

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 10% year on year at THB 5.2 billion for the first quarter of 2017 from THB 4.7 billion for the first quarter 2016. Sales Revenue in USD terms increased by 12% to USD 149m from USD 133m in Q1 2016. Operating Profits increased 89% to THB 588m in Q1 2017 from THB 311m in Q1 2016.

Net Profit increased 69% to THB 818m in Q117 from THB 484m in Q116, due to higher operating profits and exchange gain in Q117.

THB '000	Quarter		Quarter		Q117-Q116	%
	Q117		Q116			
PCBA (Lamphun, Thailand)	1,949,694	37%	1,899,075	41%	50,619	3%
PCBA (Jiaxing, China)	880,055	17%	825,881	17%	54,174	7%
PCBA (Cambodia)	20,569	0%	10,103	0%	10,466	104%
IC (Ayutthaya, Thailand)	1,749,196	34%	1,622,869	34%	126,327	8%
IC (Jiaxing, China)	281,752	5%	255,561	5%	26,191	10%
HMT (Ohio, USA)	356,507	7%	128,907	3%	227,600	177%
Total Revenue	5,237,773	100%	4,742,396	100%	495,377	10%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 1 2017 sales revenue for the group increased 12% year-on-year in USD terms, from USD 133m in Q116 to USD 149m in Q117. The average exchange rate for Q117 was 2% stronger at THB/USD 35.1 from THB/USD 35.7 in Q116. As a result the sales revenue in THB terms increased 10% year on year for the quarter.

Year-on-year, the microelectronics divisions sales increased by 5% in USD terms. Sales in Lamphun increased 4% whilst JiaXing increased by 8%. The IC divisions USD sales revenues increased 10% in Q117, with revenues of the IC division in Ayutthaya increasing by 9% and JiaXing increasing by 12%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 280%.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter Group sales decreased by 8% from USD 162m in Q416 to USD 149m in Q117. In THB equivalent the group sales were down 9% in Q117 compared to Q416 due to the average THB/USD exchange rate being 1% stronger at 35.1 in Q117 from 35.4 in Q416. Sales in the microelectronics division decreased 12% with Lamphun decreasing 13% and JiaXing decreasing 11%. Sales revenues from the IC divisions were 3% lower in Q117 with Ayutthaya sales decreasing by 3% and JiaXing IC sales decreasing by 4%. The microdisplay division sales increased 7% in Q117 compared to Q416.

Sales Revenue Split

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
PCBA (Lamphun, Thailand)	37%	38%	36%	37%	41%
PCBA (Jiaxing, China)	17%	18%	18%	19%	17%
PCBA (Cambodia)	0%	0%	0%	0%	0%
IC (Ayutthaya, Thailand)	34%	34%	36%	35%	34%
IC (Jiaxing, China)	5%	5%	5%	5%	5%
HMT (Ohio, USA)	7%	5%	5%	4%	3%
	100%	100%	100%	100%	100%

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

The Gross Profit margin was 16% in Q117 up from Q116 at 12% due to increased sales volume, lower depreciation, and lower facility expenses.

Operating Profit Analysis

Year-on-year operating profits were 89% higher at THB 588m in Q117 compared to THB 311m in Q116. The Operating margin was 11% in Q117 up 4% from 7% in Q116 due to higher gross margin (+4%). SG&A expenses were 7% lower in Q117 than in Q116 due to lower other expenses. SG&A expenses in Q117 were 5% lower than Q416.

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 Q117 was Baht/USD 35.12, Q116 was Baht/USD 35.67 (and Q416 was Baht/USD 35.39).

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 34.45 at 31/03/17, and Baht/USD 35.24 at 31/03/16 (35.83 at 31/12/16) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid in Q117 or Q116.

Financial Status

The group currently has no interest bearing debt. Cash reserves and financial investments at the 31st March 2017 were THB 10.5 billion up from THB 9.7 billion at 31st March 2016.

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 Q117 and 59 days in Q116.

	<u>31-Mar-17</u>	<u>31-Mar-16</u>	THB '000
Trade Receivables			
Less than 3 months	3,278,484	2,894,181	
3 - 6 months	11,154	59,057	
6 - 12 months	8,602	8,385	
More than 12 months	8,262	742	
Total accounts receivable - other companies	3,306,502	2,962,365	
Less : Allowance for doubtful accounts	(28,351)	(32,765)	
	<u>3,278,151</u>	<u>2,929,600</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 77 days as at 31st March, 2017 and 73 days as at 31st March, 2016.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q1 2017 was THB 873m which was 44% higher than Q1 2016 was THB 605m.

