

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 10% year on year at THB 5.2 billion for the second quarter of 2017 from THB 4.8 billion for the second quarter 2016. Sales Revenue in USD terms increased by 13% to USD 153m from USD 135m in Q2 2016. Operating Profits increased 40% to THB 539m in Q2 2017 from THB 384m in Q2 2016.

Net Profit increased 62% to THB 676m in Q217 from THB 417m in Q216, due to higher operating profits and exchange gain in Q217.

THB '000	Quarter		Quarter		%	
	Q217		Q216		Q217-Q216	Q217-Q216
PCBA (Lamphun, Thailand)	2,013,567	39%	1,740,638	37%	272,929	16%
PCBA (Jiaxing, China)	870,137	17%	873,858	18%	(3,721)	0%
PCBA (Cambodia)	23,155	0%	13,634	0%	9,521	70%
IC (Ayutthaya, Thailand)	1,715,213	33%	1,666,182	35%	49,031	3%
IC (Jiaxing, China)	325,180	6%	260,883	6%	64,297	25%
HMT (Ohio, USA)	285,040	5%	208,483	4%	76,557	37%
Total Revenue	5,232,292	100%	4,763,679	100%	468,613	10%

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

Quarter 2 2017 sales revenue for the group increased 13% year-on-year in USD terms, from USD 135m in Q216 to USD 153m in Q217. The average exchange rate for Q217 was 3% stronger at THB/USD 34.3 from THB/USD 35.3 in Q216. As a result the sales revenue in THB terms increased 10% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales increased by 13%. Sales in Lamphun increased 24% whilst Jiaxing increased by 2%. The IC divisions sales revenues increased 9% in Q217, with revenues of the IC division in Ayutthaya increasing by 5% and Jiaxing increasing by 28%. "HMT" the Microdisplay/RFID operation in Ohio sales revenue increased 40%.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter, in USD terms, sales for the group increased 2% from USD 149m in Q117 to USD 153m in Q217. In THB equivalent the group sales were down 9% in Q217 compared to Q117 due to the average THB/USD exchange rate being 3% stronger at 34.3 in Q217 from 35.1 in Q117. Sales in the microelectronics division increased 4% with Lamphun increasing 5% and Jiaxing increasing 1%. Sales revenues from the IC divisions were 3% higher in Q217 with Ayutthaya sales similar and Jiaxing IC sales increasing by 18%. The Microdisplay division sales decreased 18% in Q217 compared to Q117.

Sales Revenue Split

	Q2 2017	Q117	Q4 2016	Q3 2016	Q2 2016
PCBA (Lamphun, Thailand)	37%	38%	38%	36%	37%
PCBA (Jiaxing, China)	17%	18%	18%	18%	19%
PCBA (Cambodia)	0%	0%	0%	0%	0%
IC (Ayutthaya, Thailand)	34%	34%	34%	36%	35%
IC (Jiaxing, China)	5%	5%	5%	5%	5%
HMT (Ohio, USA)	7%	5%	5%	5%	4%
	100%	100%	100%	100%	100%

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

The Gross Profit margin was 15% in Q217 up from Q216 at 12% due to increased sales volume, and a more favourable product mix.

Operating Profit Analysis

Year-on-year operating profits were 40% higher at THB 539m in Q217 compared to THB 384m in Q216. The Operating margin was 10% in Q217 up 2% from 8% in Q216 due to the higher gross margin. SG&A expenses were 10% higher in Q217 than in Q216 due to higher salary expenses. SG&A expenses in Q217 were 3% lower than Q117.

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 Q217 was Baht/USD 34.30, Q216 was Baht/USD 35.28 (and Q117 was Baht/USD 35.12).

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 33.98 at 30/06/17, and Baht/USD 35.18 at 30/06/16 (34.45 at 31/03/17) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

In Q217 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2016.

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

Financial Status

The group currently has no interest bearing debt. Cash reserves and financial investments at the 30th June 2017 were THB 10.0 billion up from 30th June, 2016 were THB 9.5 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 Q217 and 57 days in Q216.

	<u>30-Jun-17</u>	<u>30-Jun-16</u>	THB '000
Trade Receivables			
Less than 3 months	2,770,494	2,835,338	
3 - 6 months	14,687	29,338	
6 - 12 months	10,246	5,306	
More than 12 months	7,924	2,073	
Total accounts receivable - other companies	2,803,351	2,872,055	
Less : Allowance for doubtful accounts	(22,567)	(13,622)	
	<u>2,780,784</u>	<u>2,858,433</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 79 days as at 30th June, 2017 and 78 days as at 30th June, 2016.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q2 2017 was THB 807m which was 18% higher than Q2 2016 was THB 676m.

