

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue decreased 10% year on year to THB 4.6 billion for the first quarter of 2020 from THB 5.1 billion for the first quarter 2019. Sales Revenue in USD terms decreased 9% to USD 147m for Q1 2020 from USD 162m in Q1 2019. Operating Profits increased 191% to THB 483m in Q1 2020 from THB 166m in Q1 2019.

Net Profit decreased 33% to THB 204m in Q120 from THB 303m in Q119, due to a THB281m loss incurred on our hedging positions.

THB '000	Quarter		Quarter		%	
	Q120		Q119		Q120-Q119	Q120-Q119
PCBA (Lamphun, Thailand)	2,221,297	48%	2,250,944	44%	(29,647)	-1%
PCBA (Jiaxing, China)	465,814	10%	744,633	15%	(278,819)	-37%
PCBA (Cambodia)	30,053	1%	9,100	0%	20,953	230%
IC (Ayutthaya, Thailand)	1,603,996	35%	1,702,076	33%	(98,080)	-6%
IC (Jiaxing, China)	146,454	3%	216,262	4%	(69,808)	-32%
HTI (Ohio, USA)	142,046	3%	209,737	4%	(67,691)	-32%
Total Revenue	4,609,660	100%	5,132,752	100%	(523,092)	-10%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 1 2020 sales revenue for the group decreased 9% year-on-year in USD terms to USD 147m from USD 162m in Q119. The average exchange rate for Q120 was 1% stronger at THB/USD 31.3 from THB/USD 31.6 in Q119. As a result the sales revenue in THB terms decreased 10% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales decreased by 10%. Sales in Lamphun decreased 1% whilst Jiaxing decreased by 37%. The IC divisions sales revenues decreased 8% in Q120, with revenues of the IC division in Ayutthaya decreasing 5% and Jiaxing decreasing by 32%. "HTI" the Microdisplay/RFID operation in Ohio sales revenue decreased 32% in Q120 from Q119.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter, in USD terms, sales for the group decreased 10% to USD 147m in Q120 from USD 162m in Q419. In THB equivalent the group sales were down 6% in Q120 compared to Q419. Sales in the microelectronics divisions decreased 10% with Lamphun decreasing 4% and Jiaxing decreasing 30%. Sales revenues from the IC divisions were 8% lower in Q120 with Ayutthaya sales decreasing 5% and Jiaxing IC sales decreasing by 34%. The Microdisplay division sales decreased 23% in Q120 compared to Q419.

Sales Revenue Split

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
PCBA (Lamphun, Thailand)	48%	44%	45%	44%	44%
PCBA (Jiaxing, China)	10%	13%	13%	14%	15%
PCBA (Cambodia)	1%	1%	1%	0%	0%
IC (Ayutthaya, Thailand)	35%	33%	32%	32%	33%
IC (Jiaxing, China)	3%	5%	5%	5%	4%
HTI (Ohio, USA)	3%	4%	4%	5%	4%
	100%	100%	100%	100%	100%

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

The Gross Profit margin was 7 percentage points higher at 15% in Q120 up from Q119 at 8% due to the THB/USD exchange rate when material purchased in Q419 was 3% stronger than Q120 [+3%] and exchange rate when material purchased in Q418 was 4% weaker than Q119 [-4%].

Operating Profit Analysis

Year-on-year operating profits, were 191% higher at THB 483m in Q120 compared to THB 166m in Q119. The Operating margin was 7 percentage points higher at 10% in Q120 up from 3% in Q119 due to higher gross margin +7%. SG&A expenses were 6% lower in Q120 from Q119.

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 Q120 was Baht/USD 31.29, Q119 was Baht/USD 31.61 (and Q419 was Baht/USD 30.28).

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 32.67 at 31/03/20, and Baht/USD 31.81 at 31/03/19 (Baht/USD 30.15 at 31/12/19) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid in Q120 or Q119.

Financial Status

Net Cash reserves and financial investments were THB 9.4 billion at the 31st March 2020 up from 31st March 2019 at THB 8.5 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 63 days in Q120 and 66 days in Q119.

