

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 12% year on year at THB 5.7 billion for the fourth quarter of 2016 from THB 5.1 billion for the fourth quarter 2015. Sales Revenue in USD terms increased by 13% to USD 162m from USD 143m in Q4 2015. Operating Profits increased 3% to THB 725m in Q4 2016 from THB 701m in Q4 2015 and sequentially were up 36% over THB 534m in Q316.

Net Profit decreased 23% to THB 636m in Q416 from THB 822m in Q415, due to similar offset by Bht 200m negative change in foreign exchange gain (loss).

| THB '000 | Quarter | | Quarter | | % | |
|--------------------------|------------------|-------------|------------------|-------------|----------------|------------|
| | Q416 | | Q415 | | Q416-Q415 | Q416-Q415 |
| PCBA (Lamphun, Thailand) | 2,249,913 | 39% | 2,064,961 | 41% | 184,952 | 9% |
| PCBA (Jiaxing, China) | 997,219 | 17% | 958,475 | 19% | 38,744 | 4% |
| PCBA (Cambodia) | 39,454 | 1% | 14,038 | 0% | 25,416 | |
| IC (Ayutthaya, Thailand) | 1,808,380 | 32% | 1,681,344 | 33% | 127,036 | 8% |
| IC (Jiaxing, China) | 294,710 | 5% | 310,455 | 6% | (15,745) | -5% |
| HMT (Ohio, USA) | 336,477 | 6% | 95,393 | 2% | 241,084 | 253% |
| Total Revenue | 5,726,153 | 100% | 5,124,666 | 101% | 601,487 | 12% |

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 4 2016 sales revenue for the group increased 13% year-on-year in USD terms, from USD 143m in Q415 to USD 162m in Q416. The average exchange rate for Q416 was 1% stronger at THB/USD 35.4 from THB/USD 35.8 in Q415. As a result the sales revenue in THB terms increased 12% year on year for the quarter.

Year-on-year, the microelectronics divisions sales increased by 9% in USD terms. Sales in Lamphun increased 11% whilst JiaXing increased by 6%. The IC divisions USD sales revenues increased 7% in Q416, with revenues of the IC divisions in Ayutthaya increasing by 9% and JiaXing decreasing by 3%. "HMT" the Microdisplay/RFID operation in Ohio sales revenue increased 254%.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter Group sales increased by 7% from USD 152m in Q316 to USD 162m in Q416. In THB equivalent the group sales were up 8% in Q416 compared to Q316 due to the average THB/USD exchange rate being 1.6% weaker at 35.4 in Q416 from 34.8 in Q316. Sales in the microelectronics division increased 12% with Lamphun increasing 17% and JiaXing increasing 1%. Sales revenues from the IC divisions were 3% lower in Q416 with Ayutthaya sales decreasing by 5% and JiaXing IC sales increasing by 10%. The Microdisplay division sales increased 20% in Q416 compared to Q316.

Sales Revenue Split

| | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 |
|--------------------------|---------|---------|---------|---------|---------|
| PCBA (Lamphun, Thailand) | 39% | 36% | 37% | 41% | 40% |
| PCBA (Jiaxing, China) | 17% | 18% | 19% | 17% | 19% |
| PCBA (Cambodia) | 1% | 0% | 0% | 0% | 0% |
| IC (Ayutthaya, Thailand) | 32% | 36% | 35% | 34% | 33% |
| IC (Jiaxing, China) | 5% | 5% | 5% | 5% | 6% |
| HMT (Ohio, USA) | 6% | 5% | 4% | 3% | 2% |
| | 100% | 100% | 100% | 100% | 100% |

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

The Gross Profit margin was 17% in Q416 down from Q415 at 18% due lower selling prices leading to a higher percentage of material costs (1%).

Operating Profit Analysis

Year-on-year operating profits were 3% higher at THB 725m in Q416 compared to THB 701m in Q415. The Operating margin was 13% in Q416 down 1% from 14% in Q415 due to lower gross margin (1%). SG&A expenses were 7% higher in Q416 than in Q415 due to higher salary expenses. SG&A expenses in Q416 were 1% lower than Q316.

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 Q416 was Baht/USD 35.39, Q415 was Baht/USD 35.83 (and Q316 was Baht/USD 34.84).

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 35.83 at 31/12/16, and Baht/USD 36.09 at 31/12/15 (34.70 at 30/09/16) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

In Q416 THB 805m dividend of THB 1.00 per share was paid as an interim dividend 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.

In Q415 THB 805m dividend of THB 1.00 per share was paid as an interim dividend 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.

In Q414 THB 805m dividend of THB 1.00 per share was paid as an interim dividend from the profits of 2014.

Financial Status

The group currently has no interest bearing debt. Cash reserves and financial investments at the 31st December, 2016 were THB 9.9 billion up from THB 9.1 billion at 31st December, 2015.

