

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 7% year on year to THB 5.3 billion for the fourth quarter of 2020 from THB 4.9 billion for the fourth quarter 2019. Sales Revenue in USD terms increased 6% to USD 172m for Q4 2020 from USD 163m in Q4 2019. Earnings from Operations decreased 6% to THB 428m in Q4 2020 from THB 453m in Q4 2019.

Net Profit increased 26% to THB 701m in Q420 from THB 558m in Q419, due to higher exchange gain in Q420 offsetting lower operating profits.

THB '000	Quarter		Quarter		Q420-Q419	%
	Q420		Q419			
PCBA (Lamphun, Thailand)	2,419,375	46%	2,229,020	44%	190,355	9%
PCBA (Jiaxing, China)	681,269	13%	637,366	13%	43,903	7%
PCBA (Cambodia)	31,875	1%	32,554	1%	(679)	-2%
IC (Ayutthaya, Thailand)	1,752,513	33%	1,626,008	33%	126,505	8%
IC (Jiaxing, China)	218,195	4%	221,762	5%	(3,567)	-2%
HTI (Ohio, USA)	159,654	3%	175,777	4%	(16,123)	-9%
Total Revenue	5,262,881	100%	4,922,487	100%	340,394	7%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 4 2020 sales revenue for the group increased 6% year-on-year in USD terms to USD 172m from USD 163m in Q419. The average exchange rate for Q420 was 1% weaker at THB/USD 30.6 from THB/USD 30.3 in Q419. As a result the sales revenue in THB terms increased 7% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales increased by 9%. Sales in Lamphun increased 10% whilst Jiaxing increased by 5%. The IC divisions sales revenues increased 6% in Q420, with revenues of the IC division in Ayutthaya increasing 7% and Jiaxing increasing by 1%. "HTI" the Microdisplay/RFID operation in Ohio sales revenue decreased 12% in Q420 from Q419.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter, in USD terms, sales for the group increased 12% to USD 172m in Q420 from USD 154m in Q320. In THB equivalent the group sales increased 9% in Q420 compared to Q320. Sales in the microelectronics divisions increased 15% with Lamphun increasing 20% and Jiaxing increasing 1%. Sales revenues from the IC divisions increased 13% in Q420 from Q320 with Ayutthaya sales increasing 13% and Jiaxing IC sales increasing by 21%. The Microdisplay division sales decreased 18% in Q420 compared to Q320.

Sales Revenue Split

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
PCBA (Lamphun, Thailand)	46%	45%	40%	48%	44%
PCBA (Jiaxing, China)	13%	14%	16%	10%	13%
PCBA (Cambodia)	1%	0%	1%	1%	1%
IC (Ayutthaya, Thailand)	33%	33%	34%	35%	33%
IC (Jiaxing, China)	4%	4%	5%	3%	5%
HTI (Ohio, USA)	3%	4%	4%	3%	4%
	100%	100%	100%	100%	100%

Gross Profit / Cost of Sales Analysis

The Gross Profit margin decreased 2% points to 11% in Q420 and 13% Q419 due to the stronger THB/USD exchange rate in Q420 compared to Q320 and Q220. Materials bought at the weaker exchange rate in Q2/Q320 and sales in Q420 at the stronger exchange rate reduced the margin.

Operating Profit Analysis, Sales and Administration Analysis

Year-on-year Earnings from Operations, were 6% lower at THB 428m in Q420 compared to THB 453m in Q419. The Operating margin was down 1% point to 8% in Q420 and Q419 due to the lower Gross Margin and lower SGA expenses. SG&A expenses were 11% lower in Q420 from Q419.

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 Q420 was Baht/USD 30.61, Q419 was Baht/USD 30.28 (and Q320 was Baht/USD 31.33).

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 30.04 at 31/12/20, and Baht/USD 30.15 at 31/12/19 (Baht/USD 31.66 at 30/09/20) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

In Q420 THB 523m dividend of THB 0.65 per share was paid as an interim dividend from the profits of 2020.

In Q220 THB 523m final dividend of THB 0.65 per share was paid during the quarter from the profits of 2019.

In Q419 THB 523m dividend of THB 0.65 per share was paid as an interim dividend from the profits of 2019.

In Q219 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2018.

Financial Status

Net Cash reserves and financial investments were THB 9.7 billion at the 31st December 2020 up from THB 8.7 billion at the 31st December 2019.