	<u>31-Mar-20</u>	<u>31-Mar-19</u>	THB '000
Trade Receivables			
Less than 3 months	3,088,832	3,638,692	
3 - 6 months	23,876	19,982	
6 - 12 months	3,598	3,101	
More than 12 months	5,191	1,903	
Total accounts receivable - other companies	<u>3,121,497</u>	<u>3,663,678</u>	
Less : Allowance for doubtful accounts	(9,080)	(14,884)	
	<u>3,112,417</u>	<u>3,648,794</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 112 days as at 31st March, 2020 and 96 days as at 31st March, 2019.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q1 2020 was THB 766m which was 68% higher than Q1 2019 was THB 455m.

Capital Expenditure

Net Capital Expenditure was THB 230m in Q1 2020, and THB 180m in Q1 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		%	
	Q120		Q119		Q120-Q119	Q120-Q119
REVENUES						
Sales	4,609,660		5,132,752		(523,092)	-10%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	2,221,297	48%	2,250,944	44%	(29,647)	-1%
<i>PCBA (Jiaxing, China)</i>	465,814	10%	744,633	15%	(278,819)	-37%
<i>PCBA (Cambodia)</i>	30,053	1%	9,100	0%	20,953	230%
<i>IC (Ayutthaya, Thailand)</i>	1,603,996	35%	1,702,076	33%	(98,080)	-6%
<i>IC (Jiaxing, China)</i>	146,454	3%	216,262	4%	(69,808)	-32%
<i>HTI (Ohio, USA)</i>	142,046	3%	209,737	4%	(67,691)	-32%
	<u>4,609,660</u>	100%	<u>5,132,752</u>	100%	<u>(523,092)</u>	-10%
Other Income	73,527		81,168		(7,641)	-9%
TOTAL OPERATING REVENUES	<u>4,683,187</u>		<u>5,213,920</u>		<u>(530,733)</u>	-10%
EXPENSES						
Cost of Sales	3,901,412	85%	4,733,619	92%	(832,207)	-18%
Selling & Admin. Expenses	290,108	6%	308,780	6%	(18,673)	-6%
R&D Expenses	8,140	0%	7,088	0%	1,053	15%
	<u>4,199,660</u>	91%	<u>5,049,487</u>	98%	<u>(849,827)</u>	-17%
TOTAL EXPENSES	<u>4,199,660</u>	91%	<u>5,049,487</u>	98%	<u>(849,827)</u>	-17%
OPERATING EARNINGS	<u>483,527</u>	10%	<u>164,433</u>	3%	<u>319,094</u>	194%
Other Income - non operating	400		-		400	0%
Interest	43,538		43,441		97	0%
Finance Expenses	(28,703)		-		(28,703)	
EARNINGS before Income Tax	<u>498,762</u>	11%	<u>207,874</u>	4%	<u>290,888</u>	140%
Corporate Income Tax	(13,505)	0%	(16,743)	0%	3,238	-19%
Earnings before Exch. & Exceptional Items	<u>485,257</u>		<u>191,131</u>		<u>294,126</u>	154%
Exchange Gain (Loss)	(281,541)		112,123		(393,664)	
Exceptional Items	-		-		-	
NET EARNINGS for the Period	<u>203,716</u>	4%	<u>303,254</u>	6%	<u>(99,538)</u>	-33%
EARNINGS % of SALES						
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals	0.60		0.24		0.36	
EARNINGS per SHARE (baht) after exceptionals	0.25		0.38		- 0.13	
Operating Profit (EBIT)	483,527		164,433		319,094	194%
Operating Profit Margin	10%		3%			
Depreciation	282,845		288,851		(6,006)	
EBITDA (excl exchange gain/loss)	766,372		453,284		313,088	69%
EBITDA % of Sales Revenue	17%		9%			