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 56 days in Q416 and 58 days in Q415.

| | <u>31-Dec-16</u> | <u>31-Dec-15</u> | THB '000 |
|---|------------------|------------------|----------|
| Trade Receivables | | | |
| Less than 3 months | 3,404,803 | 3,110,049 | |
| 3 - 6 months | 18,549 | 61,075 | |
| 6 - 12 months | 26,032 | 2,511 | |
| More than 12 months | 4,443 | 1,306 | |
| Total accounts receivable - other companies | 3,453,827 | 3,174,941 | |
| Less : Allowance for doubtful accounts | (19,855) | (24,245) | |
| | <u>3,433,972</u> | <u>3,150,696</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 69 days as at 31st December, 2016 and 72 days as at 31st December, 2015.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring

EBITDA) in Q4 2016 was THB 1,025m which was 2% higher than Q4 2015 was THB 1,006m.

Capital Expenditure

Capital Expenditure was THB 167m in Q4 2016, and THB 315m in Q4 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 | | % | |
|--|------------------|------|------------------|------|------------------|------------------|
| | <u>Q416</u> | | <u>Q415</u> | | <u>Q416-Q415</u> | <u>Q416-Q415</u> |
| REVENUES | | | | | | |
| Sales | 5,726,153 | | 5,124,665 | | 601,488 | 12% |
| consisting of: | | | | | | |
| <i>PCBA (Lamphun, Thailand)</i> | 2,249,913 | 39% | 2,064,961 | 41% | 184,952 | 9% |
| <i>PCBA (Jiaxing, China)</i> | 997,219 | 17% | 958,475 | 19% | 38,744 | 4% |
| <i>PCBA (Cambodia)</i> | 39,454 | 1% | 14,038 | 0% | 25,416 | 181% |
| <i>IC (Ayutthaya, Thailand)</i> | 1,808,380 | 32% | 1,681,344 | 33% | 127,036 | 8% |
| <i>IC (Jiaxing, China)</i> | 294,710 | 5% | 310,455 | 6% | (15,745) | -5% |
| <i>HMT (Ohio, USA)</i> | 336,477 | 6% | 95,393 | 2% | 241,084 | 253% |
| | <u>5,726,153</u> | 100% | <u>5,124,666</u> | 101% | <u>601,487</u> | 12% |
| Share of Assoc. company Profit | - | | - | | - | |
| Other Income - Operating | 53,934 | | 51,879 | | 2,055 | 4% |
| TOTAL OPERATING REVENUES | <u>5,780,087</u> | | <u>5,176,545</u> | | <u>603,542</u> | 12% |
| EXPENSES | | | | | | |
| Cost of Sales | 4,767,845 | 83% | 4,206,272 | 82% | 561,573 | 13% |
| Selling & Admin. Expenses | 287,131 | 5% | 268,988 | 5% | 18,143 | 7% |
| TOTAL EXPENSES | <u>5,054,976</u> | 88% | <u>4,475,260</u> | 87% | <u>579,716</u> | 13% |
| OPERATING EARNINGS | <u>725,112</u> | 13% | <u>701,286</u> | 14% | <u>23,826</u> | 3% |
| Other Income - Non Operating | 8,823 | | 1,327 | | 7,496 | |
| Interest | 52,958 | | 55,310 | | (2,352) | -4% |
| Interest Expenses | (2,172) | | (2,269) | | 97 | |
| EARNINGS before Income Tax | <u>784,721</u> | 14% | <u>755,653</u> | 15% | <u>29,068</u> | 4% |
| Corporate Income Tax | (20,632) | 0% | (4,789) | 0% | (15,843) | 331% |
| Earnings before Exch. & Exceptional Items | <u>764,089</u> | | <u>750,864</u> | | <u>13,225</u> | 2% |
| Exchange Gain (Loss) | (128,626) | | 70,909 | | (199,535) | |
| Exceptional Items | - | | - | | - | |
| NET EARNINGS for the Period | <u>635,463</u> | 11% | <u>821,773</u> | 16% | <u>(186,310)</u> | -23% |