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 Q420 and 61 days in Q419.

	<u>31-Dec-20</u>	<u>31-Dec-19</u>	THB '000
Trade Receivables			
Less than 3 months	3,318,590	3,212,509	
3 - 6 months	18,861	9,054	
6 - 12 months	3,203	3,579	
More than 12 months	2,418	3,626	
Total accounts receivable - other companies	3,343,072	3,228,768	
Less : Allowance for doubtful accounts	(6,117)	(4,485)	
	<u>3,336,955</u>	<u>3,224,283</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 86 days as at 31st December, 2020 and 95 days as at 31st December, 2019

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q4 2020 was THB 740m which was 1% higher than Q4 2019 was THB 733m.

Capital Expenditure

Net Capital Expenditure was THB 407m in Q4 2020, and THB 391m in Q4 2019. 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 120m 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		%	
		Q420		Q419		Q420-Q419	Q420-Q419
REVENUES							
Sales		5,266,783		4,922,487		344,296	7%
consisting of:							
<i>PCBA (Lamphun, Thailand)</i>		2,419,375	46%	2,229,020	44%	190,355	9%
<i>PCBA (Jiaxing, China)</i>		681,269	13%	637,366	13%	43,903	7%
<i>PCBA (Cambodia)</i>		31,875	1%	32,554	1%	(679)	-2%
<i>IC (Ayutthaya, Thailand)</i>		1,752,513	33%	1,626,008	33%	126,505	8%
<i>IC (Jiaxing, China)</i>		218,195	4%	221,762	5%	(3,567)	-2%
<i>HTI (Ohio, USA)</i>		159,654	3%	175,777	4%	(16,123)	-9%
<i>IC (Korea)</i>		3,902	0%			3,902	0%
		<u>5,266,783</u>	100%	<u>4,922,487</u>	100%	<u>344,296</u>	7%
Other Income		104,040		102,658		1,382	1%
TOTAL OPERATING REVENUES		<u>5,370,823</u>		<u>5,025,145</u>		<u>345,678</u>	7%
EXPENSES							
Cost of Sales		4,701,901	89%	4,302,072	87%	399,829	9%
Selling & Admin. Expenses		215,235	4%	264,972	5%	(49,737)	-19%
R&D Expenses		25,171	0%	4,639	0%	20,532	443%
Other Expenses		-	0%	-	0%	-	0%
TOTAL EXPENSES		<u>4,942,308</u>	94%	<u>4,571,683</u>	93%	<u>370,625</u>	8%
OPERATING EARNINGS		<u>428,515</u>	8%	<u>453,462</u>	9%	<u>(24,947)</u>	-6%
Other Income - non operating		387		(1,086)		1,472	-136%
Interest		28,860		49,719		(20,859)	-42%
Finance Expenses		(3,572)		(3,741)		169	
EARNINGS before Income Tax		<u>454,190</u>	8%	<u>498,354</u>	10%	<u>(44,164)</u>	-9%
Corporate Income Tax		17,380	0%	(42,458)	-1%	59,837	-141%
Earnings before Exch. & Exceptional Items		<u>471,570</u>		<u>455,896</u>		<u>15,673</u>	3%
Exchange Gain (Loss)		255,618		102,573		153,044	
Exceptional Items		(25,511)		-		(25,511)	
NET EARNINGS for the Period		<u>701,677</u>	13%	<u>558,470</u>	11%	<u>143,207</u>	26%
EARNINGS % of SALES		13%		11%		2%	
Average number of shares (1 Baht par)		804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals		0.59		0.57		0.02	
EARNINGS per SHARE (baht) after exceptionals		0.87		0.69		0.18	
Earnings from Operations		428,516		453,462		(24,946)	-6%
Earnings from Operations Margin		8%		9%			
Depreciation		311,656		279,641		32,014	
EBITDA (excl exchange gain/loss)		740,171		733,103		7,067	1%
EBITDA % of Sales Revenue		14%		15%			