Capital Expenditure

Capital Expenditure was THB 430m in Q2 2017, and THB 155m in Q2 2016. 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 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		Quarter		%	
	Q217		Q216		Q217-Q216	Q217-Q216
REVENUES						
Sales	5,232,292		4,763,679		468,613	10%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	2,013,567	39%	1,740,639	37%	272,928	16%
<i>PCBA (Jiaxing, China)</i>	870,137	17%	873,858	18%	(3,721)	0%
<i>PCBA (Cambodia)</i>	23,155	0%	13,634	0%	9,521	70%
<i>IC (Ayutthaya, Thailand)</i>	1,715,213	33%	1,666,182	35%	49,031	3%
<i>IC (Jiaxing, China)</i>	325,180	6%	260,883	6%	64,297	25%
<i>HMT (Ohio, USA)</i>	285,040	5%	208,483	4%	76,557	37%
	<u>5,232,292</u>	100%	<u>4,763,679</u>	100%	<u>468,613</u>	10%
Other Income	66,240		63,665		2,575	4%
TOTAL OPERATING REVENUES	<u>5,298,532</u>		<u>4,827,344</u>		<u>471,188</u>	10%
EXPENSES						
Cost of Sales	4,466,944	85%	4,176,893	88%	290,051	7%
Selling & Admin. Expenses	292,815	6%	266,714	6%	26,101	10%
	<u>4,759,759</u>	91%	<u>4,443,607</u>	93%	<u>316,152</u>	7%
TOTAL EXPENSES	<u>4,759,759</u>	91%	<u>4,443,607</u>	93%	<u>316,152</u>	7%
OPERATING EARNINGS	<u>538,773</u>	10%	<u>383,737</u>	8%	<u>155,036</u>	40%
Interest	56,152		50,159		5,993	12%
Interest Expenses	(1,679)		(1,692)		13	
EARNINGS before Income Tax	<u>593,246</u>	11%	<u>432,204</u>	9%	<u>161,042</u>	37%
Corporate Income Tax	(22,220)	0%	(24,574)	-1%	2,354	-10%
Earnings before Exch. & Exceptional Items	<u>571,026</u>		<u>407,630</u>		<u>163,396</u>	40%
Exchange Gain (Loss)	104,533		9,450		95,083	
Exceptional Items	-		-		-	
NET EARNINGS for the Period	<u>675,559</u>	13%	<u>417,081</u>	9%	<u>258,478</u>	62%

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CONSOLIDATED STATEMENT OF EARNINGS

	YTD		YTD		YTD	YTD %	
	'000 Baht	<u>30-Jun-17</u>		<u>30-Jun-16</u>	<u>Q217-Q216</u>	<u>Q217-Q216</u>	
REVENUES							
Sales		10,470,065		9,506,075	963,990	10%	
consisting of:							
<i>PCBA (Lamphun, Thailand)</i>		3,963,261	38%	3,639,714	39%	323,547	9%
<i>PCBA (Jiaxing, China)</i>		1,750,192	17%	1,699,739	18%	50,453	3%
<i>PCBA (Cambodia)</i>		43,724	0%	23,737	0%	19,987	
<i>IC (Ayutthaya, Thailand)</i>		3,464,409	33%	3,289,051	35%	175,358	5%
<i>IC (Jiaxing, China)</i>		606,932	6%	516,444	5%	90,488	18%
<i>HMT (Ohio, USA)</i>		641,547	6%	337,390	4%	304,157	90%
		<u>10,470,065</u>	100%	<u>9,506,075</u>	101%	<u>963,990</u>	10%
Other Income		<u>112,747</u>		<u>116,894</u>		<u>(4,147)</u>	-4%
TOTAL OPERATING REVENUES		<u>10,582,812</u>		<u>9,622,969</u>		<u>959,843</u>	10%
EXPENSES							
Cost of Sales		8,861,177	85%	8,337,227	88%	523,950	6%
Selling & Admin. Expenses		594,593	6%	591,337	6%	3,256	1%
		<u>9,455,770</u>	90%	<u>8,928,564</u>	94%	<u>527,206</u>	6%
OPERATING EARNINGS		<u>1,127,042</u>	11%	<u>694,405</u>	7%	<u>432,637</u>	62%
Interest		107,204		101,294		5,910	6%
Interest Expenses		<u>(3,622)</u>		<u>(3,432)</u>		<u>(190)</u>	
EARNINGS before Income Tax		<u>1,230,624</u>	12%	<u>792,267</u>	8%	<u>438,357</u>	55%
Corporate Income Tax		<u>(32,882)</u>	3%	<u>(28,969)</u>	4%	<u>(3,913)</u>	14%
Earnings before Exch. & Exceptional Items		<u>1,197,742</u>		<u>763,298</u>		<u>434,444</u>	57%
Exchange Gain (Loss)		295,405		137,644		157,761	
Exceptional Items		-		-		-	
NET EARNINGS for the Period		<u>1,493,147</u>	14%	<u>900,942</u>	9%	<u>592,205</u>	66%
EARNINGS % of SALES		14%		9%		5%	
Average number of shares (1 Baht par)		804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals		1.49		0.95		0.54	
EARNINGS per SHARE (baht) after exceptionals		1.86		1.12		0.74	
Operating Profit (EBIT)		1,127,042		694,405		432,637	
Operating Profit Margin		11%		7%			
Depreciation		553,322		586,086		(32,764)	
EBITDA (excl exchange gain/loss)		1,680,364		1,280,491		399,873	
EBITDA % of Sales Revenue		16%		13%			
Cashflow Earnings per Share		2.09		1.59		0.50	

