

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue was down 5% year on year at THB 4.7 billion for the first quarter of 2016 compared to THB 5.0 billion for the first quarter of 2015. Sales Revenue in USD terms decreased by 13% to USD 133m from USD 153m in Q1 2015. Operating Profits decreased 20% to THB 308m in Q1 2016 from THB 386m in Q1 2015.

Net Profit decreased 6% to THB 484m in Q116 from THB 517m in Q115, due to lower operating profit partially offset by Bht 40m increase in foreign exchange gain.

THB '000	Quarter		Quarter		Q116-Q115	%
	Q116		Q115			
PCBA (Lamphun, Thailand)	1,899,076	40%	2,295,586	46%	(396,510)	-17%
PCBA (Jiaxing, China)	825,881	17%	951,348	19%	(125,467)	-13%
PCBA (Cambodia)	10,103	0%	-	0%	10,103	
IC (Ayutthaya, Thailand)	1,622,869	34%	1,413,376	28%	209,493	15%
IC (Jiaxing, China)	255,561	5%	281,525	6%	(25,964)	-9%
HMT (Ohio, USA)	128,907	3%	51,731	1%	77,176	149%
<b>Total Revenue</b>	<b>4,742,396</b>		<b>4,993,566</b>		<b>(251,170)</b>	<b>-5%</b>

**Sales Revenue Analysis**

**Year on Year Sales Revenue Analysis**

Quarter 1 2016 sales revenue for the group decreased 13% year-on-year in USD terms, from USD 153m in Q115 to USD 133m in Q116. The average exchange rate for Q116 was 9% weaker at THB/USD 35.67 from THB/USD 32.65 in Q115. As a result the sales revenue in THB terms was 5% lower year on year.

Year-on-year, the microelectronics divisions sales decreased by 23% in USD terms. Sales in Lamphun decreased 24% (due to a drop in high material content sales and computer products) whilst JiaXing decreased by 20%. The IC divisions USD sales revenues increased 1% in Q116, with revenues of the IC divisions in Ayutthaya increasing by 5% and JiaXing decreasing by 17%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 129%.

**Quarter on Quarter Sales Revenue Analysis**

Group sales decreased quarter on quarter by 7% from USD 153m in Q415 to USD 133m in Q116. Sales in the microelectronics division decreased 9% with Lamphun decreasing 7% and JiaXing decreasing 13%. Sales revenues from the IC divisions were 5% lower in Q116 with Ayutthaya sales decreasing by 3% and JiaXing IC sales decreasing by 13%. The microdisplay division sales increased 35% in Q116 compared to Q415. In THB equivalent the group sales decreased by 7% in Q116 compared to Q415. The average THB/USD exchange rate was 0.5% stronger at 35.67 in Q116 from 35.83 in Q415.

**Sales Revenue Split**

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
PCBA (Lamphun, Thailand)	41%	40%	41%	43%	46%
PCBA (Jiaxing, China)	17%	19%	19%	20%	19%
PCBA (Cambodia)	0%	0%	0%	0%	0%
IC (Ayutthaya, Thailand)	34%	33%	32%	30%	28%
IC (Jiaxing, China)	5%	6%	6%	6%	6%
HMT (Ohio, USA)	3%	2%	2%	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 Q116 similar to Q115 at 12% due to weaker THB exchange rate (2%) offset by higher depreciation (-1%) and higher facilities expenses (-1%) from the opening of Lamphun second factory and Hana Cambodia.

### **Operating Profit Analysis**

Year-on-year operating profits were 20% lower at THB 308m in Q116 compared to THB 386m in Q115. The Operating margin was 6% in Q116 down from 8% in Q115 due to higher SGA expense (2%). SG&A expenses were 27% higher in Q116 than in Q115 due to increased salaries and doubtful debts provision in Q116. SG&A expenses in Q116 were 21% higher than Q415 due to the increased doubtful debts provision.

### **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 Q116 was Baht/USD 35.67, Q115 was Baht/USD 32.65 (and Baht/USD 35.83 in Q415).

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 35.24 at 31/03/16, and Baht/USD 32.56 at 31/03/15 (36.09 at 31/12/15) or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

No dividends were paid in Q116.

### **Financial Status**

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st March, 2016 were THB 9.7 billion up from 31st March, 2015 were THB 9.0 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 Q116 and 57 days in Q115.

