

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue was down 3% year on year at THB 5.1 billion for the fourth quarter of 2015 compared to THB 5.3 billion for the fourth quarter of 2014. Sales Revenue in USD terms decreased by 12% to USD 143m from USD 162m in Q4 2014. Operating Profits increased 34% to THB 701m in Q4 2015 from THB 523m in Q4 2014.

Net Profit increased 52% to THB 822m in Q415 from THB 542m in Q414, due to higher operating profit and Bht 71m foreign exchange gain.

	<u>Quarter</u>		<u>Quarter</u>		<u>%</u>	
	<u>31-Dec-15</u>		<u>31-Dec-14</u>		<u>Q415-Q414</u>	<u>Q415-Q414</u>
PCBA (Lamphun, Thailand)	2,064,960	40%	2,527,031	48%	(462,071)	-18%
PCBA (Jiaxing, China)	958,475	19%	1,052,294	20%	(93,819)	-9%
PCBA (Cambodia)	14,038	0%	-	0%	14,038	
IC (Ayutthaya, Thailand)	1,681,344	33%	1,357,295	26%	324,049	24%
IC (Jiaxing, China)	310,455	6%	314,201	6%	(3,746)	-1%
HMT (Ohio, USA)	95,393	2%	51,780	1%	43,613	84%
Total Revenue	5,124,664		5,302,601		(177,937)	-3%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 4 2015 sales revenue for the group decreased 12% year-on-year in USD terms, from USD 162m in Q414 to USD 143m in Q415. The average exchange rate for Q415 was 10% weaker at THB/USD 35.83 from THB/USD 32.71 in Q414. As a result the sales revenue in THB terms was 3% lower year on year.

Year-on-year, the microelectronics divisions sales decreased by 23% in USD terms. Sales in Lamphun decreased 25% (mainly due to a drop in high material content sales) whilst JiaXing decreased by 17%. The IC divisions USD sales revenues increased 9% in Q415, with revenues of the IC divisions in Ayutthaya increasing by 13% and JiaXing decreasing by 9%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 70%.

Quarter on Quarter Sales Revenue Analysis

Group sales decreased quarter on quarter by 5% from USD 150m in Q315 to USD 143m in Q415. Sales in the microelectronics division decreased 7% with Lamphun decreasing 6% and JiaXing decreasing 8%. Sales revenues from the IC divisions were 3% lower in Q415 with Ayutthaya sales increasing by 2% and JiaXing IC sales decreasing by 6%. The microdisplay division sales increased 9% in Q415 compared to Q315. In THB equivalent the group sales decreased by 3% in Q415 compared to Q315. The average THB/USD exchange rate was 2% weaker at 35.83 in Q415 from 35.25 in Q315.

Sales Revenue Split

	<u>Q4 2015</u>	<u>Q3 2015</u>	<u>Q2 2015</u>	<u>Q1 2015</u>	<u>Q4 2014</u>
PCBA (Lamphun, Thailand)	40%	41%	43%	46%	48%
PCBA (Jiaxing, China)	19%	19%	20%	19%	20%
PCBA (Cambodia)	0%	0%	0%	0%	0%
IC (Ayutthaya, Thailand)	33%	32%	30%	28%	25%
IC (Jiaxing, China)	6%	6%	6%	6%	6%
HMT (Ohio, USA)	2%	2%	1%	1%	1%
	100%	100%	100%	100%	100%

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

The Gross Profit margin was 18% in Q415 up from Q414 at 14% due to weaker THB exchange rate (3%) and higher growth rate in Ayutthaya IC plant (1%).

Operating Profit Analysis

Year-on-year operating profits were 34% higher at THB 701m in Q415 compared to THB 523m in Q414. The Operating margin was 14% in Q415 up from 10% in Q414 due to higher gross profits (4%). SG&A expenses were 2% lower in Q415 than in Q414. SG&A expenses in Q415 were 5% lower than Q315.

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 Q415 was Baht/USD 35.83, Q414 was Baht/USD 32.71 (and Baht/USD 35.25 in Q315).

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 36.09 at 31/12/15, and Baht/USD 32.96 at 31/12/14 (36.37 at 30/09/15) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

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.

In Q214 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2013.

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 31st December, 2015 were THB 9.1 billion up from 31st December, 2014 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 58 days in Q415 and 57 days in Q414.