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CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Mar-20</u>	Quarter <u>31-Mar-19</u>	<u>Q120-Q119</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	5,148,378	4,032,995	1,115,383
Financial Investments	4,292,226	4,268,143	24,083
Accounts Receivable - trade	3,229,931	3,785,795	(555,864)
Amounts due from Related Companies	-	-	
Inventories	4,863,422	5,025,906	(162,484)
Other Current Assets	82,801	114,369	(31,568)
TOTAL CURRENT ASSETS	<u>17,616,758</u>	<u>17,227,208</u>	<u>389,550</u>
Fixed Deposit	147,117	236,100	(88,983)
FIXED ASSETS (net)	7,122,696	7,132,431	(9,735)
OTHER ASSETS	267,331	417,111	(149,780)
TOTAL ASSETS	<u>25,153,902</u>	<u>25,012,850</u>	<u>141,052</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	2,478,157	2,844,342	(366,185)
Short Term Provisions	-	318,117	(318,117)
Corporate Income Tax Payable	13,913	29,592	(15,679)
Accrued Expenses	326,712	-	326,712
Other Current Liabilities	162,621	166,060	(3,439)
TOTAL CURRENT LIABILITIES	<u>2,981,403</u>	<u>3,358,111</u>	<u>(376,708)</u>
LONG TERM LIABILITIES	714,831	374,949	339,882
TOTAL LIABILITIES	<u>3,696,234</u>	<u>3,733,060</u>	<u>(36,826)</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	18,645,519	18,541,184	104,335
Translation adj. & Investment revaluation	(172,412)	(245,955)	73,543
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>21,457,668</u>	<u>21,279,790</u>	<u>177,878</u>
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>25,153,902</u>	<u>25,012,850</u>	<u>141,052</u>

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CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>31-Mar-20</u>	Quarter <u>31-Mar-19</u>
Cashflow from Operating Activities		
Net Earnings before tax	217,221	319,997
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	282,845	288,851
Unrealised (gain) Loss on exchange	203,545	(7,984)
Increase (Decrease) in allowance for doubtful debts	4,595	(6,672)
Increase (Decrease) in allowance for obsolete inventories	(2,117)	21,996
Change in other provisions	16,617	(15,276)
	<u>505,485</u>	<u>280,915</u>
Working Capital (increase) decrease		
Trade accounts receivable	122,932	95,078
Inventories	(342,918)	174,938
Trade accounts payable	74,854	(417,536)
Other	(70,367)	4,572
	<u>(215,499)</u>	<u>(142,948)</u>
Net Cashflow from Operating Activities	<u>507,207</u>	<u>457,964</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	(781,660)	(458,397)
Increase in property, plant and equipment	(267,950)	(357,724)
Proceeds from sale of fixed assets	266	-
Increase (decrease) in translation adjustment	851,065	(176,306)
Revaluation deficit on investments	(93,491)	(56,580)
Other		
	<u>(291,770)</u>	<u>(1,049,007)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	(2,038)	-
Dividend paid	-	-
Other	(500,000)	-
Net cash (used in) from financing activities	<u>(502,038)</u>	<u>-</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(286,601)	(591,043)
Cash and Equivalents at the beginning of the period	<u>5,434,979</u>	<u>4,081,337</u>
Cash and Equivalents at the end of the period	5,148,378	3,490,294

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Financial Ratios

'000 Baht	Quarter <u>31-Mar-20</u>	Quarter <u>31-Mar-19</u>	<u>Q120-Q119</u>
Profitability Ratios			
Gross Profit Margin (%)	15%	8%	7%
Operating Profit Margin (%)	11%	3%	8%
Net Profit before Exceptional Margin (%)	11%	4%	7%
Net Profit after Exceptional Margin (%)	4%	6%	-2%
EBITDA margin (%)	17%	9%	8%
Return On Equity (%) pa	4%	6%	-2%
Return On Assets (%) pa	3%	5%	-2%
Return On Operating Capital Employed (%) pa	15%	5%	10%
Efficiency Ratios			
Working Capital turnover	3	3	
Account Receivable days	63	66	-
Inventory days	112	96	16
Accounts Payable days	57	54	3
Liquidity Ratios			
Current Ratio	6	5	1
Quick Ratio	4	4	
Financial Capital Ratios			
Debt / Equity	0	0	
Net Debt to Equity	0	0	
Interest Coverage	n/a	n/a	