Capital Expenditure

Capital Expenditure was THB 188m in Q1 2017, and THB 184m in Q1 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 Q117		Quarter Q116		Q117-Q116	%	Q117-Q116
REVENUES							
Sales	5,237,773		4,742,396		495,377		10%
consisting of:							
<i>PCBA (Lamphun, Thailand)</i>	1,949,694	37%	1,899,075	41%	50,619		3%
<i>PCBA (Jiaxing, China)</i>	880,055	17%	825,881	17%	54,174		7%
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<i>IC (Ayutthaya, Thailand)</i>	1,749,196	34%	1,622,869	34%	126,327		8%
<i>IC (Jiaxing, China)</i>	281,752	5%	255,561	5%	26,191		10%
<i>HMT (Ohio, USA)</i>	356,507	7%	128,907	3%	227,600		177%
	<u>5,237,773</u>	100%	<u>4,742,396</u>	100%	<u>495,377</u>		10%
Other Income	46,507		53,229		(6,722)		-13%
TOTAL OPERATING REVENUES	<u>5,284,280</u>		<u>4,795,625</u>		<u>488,655</u>		10%
EXPENSES							
Cost of Sales	4,394,233	84%	4,160,334	88%	233,899		6%
Selling & Admin. Expenses	301,778	6%	324,623	7%	(22,845)		-7%
	<u>4,696,011</u>	90%	<u>4,484,957</u>	95%	<u>211,054</u>		5%
OPERATING EARNINGS	<u>588,269</u>	11%	<u>310,668</u>	6%	<u>277,601</u>		89%
Interest	51,052		51,135		(83)		0%
Interest Expenses	(1,943)		(1,740)		(203)		
EARNINGS before Income Tax	<u>637,378</u>	12%	<u>360,063</u>	8%	<u>277,315</u>		77%
Corporate Income Tax	(10,662)	0%	(4,395)	0%	(6,267)		143%
Earnings before Exch. & Exceptional Items	<u>626,716</u>		<u>355,668</u>		<u>271,048</u>		76%
Exchange Gain (Loss)	190,872		128,194		62,678		
Exceptional Items	-		-		-		
NET EARNINGS for the Period	<u>817,588</u>	15%	<u>483,862</u>	10%	<u>333,726</u>		69%

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Mar-17</u>	Quarter <u>31-Mar-16</u>	<u>Q117-Q116</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	7,094,164	6,694,231	399,933
Financial Investments	3,351,778	2,992,254	359,524
Accounts Receivable - trade	3,433,936	3,087,014	346,922
Amounts due from Related Companies	-	-	
Inventories	3,761,542	3,358,684	402,858
Other Current Assets	271,169	161,713	109,456
TOTAL CURRENT ASSETS	<u>17,912,589</u>	<u>16,293,896</u>	<u>1,618,693</u>
Fixed Deposit	50,720	-	50,720
FIXED ASSETS (net)	6,058,149	6,745,838	(687,689)
OTHER ASSETS	211,765	218,113	(6,348)
TOTAL ASSETS	<u>24,233,223</u>	<u>23,257,847</u>	<u>975,376</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	2,846,312	2,441,006	405,306
Corporate Income Tax Payable	26,034	20,327	5,707
Accrued Expenses	344,501	345,765	(1,264)
Other Current Liabilities	86,305	123,066	(36,761)
TOTAL CURRENT LIABILITIES	<u>3,303,152</u>	<u>2,930,164</u>	<u>372,988</u>
LONG TERM LIABILITIES	465,133	545,037	(79,904)
TOTAL LIABILITIES	<u>3,768,285</u>	<u>3,475,201</u>	<u>293,084</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	416,981	11,303
Unappropriated	16,906,123	15,975,014	931,109
Translation adj. & Investment revaluation	602,433	862,553	(260,120)
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>20,464,938</u>	<u>19,782,646</u>	<u>682,292</u>
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>24,233,223</u>	<u>23,257,847</u>	<u>975,376</u>

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>31-Mar-17</u>	Quarter <u>31-Mar-16</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	828,250	488,257
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	285,120	296,528
Unrealised (gain) Loss on exchange	(426,749)	(196,442)
Increase (Decrease) in allowance for doubtful debts	8,496	8,520
Increase (Decrease) in allowance for obsolete inventories	20,073	27,198
Change in other provisions	(21,682)	(58,421)
	<u>(134,742)</u>	<u>77,383</u>
Working Capital (increase) decrease		
Trade accounts receivable	51,935	188,912
Inventories	(105,408)	50,345
Trade accounts payable	61,849	113,819
Other	(18,590)	(47,037)
	<u>(10,214)</u>	<u>306,039</u>
Net Cashflow from Operating Activities	<u>683,294</u>	<u>871,679</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	298,962	142,066
Increase in property, plant and equipment	(106,559)	(186,947)
Proceeds from sale of fixed assets	-	1,460
Increase (decrease) in translation adjustment	(384,095)	(234,219)
Revaluation deficit on investments	1,117	(3,943)
Other		
	<u>(190,575)</u>	<u>(281,583)</u>
Cashflow from Financing Activities		
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)	492,719	590,096
Cash and Equivalents at the beginning of the period	<u>6,347,595</u>	<u>6,104,135</u>
Cash and Equivalents at the end of the period	<u>6,840,314</u>	<u>6,694,231</u>

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Financial Ratios

'000 Baht	Quarter <u>31-Mar-17</u>	Quarter <u>31-Mar-16</u>	<u>Q117-Q116</u>
Profitability Ratios			
Gross Profit Margin (%)	16%	12%	4%
Operating Profit Margin (%)	11%	7%	4%
Net Profit before Exceptional Margin (%)	12%	7%	5%
Net Profit after Exceptional Margin (%)	16%	10%	6%
EBITDA margin (%)	17%	13%	4%
Return On Equity (%) pa	16%	10%	6%
Return On Assets (%) pa	13%	8%	5%
Return On Operating Capital Employed (%) pa	23%	12%	11%
Efficiency Ratios			
Working Capital turnover	5	5	
Account Receivable days	59	59	
Inventory days	77	73	4
Accounts Payable days	58	53	5
Liquidity Ratios			
Current Ratio	5	6	- 1
Quick Ratio	4	4	
Financial Capital Ratios			
Debt / Equity	0	0	
Net Debt to Equity	0	0	
Interest Coverage	n/a	n/a	