	<u>31-Dec-15</u>	<u>31-Dec-14</u>	'000
Trade Receivables			
Less than 3 months	3,110,049	3,196,751	
3 - 6 months	61,075	24,772	
6 - 12 months	2,511	7,820	
More than 12 months	1,306	2,024	
Total accounts receivable - other companies	3,174,941	3,231,367	
Less : Allowance for doubtful accounts	(24,245)	(24,410)	
	<u>3,150,696</u>	<u>3,206,957</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 72 days as at 31st December, 2015 and 66 days as at 31st December, 2014

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (EBITDA) in Q4 2015 was THB 1,006m which was 25% higher than Q4 2014 was THB 802m.

Capital Expenditure

Net Capital Expenditure was THB 315m in Q4 2015 and THB 124m in Q4 2014. 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 <u>31-Dec-15</u>		Quarter <u>31-Dec-14</u>		<u>Q415-Q414</u>	%	<u>Q415-Q414</u>
REVENUES							
Sales	5,124,665		5,302,601		(177,936)		-3%
consisting of:							
<i>PCBA (Lamphun, Thailand)</i>	2,064,960	40%	2,527,031	48%	(462,071)		-18%
<i>PCBA (Jiaxing, China)</i>	958,475	19%	1,052,294	20%	(93,819)		-9%
<i>PCBA (Cambodia)</i>	14,038	0%	-	0%	14,038		
<i>IC (Ayutthaya, Thailand)</i>	1,681,344	33%	1,357,295	26%	324,049		24%
<i>IC (Jiaxing, China)</i>	310,455	6%	314,201	6%	(3,746)		-1%
<i>HMT (Ohio, USA)</i>	95,393	2%	51,780	1%	43,613		84%
	<u>5,124,664</u>	100%	<u>5,302,601</u>	100%	<u>(177,937)</u>		-3%
Share of Assoc. company Profit	-		-		-		
Other Income - Operating	51,879		59,426		(7,547)		-13%
TOTAL OPERATING REVENUES	<u>5,176,544</u>		<u>5,362,027</u>		<u>(185,483)</u>		-3%
EXPENSES							
Cost of Sales	4,182,179	82%	4,539,224	86%	(357,045)		-8%
Selling & Admin. Expenses	293,081	6%	299,586	6%	(6,505)		-2%
TOTAL EXPENSES	<u>4,475,260</u>	87%	<u>4,838,810</u>	91%	<u>(363,550)</u>		-8%
OPERATING EARNINGS	<u>701,284</u>	14%	<u>523,217</u>	10%	<u>178,067</u>		34%
Other Income - Non Operating	1,327		8,486		(7,159)		
Interest	55,310		59,678		(4,368)		-7%
Interest Expenses	(2,269)		(2,042)		(227)		
EARNINGS before Income Tax	<u>755,651</u>	15%	<u>589,339</u>	11%	<u>166,312</u>		28%
Corporate Income Tax	(4,789)	0%	(13,303)	0%	8,514		-64%
Earnings before Exch. & Exceptional Items	<u>750,863</u>		<u>576,036</u>		<u>174,826</u>		30%
Exchange Gain (Loss)	70,909		(34,039)		104,948		
Exceptional Items	-		-		-		
NET EARNINGS for the Period	<u>821,771</u>	16%	<u>541,997</u>	10%	<u>279,774</u>		52%
EARNINGS % of SALES							
Average number of shares (1 Baht par)	804,879		804,879		-		
EARNINGS per SHARE (baht) before exch. & exceptionals	0.93		0.72		0.21		
EARNINGS per SHARE (baht) after exceptionals	1.02		0.67		0.35		
Operating Profit (EBIT)	701,285		523,217		178,067		34%
Operating Profit Margin	14%		10%				
Depreciation	304,317		278,829		25,488		
EBITDA (excl exchange gain/loss)	1,005,601		802,046		203,555		25%
EBITDA % of Sales Revenue	20%		15%				
Cashflow Earnings per Share	1.25		1.00		0.25		

