNINGS per SHARE (baht) before exch. & exceptionals		0.95		1.08		-		0.13
EARNINGS per SHARE (baht) after exceptionals		1.12		1.14		-		0.02
Operating Profit (EBIT)		682,226		780,819		(98,593)		
Operating Profit Margin		7%		8%				
Depreciation		586,086		576,485		9,601		
EBITDA (excl exchange gain/loss)		1,268,312		1,357,304		(88,992)		
EBITDA % of Sales Revenue		13%		13%				
Cashflow Earnings per Share		1.58		1.69		-		0.11

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Jun-16</u>	Quarter <u>30-Jun-15</u>	<u>Q216-Q215</u>	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash in Hand & at Banks	6,758,422	5,010,715	1,747,707	
Financial Investments	2,732,212	3,361,861	(629,649)	
Accounts Receivable - trade	2,994,066	3,289,155	(295,089)	
Amounts due from Related Companies	-	-		
Inventories	3,615,944	3,223,442	392,502	
Other Current Assets	221,442	145,953	75,489	
<b>TOTAL CURRENT ASSETS</b>	<u>16,322,086</u>	<u>15,031,126</u>	<u>1,290,960</u>	
Fixed Deposit	-	339,947	(339,947)	
<b>FIXED ASSETS (net)</b>	6,555,582	6,618,410	(62,828)	
OTHER ASSETS	223,399	202,011	21,388	
<b>TOTAL ASSETS</b>	<u>23,101,067</u>	<u>22,191,494</u>	<u>909,573</u>	
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Bank Overdrafts & Loans	-	-	308,844	
Accounts & Notes Payable	2,736,240	2,427,396	(1,114)	
Corporate Income Tax Payable	16,204	17,318	(27,609)	
Accrued Expenses	351,106	378,715	(49,388)	
Other Current Liabilities	55,538	104,926	(49,388)	
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,159,088</u>	<u>2,928,355</u>	<u>230,733</u>	
<b>LONG TERM LIABILITIES</b>	561,246	565,380	(4,134)	
<b>TOTAL LIABILITIES</b>	<u>3,720,334</u>	<u>3,493,735</u>	<u>226,599</u>	
<b>SHAREHOLDERS EQUITY</b>				
Share Capital	804,879	804,879	0	
Treasury Shares	-	-		
Share Premium	1,723,219	1,723,219	0	
Retained Earnings				
Appropriated Statutory Reserve	416,981	412,808	4,173	
Unappropriated	15,587,215	15,113,357	473,858	
Translation adj. & Investment revaluation	848,439	643,496	204,943	
Unrealised gain(loss) on change in investments	-	-		
Excess Cost over Net Book Value of Subsidiary Investments	-	-		
<b>TOTAL SHAREHOLDERS EQUITY</b>	<u>19,380,733</u>	<u>18,697,759</u>	<u>682,974</u>	
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<u>23,101,067</u>	<u>22,191,494</u>	<u>909,573</u>	
	-	(0)		
Cash & Equivalents	9,490,634	8,712,523	778,111	9%
Liabilities	3,720,334	3,493,735	226,599	
Debt/Equity	0.19	0.19	0.01	
Net Debt (Net cash)	-5,770,300	-5,218,788	-551,512	
Net Debt/Equity	-0.30	-0.28	-0.02	

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Jun-16</u>	Quarter <u>30-Jun-15</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings before tax	441,654	414,609
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	294,483	293,364
Unrealised (gain) Loss on exchange	(122,731)	48,619
Increase (Decrease) in allowance for doubtful debts	(19,143)	(6,285)
Increase (Decrease) in allowance for obsolete inventories	27,257	(30,998)
Change in other provisions	(15,242)	(8,153)
	<u>164,624</u>	<u>296,547</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	112,140	(88,521)
Inventories	(284,517)	146,632
Trade accounts payable	302,682	(133,943)
Other	(56,105)	(152,623)
	<u>74,200</u>	<u>(228,455)</u>
<b>Net Cashflow from Operating Activities</b>	<u>680,478</u>	<u>482,701</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	374,789	(632,785)
Increase in property, plant and equipment	(143,943)	(382,358)
Proceeds from sale of fixed assets	52,042	4,061
Increase (decrease) in translation adjustment	(82,773)	336,248
Revaluation deficit on investments	(11,523)	(840)
Other		
	<u>188,592</u>	<u>(675,674)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	-	-
Dividend paid	(804,879)	(804,879)
Other	-	-
Net cash (used in ) from financing activities	<u>(804,879)</u>	<u>(804,879)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	64,191	(997,852)
Cash and Equivalents at the beginning of the period	<u>6,694,231</u>	<u>6,008,567</u>
Cash and Equivalents at the end of the period	<u>6,758,422</u>	<u>5,010,715</u>

# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	<u>Quarter</u> <u>30-Jun-16</u>	<u>Quarter</u> <u>30-Jun-15</u>	<u>Q216-Q215</u>
<b>Profitability Ratios</b>			
Gross Profit Margin (%)	12%	12%	
Operating Profit Margin (%)	8%	8%	
Net Profit before Exceptional Margin (%)	9%	9%	
Net Profit after Exceptional Margin (%)	9%	8%	1%
EBITDA margin (%)	14%	13%	1%
Return On Equity (%) pa	9%	9%	
Return On Assets (%) pa	7%	7%	
Return On Operating Capital Employed (%) pa	15%	15%	
<b>Efficiency Ratios</b>			
Working Capital turnover	5	5	
Account Receivable days	57	58	-
Inventory days	78	64	14
Accounts Payable days	59	49	10
<b>Liquidity Ratios</b>			
Current Ratio	5	5	
Quick Ratio	4	4	
<b>Financial Capital Ratios</b>			
Debt / Equity	0	0	
Net Debt to Equity	0	0	
Interest Coverage	n/a	n/a	