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CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Dec-20</u>	Quarter <u>31-Dec-19</u>	<u>Q420-Q419</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	5,400,261	5,885,159	(484,898)
Financial Investments	4,266,901	3,132,586	1,134,315
Accounts Receivable - trade	3,460,920	3,340,723	120,196
Amounts due from Related Companies	-	-	
Inventories	4,496,142	4,518,387	(22,245)
Other Current Assets	95,709	137,874	(42,165)
TOTAL CURRENT ASSETS	<u>17,719,932</u>	<u>17,014,729</u>	<u>705,203</u>
Long Term Financial Investments	-	135,790	(135,790)
FIXED ASSETS (net)	72,304	6,974,166	(6,901,862)
OTHER ASSETS	7,386,283	301,497	7,084,785
TOTAL ASSETS	<u>25,178,519</u>	<u>24,426,182</u>	<u>752,336</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	500,000	(500,000)
Accounts & Notes Payable	2,354,747	2,252,054	102,693
Short Term Provisions	311,099	-	311,099
Corporate Income Tax Payable	12,338	22,447	(10,110)
Accrued Expenses	-	301,540	(301,540)
Other Current Liabilities	127,928	105,661	22,268
TOTAL CURRENT LIABILITIES	<u>2,806,113</u>	<u>3,181,702</u>	<u>(375,590)</u>
LONG TERM LIABILITIES	758,793	698,864	59,929
TOTAL LIABILITIES	<u>3,564,906</u>	<u>3,880,567</u>	<u>(315,660)</u>
SHAREHOLDERS EQUITY			
Share Capital	804,879	804,879	
Treasury Shares	-	-	
Share Premium	1,723,219	1,723,219	
Retained Earnings			
Appropriated Statutory Reserve	456,463	456,463	
Unappropriated	19,239,560	18,441,803	797,757
Translation adj. & Investment revaluation	(610,508)	(880,748)	270,240
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>21,613,612</u>	<u>20,545,616</u>	<u>1,067,997</u>
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>25,178,519</u>	<u>24,426,182</u>	<u>752,336</u>

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter 31-Dec-20</u>	<u>Quarter 31-Dec-19</u>
Cashflow from Operating Activities		
Net Earnings before tax	684,297	600,927
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	311,656	279,641
Unrealised (gain) Loss on exchange	(101,306)	17,823
Increase (Decrease) in allowance for doubtful debts	227	(1,124)
Increase (Decrease) in allowance for obsolete inventories	22,465	(37,123)
Change in other provisions	(55,939)	(156,041)
	<u>177,103</u>	<u>103,176</u>
Working Capital (increase) decrease		
Trade accounts receivable	(265,249)	347,756
Inventories	504,582	(5,148)
Trade accounts payable	(120,312)	7,138
Other	(5,061)	(92,085)
	<u>113,961</u>	<u>257,660</u>
Net Cashflow from Operating Activities	<u>975,362</u>	<u>961,764</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	797,802	1,585,278
Increase in property, plant and equipment	(1,263,175)	(459,756)
Proceeds from sale of fixed assets	828,490	31,684
Increase (decrease) in translation adjustment	1,311,487	(104,424)
Revaluation deficit on investments	56,741	72,448
Other		
	<u>1,731,346</u>	<u>1,125,229</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	(0)	(1,707)
Dividend paid	(1,046,343)	(523,171)
Other	(522,822)	70,000
Net cash (used in) from financing activities	<u>(1,569,165)</u>	<u>(454,878)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	1,137,542	1,632,115
Cash and Equivalents at the beginning of the period	<u>4,262,717</u>	<u>3,802,864</u>
Cash and Equivalents at the end of the period	5,400,259	5,434,979

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Financial Ratios

'000 Baht	Quarter <u>31-Dec-20</u>	Quarter <u>31-Dec-19</u>	<u>Q420-Q419</u>	
Profitability Ratios				
Gross Profit Margin (%)	11%	13%		-2%
Operating Profit Margin (%)	9%	9%		
Net Profit before Exceptional Margin (%)	9%	9%		
Net Profit after Exceptional Margin (%)	13%	11%		2%
EBITDA margin (%)	14%	15%		-1%
Return On Equity (%) pa	13%	11%		2%
Return On Assets (%) pa	11%	9%		2%
Return On Operating Capital Employed (%) pa	14%	14%		
Efficiency Ratios				
Working Capital turnover	4	4		
Account Receivable days	59	61	-	2
Inventory days	86	95	-	9
Accounts Payable days	45	47	-	2
Liquidity Ratios				
Current Ratio	6	5		1
Quick Ratio	5	4		1
Financial Capital Ratios				
Debt / Equity	0	0		
Net Debt to Equity	0	0		
Interest Coverage	n/a	n/a		