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CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Jun-17</u>	Quarter <u>30-Jun-16</u>	<u>Q217-Q216</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	6,950,319	6,758,422	191,897
Financial Investments	3,061,915	2,732,212	329,703
Accounts Receivable - trade	3,613,625	2,994,066	619,559
Amounts due from Related Companies	-	-	
Inventories	3,905,236	3,615,944	289,292
Other Current Assets	246,415	221,442	24,973
TOTAL CURRENT ASSETS	<u>17,777,510</u>	<u>16,322,086</u>	<u>1,455,424</u>
Fixed Deposit	-	-	
FIXED ASSETS (net)	6,220,510	6,555,582	(335,072)
OTHER ASSETS	215,438	223,399	(7,961)
TOTAL ASSETS	<u>24,213,458</u>	<u>23,101,067</u>	<u>1,112,391</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	3,053,543	2,736,240	317,303
Corporate Income Tax Payable	23,595	16,204	7,391
Accrued Expenses	339,814	351,106	(11,292)
Other Current Liabilities	70,904	55,538	15,366
TOTAL CURRENT LIABILITIES	<u>3,487,856</u>	<u>3,159,088</u>	<u>328,768</u>
LONG TERM LIABILITIES	475,387	561,246	(85,859)
TOTAL LIABILITIES	<u>3,963,243</u>	<u>3,720,334</u>	<u>242,909</u>
SHAREHOLDERS EQUITY			
Share Capital	804,879	804,879	
Treasury Shares	-	-	
Share Premium	1,723,219	1,723,219	0
Retained Earnings			
Appropriated Statutory Reserve	428,706	416,981	11,725
Unappropriated	16,776,381	15,587,215	1,189,166
Translation adj. & Investment revaluation	517,030	848,439	(331,409)
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>20,250,215</u>	<u>19,380,733</u>	<u>869,482</u>
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>24,213,458</u>	<u>23,101,067</u>	<u>1,112,391</u>

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Jun-17</u>	Quarter <u>30-Jun-16</u>
Cashflow from Operating Activities		
Net Earnings before tax	697,779	441,654
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	268,202	294,483
Unrealised (gain) Loss on exchange	253,426	(122,731)
Increase (Decrease) in allowance for doubtful debts	(5,784)	(19,143)
Increase (Decrease) in allowance for obsolete inventories	15,051	27,257
Change in other provisions	(99,542)	(15,242)
	<u>431,353</u>	<u>164,624</u>
Working Capital (increase) decrease		
Trade accounts receivable	(164,449)	112,140
Inventories	(87,598)	(284,517)
Trade accounts payable	49,841	302,682
Other	(31,942)	(56,105)
	<u>(234,148)</u>	<u>74,200</u>
Net Cashflow from Operating Activities	<u>894,984</u>	<u>680,478</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	109,471	374,789
Increase in property, plant and equipment	(277,442)	(143,943)
Proceeds from sale of fixed assets	6,322	52,042
Increase (decrease) in translation adjustment	(107,659)	(82,773)
Revaluation deficit on investments	(16,092)	(11,523)
Other		
	<u>(285,400)</u>	<u>188,592</u>
Cashflow from Financing Activities		
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)	(195,295)	64,191
Cash and Equivalents at the beginning of the period	<u>6,840,314</u>	<u>6,694,231</u>
Cash and Equivalents at the end of the period	6,645,019	6,758,422

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Financial Ratios

'000 Baht	Quarter <u>30-Jun-17</u>	Quarter <u>30-Jun-16</u>	<u>Q217-Q216</u>
Profitability Ratios			
Gross Profit Margin (%)	15%	12%	3%
Operating Profit Margin (%)	10%	8%	2%
Net Profit before Exceptional Margin (%)	11%	9%	2%
Net Profit after Exceptional Margin (%)	13%	9%	4%
EBITDA margin (%)	15%	14%	1%
Return On Equity (%) pa	13%	9%	4%
Return On Assets (%) pa	11%	7%	4%
Return On Operating Capital Employed (%) pa	20%	15%	5%
Efficiency Ratios			
Working Capital turnover	5	5	
Account Receivable days	62	57	5
Inventory days	79	78	1
Accounts Payable days	62	59	3
Liquidity Ratios			
Current Ratio	5	5	
Quick Ratio	4	4	
Financial Capital Ratios			
Debt / Equity	0	0	
Net Debt to Equity	0	0	
Interest Coverage	n/a	n/a	