	<u>31-Mar-16</u>	<u>31-Mar-15</u>	THB '000
Trade Receivables			
Less than 3 months	2,894,181	2,988,077	
3 - 6 months	59,057	17,806	
6 - 12 months	8,385	7,025	
More than 12 months	742	28	
Total accounts receivable - other companies	2,962,365	3,012,936	
Less : Allowance for doubtful accounts	(32,765)	(18,426)	
	<u>2,929,600</u>	<u>2,994,510</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 73 days as at 31st March, 2016 and 68 days as at 31st March, 2015

#### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q1 2016 was THB 602m which was 10% lower than Q1 2015 was THB 671m.

#### **Capital Expenditure**

Net Capital Expenditure was THB 184m in Q1 2016 and THB 427m in Q1 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 as no net interest bearing debt and operating working capital is positive the groups 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 groups 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 groups 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 <u>Q116</u>		Quarter <u>Q115</u>		<u>Q116-Q115</u>	%	<u>Q116-Q115</u>
<b>REVENUES</b>							
Sales	4,742,396		4,993,566		(251,170)		-5%
consisting of:							
<i>PCBA (Lamphun, Thailand)</i>	1,899,076	41%	2,295,586	46%	(396,510)		-17%
<i>PCBA (Jiaxing, China)</i>	825,881	17%	951,348	19%	(125,467)		-13%
<i>PCBA (Cambodia)</i>	10,103	0%	-	0%	10,103		
<i>IC (Ayutthaya, Thailand)</i>	1,622,869	34%	1,413,376	28%	209,493		15%
<i>IC (Jiaxing, China)</i>	255,561	5%	281,525	6%	(25,964)		-9%
<i>HMT (Ohio, USA)</i>	128,907	3%	51,731	1%	77,176		149%
	<u>4,742,396</u>	100%	<u>4,993,566</u>	100%	<u>(251,170)</u>		-5%
Share of Assoc. company Profit	-		-		-		
Other Income - Operating	50,590		44,621		5,969		13%
<b>TOTAL OPERATING REVENUES</b>	<u>4,792,986</u>		<u>5,038,187</u>		<u>(245,201)</u>		-5%
<b>EXPENSES</b>							
Cost of Sales	4,160,334	88%	4,395,790	88%	(235,456)		-5%
Selling & Admin. Expenses	324,623	7%	256,000	5%	68,623		27%
<b>TOTAL EXPENSES</b>	<u>4,484,957</u>	95%	<u>4,651,790</u>	93%	<u>(166,833)</u>		-4%
<b>OPERATING EARNINGS</b>	<u>308,029</u>	6%	<u>386,397</u>	8%	<u>(78,368)</u>		-20%
Other Income - Non Operating	2,639		4,549		(1,910)		
Interest	51,135		54,196		(3,061)		-6%
Interest Expenses	(1,740)		(1,918)		178		
<b>EARNINGS before Income Tax</b>	<u>360,063</u>	8%	<u>443,224</u>	9%	<u>(83,161)</u>		-19%
Corporate Income Tax	(4,395)	0%	(14,539)	0%	10,144		-70%
<b>Earnings before Exch. &amp; Exceptional Items</b>	<u>355,668</u>		<u>428,685</u>		<u>(73,017)</u>		-17%
Exchange Gain (Loss)	128,194		88,005		40,189		
Exceptional Items	-		-		-		
<b>NET EARNINGS for the Period</b>	<u>483,862</u>	10%	<u>516,690</u>	10%	<u>(32,828)</u>		-6%
<b>EARNINGS % of SALES</b>	10%		10%		0%		
Average number of shares (1 Baht par)	804,879		804,879		-		
EARNINGS per SHARE (baht) before exch. & exceptionals	0.44		0.53		-	0.09	
EARNINGS per SHARE (baht) after exceptionals	0.60		0.64		-	0.04	
Operating Profit (EBIT)	308,029		386,397		(78,368)		-20%
Operating Profit Margin	6%		8%				
Depreciation	293,894		285,089		8,805		
EBITDA (excl exchange gain/loss)	601,923		671,486		(69,563)		-10%
EBITDA % of Sales Revenue	13%		13%				
Cashflow Earnings per Share	0.75		0.83		-	0.08	

