

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue was similar year on year at THB 5.3 billion for the third quarter of 2016. Sales Revenue in USD terms increased by 1% to USD 152m from USD 150m in Q3 2015.

Net Profit increased 73% to THB 569m in Q316 from THB 329m in Q315, due to lower operating profit offset by Bht 448m positive change in foreign exchange gain (loss).

THB '000	Quarter		Quarter		%	
	Q316		Q315		Q316-Q315	Q316-Q315
PCBA (Lamphun, Thailand)	1,883,467	36%	2,161,766	41%	(278,299)	-13%
PCBA (Jiaxing, China)	972,632	18%	1,010,857	19%	(38,225)	-4%
PCBA (Cambodia)	21,776	0%	8,086	0%	13,690	
IC (Ayutthaya, Thailand)	1,873,856	36%	1,681,717	32%	192,139	11%
IC (Jiaxing, China)	263,680	5%	333,131	6%	(69,451)	-21%
HMT (Ohio, USA)	274,985	5%	88,943	2%	186,042	209%
Total Revenue	5,290,396	100%	5,284,500	100%	5,896	0%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 3 2016 sales revenue for the group increased 1% year-on-year in USD terms, from USD 150m in Q315 to USD 152m in Q316. The average exchange rate for Q316 was 1% stronger at THB/USD 34.8 from THB/USD 35.3 in Q315. As a result the sales revenue in THB terms was similar year on year.

Year-on-year, the microelectronics divisions sales decreased by 9% in USD terms. Sales in Lamphun decreased 12% whilst JiaXing decreased by 3%. The IC divisions USD sales revenues increased 8% in Q316, with revenues of the IC divisions in Ayutthaya increasing by 13% and JiaXing decreasing by 15%. "HMT" the microdisplay/RFID operation in Ohio sales revenue increased 311%.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter Group sales increased by 13% from USD 135m in Q216 to USD 152m in Q316. Sales in the microelectronics division increased 10% with Lamphun increasing 10% and JiaXing increasing 13%. Sales revenues from the IC divisions were 14% higher in Q316 with Ayutthaya sales increasing by 14% and JiaXing IC sales increasing by 9%. The microdisplay division sales increased 133% in Q316 compared to Q216. In THB equivalent the group sales were up 11% in Q316 compared to Q216. The average THB/USD exchange rate was 1% stronger at 34.8 in Q316 from 35.3 in Q216.

Sales Revenue Split

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

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

The Gross Profit margin was 14% in Q316 down from Q315 at 17% due to a stronger exchange rate (1%), change in product mix and lower selling prices leading to a higher percentage of material costs (2%).

Operating Profit Analysis

Year-on-year operating profits were 18% lower at THB 534m in Q316 compared to THB 649m in Q315. The Operating margin was 10% in Q316 down 2% from 12% in Q315 due to lower gross margin (3%) and lower SGA expenses 1%. SG&A expenses were 7% lower in Q316 than in Q315. SG&A expenses in Q316 were 8% higher than Q216.

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 Q316 was Baht/USD 34.84, Q315 was Baht/USD 35.25 (and Baht/USD 35.28 in Q216).

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 34.70 at 30/09/16, and Baht/USD 36.37 at 30/09/15 (35.18 at 30/06/16) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid out during the quarter.

Financial Status

The group currently has no interest bearing debt. Cash (and financial investments) reserves at the 30th September, 2016 were THB 10.0 billion up from 30th September, 2015 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 Q316 and 62 days in Q315.

	<u>30-Sep-16</u>	<u>30-Sep-15</u>	THB '000
Trade Receivables			
Less than 3 months	3,444,247	3,427,931	
3 - 6 months	29,329	23,477	
6 - 12 months	8,076	8,694	
More than 12 months	3,880	3,186	
Total accounts receivable - other companies	3,485,532	3,463,288	
Less : Allowance for doubtful accounts	(17,143)	(28,025)	
	<u>3,468,389</u>	<u>3,435,263</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 71 days as at 30th September, 2016 and 69 days as at 30th September, 2015.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q3 2016 was THB 828m which was 12% lower than Q3 2015 was THB 937m.

Capital Expenditure

Capital Expenditure was THB 242m in Q3 2016, and THB 547m in Q3 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