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CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Dec-15</u>	Quarter <u>31-Dec-14</u>	<u>Q415-Q414</u>	
ASSETS				
CURRENT ASSETS				
Cash in Hand & at Banks	6,450,054	5,467,223	982,831	
Financial Investments	2,670,990	2,863,280	(192,290)	
Accounts Receivable - trade	3,317,966	3,354,080	(36,114)	
Amounts due from Related Companies	-	-		
Inventories	3,366,602	3,328,914	37,688	
Other Current Assets	202,023	118,864	83,159	
TOTAL CURRENT ASSETS	<u>16,007,635</u>	<u>15,132,361</u>	<u>875,274</u>	
Fixed Deposit	-	330,690	(330,690)	
FIXED ASSETS (net)	6,901,339	6,405,504	495,836	
OTHER ASSETS	213,866	182,778	31,088	
TOTAL ASSETS	<u>23,122,840</u>	<u>22,051,332</u>	<u>1,071,508</u>	
LIABILITIES				
CURRENT LIABILITIES				
Bank Overdrafts & Loans	-	-		
Accounts & Notes Payable	2,412,958	2,477,893	(64,935)	
Corporate Income Tax Payable	19,269	171,712	(152,442)	
Accrued Expenses	347,248	360,134	(12,886)	
Other Current Liabilities	385,350	162,120	223,230	
TOTAL CURRENT LIABILITIES	<u>3,164,825</u>	<u>3,171,859</u>	<u>(7,033)</u>	
LONG TERM LIABILITIES	534,440	515,862	18,578	
TOTAL LIABILITIES	<u>3,699,265</u>	<u>3,687,720</u>	<u>11,545</u>	
SHAREHOLDERS EQUITY				
Share Capital	804,879	804,879		
Treasury Shares	-	-		
Share Premium	1,723,219	1,723,219		
Retained Earnings				
Appropriated Statutory Reserve	416,331	386,272	30,059	
Unappropriated	15,491,802	15,028,833	462,969	
Translation adj. & Investment revaluation	987,344	420,409	566,935	
Unrealised gain(loss) on change in investments	-	-		
Excess Cost over Net Book Value of Subsidiary Investments	-	-		
TOTAL SHAREHOLDERS EQUITY	<u>19,423,575</u>	<u>18,363,612</u>	<u>1,059,963</u>	
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>23,122,840</u>	<u>22,051,332</u>	<u>1,071,508</u>	
	-	-		
Cash & Equivalents	9,121,044	8,661,192	459,852	5%
Liabilities	3,699,265	3,687,720	11,545	
Debt/Equity	0.19	0.20	-0.01	
Net Debt (Net cash)	-5,421,778	-4,973,471	-448,307	
Net Debt/Equity	-0.28	-0.27	-0.01	

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CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>31-Dec-15</u>	Quarter <u>31-Dec-14</u>
Cashflow from Operating Activities		
Net Earnings before tax	826,560	555,300
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	301,298	276,393
Unrealised (gain) Loss on exchange	(170,318)	83,611
Increase (Decrease) in allowance for doubtful debts	(3,780)	4,229
Increase (Decrease) in allowance for obsolete inventories	58,139	(14,628)
Change in other provisions	(49,690)	(2,510)
	<u>135,649</u>	<u>347,096</u>
Working Capital (increase) decrease		
Trade accounts receivable	288,978	132,982
Inventories	(77,280)	143,474
Trade accounts payable	(517,095)	(932,515)
Other	107,303	(17,858)
	<u>(198,094)</u>	<u>(673,916)</u>
Net Cashflow from Operating Activities	<u>764,115</u>	<u>228,480</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	667,898	(53,259)
Increase in property, plant and equipment	(296,883)	(111,700)
Proceeds from sale of fixed assets	9,333	1,596
Increase (decrease) in translation adjustment	(146,280)	138,335
Revaluation deficit on investments	23,637	(2,234)
Other		
	<u>257,705</u>	<u>(27,263)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	-	(92)
Dividend paid	(804,879)	(804,879)
Other	-	(0)
Net cash (used in) from financing activities	<u>(804,879)</u>	<u>(804,971)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	216,942	(603,754)
Cash and Equivalents at the beginning of the period	<u>5,887,193</u>	<u>6,070,976</u>
Cash and Equivalents at the end of the period	6,104,135	5,467,222

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Financial Ratios

'000 Baht	<u>Quarter</u> <u>31-Dec-15</u>	<u>Quarter</u> <u>31-Dec-14</u>	<u>Q415-Q414</u>
Profitability Ratios			
Gross Profit Margin (%)	18%	14%	4%
Operating Profit Margin (%)	14%	10%	4%
Net Profit before Exceptional Margin (%)	15%	11%	4%
Net Profit after Exceptional Margin (%)	16%	10%	6%
EBITDA margin (%)	20%	15%	4%
Return On Equity (%) pa	17%	12%	5%
Return On Assets (%) pa	14%	10%	4%
Return On Operating Capital Employed (%) pa	26%	21%	5%
Efficiency Ratios			
Working Capital turnover	5	5	
Account Receivable days	58	57	1
Inventory days	72	66	6
Accounts Payable days	52	49	3
Liquidity Ratios			
Current Ratio	5	5	0
Quick Ratio	4	4	0
Financial Capital Ratios			
Debt / Equity	0	0	0
Net Debt to Equity	0	0	0
Interest Coverage	n/a	n/a	