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter 31-Mar-16	Quarter 31-Mar-15	Q116-Q115	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash in Hand & at Banks	6,694,231	6,008,567	685,664	
Financial Investments	2,992,254	2,700,918	291,336	
Accounts Receivable - trade	3,087,014	3,159,458	(72,444)	
Amounts due from Related Companies	-	-		
Inventories	3,358,684	3,339,076	19,608	
Other Current Assets	161,713	160,160	1,553	
<b>TOTAL CURRENT ASSETS</b>	<b>16,293,896</b>	<b>15,368,179</b>	<b>925,717</b>	
Fixed Deposit	-	327,651	(327,651)	
<b>FIXED ASSETS (net)</b>	<b>6,745,838</b>	<b>6,532,852</b>	<b>212,986</b>	
OTHER ASSETS	218,113	201,038	17,075	
<b>TOTAL ASSETS</b>	<b>23,257,847</b>	<b>22,429,720</b>	<b>828,127</b>	
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Bank Overdrafts & Loans	-	-		
Accounts & Notes Payable	2,441,006	2,531,501	(90,495)	
Corporate Income Tax Payable	20,327	167,291	(146,964)	
Accrued Expenses	345,765	362,443	(16,678)	
Other Current Liabilities	123,066	61,048	62,018	
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,930,164</b>	<b>3,122,283</b>	<b>(192,119)</b>	
<b>LONG TERM LIABILITIES</b>	<b>545,037</b>	<b>540,621</b>	<b>4,416</b>	
<b>TOTAL LIABILITIES</b>	<b>3,475,201</b>	<b>3,662,904</b>	<b>(187,703)</b>	
<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	416,981	386,272	30,709	
Unappropriated	15,975,014	15,545,523	429,491	
Translation adj. & Investment revaluation	862,553	306,923	555,630	
Unrealised gain(loss) on change in investments	-	-		
Excess Cost over Net Book Value of Subsidiary Investments	-	-		
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>19,782,646</b>	<b>18,766,816</b>	<b>1,015,830</b>	
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<b>23,257,847</b>	<b>22,429,720</b>	<b>828,127</b>	
	0	(0)		
Cash & Equivalents	9,686,485	9,037,136	649,349	7%
Liabilities	3,475,201	3,662,904	-187,703	
Debt/Equity	0.18	0.20	-0.02	
Net Debt (Net cash)	-6,211,284	-5,374,232	-837,052	
Net Debt/Equity	-0.31	-0.29	-0.03	

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter</u> <u>31-Mar-16</u>	<u>Quarter</u> <u>31-Mar-15</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings before tax	488,257	531,229
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	296,528	285,089
Unrealised (gain) Loss on exchange	(196,442)	(55,442)
Increase (Decrease) in allowance for doubtful debts	8,520	(5,984)
Increase (Decrease) in allowance for obsolete inventories	27,198	13,421
Change in other provisions	(58,421)	(5,382)
	<u>77,383</u>	<u>231,702</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	188,912	184,105
Inventories	50,345	(23,583)
Trade accounts payable	113,819	92,638
Other	(47,037)	(106,038)
	<u>306,039</u>	<u>147,122</u>
<b>Net Cashflow from Operating Activities</b>	<u>871,679</u>	<u>910,053</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	142,066	198,310
Increase in property, plant and equipment	(186,947)	(434,291)
Proceeds from sale of fixed assets	1,460	3,260
Increase (decrease) in translation adjustment	(234,219)	(110,486)
Revaluation deficit on investments	(3,943)	(25,502)
Other		
	<u>(281,583)</u>	<u>(368,709)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	-	-
Dividend paid	-	-
Other	-	-
Net cash (used in ) from financing activities	<u>-</u>	<u>-</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	590,096	541,344
Cash and Equivalents at the beginning of the period	<u>6,104,135</u>	<u>5,467,223</u>
Cash and Equivalents at the end of the period	<u>6,694,231</u>	<u>6,008,567</u>

# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	<u>Quarter</u> <b>31-Dec-16</b>	<u>Quarter</u> <b>31-Mar-15</b>	<u>Q116-Q115</u>
<b>Profitability Ratios</b>			
Gross Profit Margin (%)	12%	12%	0%
Operating Profit Margin (%)	6%	8%	-1%
Net Profit before Exceptional Margin (%)	7%	9%	-1%
Net Profit after Exceptional Margin (%)	10%	10%	0%
EBITDA margin (%)	13%	13%	-1%
Return On Equity (%) pa	10%	11%	-1%
Return On Assets (%) pa	8%	9%	-1%
Return On Operating Capital Employed (%) pa	12%	15%	-4%
<b>Efficiency Ratios</b>			
Working Capital turnover	5	5	
Account Receivable days	59	57	2
Inventory days	73	68	5
Accounts Payable days	53	52	1
<b>Liquidity Ratios</b>			
Current Ratio	6	5	1
Quick Ratio	4	4	1
<b>Financial Capital Ratios</b>			
Debt / Equity	0	0	0
Net Debt to Equity	0	0	0
Interest Coverage	n/a	n/a	