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

| '000 Baht | Quarter <u>31-๓.๓.-16</u> | Quarter <u>31-๓.๓.-15</u> | <u>Q416-Q415</u> |
|---|------------------------------|------------------------------|------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash in Hand & at Banks | 6,347,595 | 6,450,054 | (102,459) |
| Financial Investments | 3,292,934 | 2,670,990 | 621,945 |
| Accounts Receivable - trade | 3,561,206 | 3,317,966 | 243,240 |
| Amounts due from Related Companies | - | - | |
| Inventories | 3,676,207 | 3,366,602 | 309,605 |
| Other Current Assets | 159,638 | 202,023 | (42,386) |
| TOTAL CURRENT ASSETS | <u>17,037,580</u> | <u>16,007,635</u> | <u>1,029,945</u> |
| Fixed Deposit | 313,262 | - | 313,262 |
| FIXED ASSETS (net) | <u>6,217,792</u> | <u>6,901,339</u> | <u>(683,547)</u> |
| OTHER ASSETS | 212,149 | 213,866 | (1,716) |
| TOTAL ASSETS | <u>23,780,784</u> | <u>23,122,840</u> | <u>657,944</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Bank Overdrafts & Loans | - | - | |
| Accounts & Notes Payable | 2,813,467 | 2,412,958 | 400,509 |
| Corporate Income Tax Payable | 42,023 | 19,269 | 22,753 |
| Accrued Expenses | 358,307 | 347,248 | 11,059 |
| Other Current Liabilities | 150,343 | 385,350 | (235,007) |
| TOTAL CURRENT LIABILITIES | <u>3,364,139</u> | <u>3,164,825</u> | <u>199,314</u> |
| LONG TERM LIABILITIES | <u>454,879</u> | <u>534,440</u> | <u>(79,560)</u> |
| TOTAL LIABILITIES | <u>3,819,019</u> | <u>3,699,265</u> | <u>119,754</u> |
| SHAREHOLDERS EQUITY | | | |
| Share Capital | 804,879 | 804,879 | 0 |
| Treasury Shares | - | - | |
| Share Premium | 1,723,219 | 1,723,219 | 0 |
| Retained Earnings | | | |
| Appropriated Statutory Reserve | 428,284 | 416,331 | 11,953 |
| Unappropriated | 16,088,535 | 15,491,802 | 596,734 |
| Translation adj. & Investment revaluation | 916,848 | 987,344 | (70,496) |
| Unrealised gain(loss) on change in investments | - | - | |
| Excess Cost over Net Book Value of Subsidiary Investments | - | - | |
| TOTAL SHAREHOLDERS EQUITY | <u>19,961,765</u> | <u>19,423,575</u> | <u>538,190</u> |
| TOTAL LIABILITIES & SHAREHOLDERS EQUITY | <u>23,780,784</u> | <u>23,122,840</u> | <u>657,944</u> |

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

| '000 Baht | Quarter <u>31-๓.-16</u> | Quarter <u>31-๓.-15</u> |
|---|----------------------------|----------------------------|
| Cashflow from Operating Activities | | |
| Net Earnings before tax | 656,095 | 826,562 |
| Adjustments to reconcile net earnings to net cash provided by operating activities | | |
| Non Cash items | | |
| Depreciation | 292,509 | 301,298 |
| Unrealised (gain) Loss on exchange | 138,701 | (170,318) |
| Increase (Decrease) in allowance for doubtful debts | 2,712 | (3,780) |
| Increase (Decrease) in allowance for obsolete inventories | (152) | 58,139 |
| Change in other provisions | (80,151) | (49,690) |
| | <u>353,618</u> | <u>135,649</u> |
| Working Capital (increase) decrease | | |
| Trade accounts receivable | 100,690 | 288,978 |
| Inventories | (75,979) | (77,280) |
| Trade accounts payable | 57,231 | (517,095) |
| Other | (60,632) | 107,303 |
| | <u>21,310</u> | <u>(198,094)</u> |
| Net Cashflow from Operating Activities | <u>1,031,023</u> | <u>764,117</u> |
| Cashflow from Investing Activities | | |
| (Increase) decrease in short term investment | 548,454 | (9,743) |
| Increase in property, plant and equipment | (410,492) | (296,883) |
| Proceeds from sale of fixed assets | 109 | 9,333 |
| Increase (decrease) in translation adjustment | 222,739 | (146,280) |
| Revaluation deficit on investments | 23,220 | 23,637 |
| Other | | |
| | <u>384,029</u> | <u>(419,936)</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) | 610,173 | (460,697) |
| Cash and Equivalents at the beginning of the period | <u>5,737,422</u> | <u>5,887,193</u> |
| Cash and Equivalents at the end of the period | 6,347,595 | 5,426,495 |

HANA MICROELECTRONICS GROUP

Financial Ratios

| '000 Baht | Quarter <u>31-๕.๓.-15</u> | Quarter <u>31-๕.๓.-15</u> | <u>Q416-Q415</u> |
|---|------------------------------|------------------------------|------------------|
| Profitability Ratios | | | |
| Gross Profit Margin (%) | 17% | 18% | -1% |
| Operating Profit Margin (%) | 13% | 14% | -1% |
| Net Profit before Exceptional Margin (%) | 13% | 15% | -2% |
| Net Profit after Exceptional Margin (%) | 11% | 16% | -5% |
| EBITDA margin (%) | 18% | 20% | -2% |
| Return On Equity (%) pa | 13% | 17% | -4% |
| Return On Assets (%) pa | 11% | 14% | -3% |
| Return On Operating Capital Employed (%) pa | 28% | 26% | 2% |
| Efficiency Ratios | | | |
| Working Capital turnover | 5 | 5 | |
| Account Receivable days | 56 | 58 | - 2 |
| Inventory days | 69 | 72 | - 3 |
| Accounts Payable days | 53 | 52 | 1 |
| 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 | |