

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue decreased 12% year on year to THB 4.9 billion for the fourth quarter of 2019 from THB 5.6 billion for the fourth quarter 2018. Sales Revenue in USD terms decreased 5% to USD 162m for Q4 2019 from USD 171m in Q4 2018. Operating Profits decreased 30% to THB 453m in Q4 2019 from THB 644m in Q4 2018.

Net Profit decreased 14% to THB 558m in Q419 from THB 647m in Q418, due to lower operating profits in Q419 vs Q418 more than offsetting an increase in exchange gain of THB 94m

THB '000	Quarter		Quarter		%	
	Q419		Q418		Q419-Q418	Q419-Q418
PCBA (Lamphun, Thailand)	2,229,021	45%	2,194,404	40%	34,617	2%
PCBA (Jiaxing, China)	643,935	13%	961,856	17%	(317,921)	-33%
PCBA (Cambodia)	32,554	1%	17,407	0%	15,147	87%
IC (Ayutthaya, Thailand)	1,626,008	33%	1,883,749	34%	(257,741)	-14%
IC (Jiaxing, China)	215,192	4%	249,521	4%	(34,329)	-14%
HTI (Ohio, USA)	175,778	4%	294,153	5%	(118,375)	-40%
Total Revenue	4,922,488	100%	5,601,090	100%	(678,602)	-12%

**Sales Revenue Analysis**
**Year on Year Sales Revenue Analysis**

Quarter 4 2019 sales revenue for the group decreased 5% year-on-year in USD terms to USD 162m from USD 171m in Q418. The average exchange rate for Q419 was 8% stronger at THB/USD 30.3 from THB/USD 32.8 in Q418. As a result the sales revenue in THB terms decreased 12% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales decreased by 2%. Sales in Lamphun increased 9% whilst Jiaxing decreased by 21%. The IC divisions sales revenues decreased 6% in Q419, with revenues of the IC division in Ayutthaya decreasing 6% and Jiaxing decreasing by 6%. "HTI" the Microdisplay/RFID operation in Ohio sales revenue decreased 34% in Q419 from Q418.

**Quarter on Quarter Sales Revenue Analysis**

Quarter-on-Quarter, in USD terms, sales for the group decreased 4% to USD 162m in Q419 from USD 168m in Q319. In THB equivalent the group sales were down 5% in Q419 compared to Q319. Sales in the microelectronics divisions decreased 3% with Lamphun decreasing 4% and Jiaxing decreasing 1%. Sales revenues from the IC divisions were 3% lower in Q419 with Ayutthaya sales decreasing 2% and Jiaxing IC sales decreasing by 10%. The Microdisplay division sales decreased 14% in Q419 compared to Q319.

**Sales Revenue Split**

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
PCBA (Lamphun, Thailand)	45%	45%	44%	44%	40%
PCBA (Jiaxing, China)	13%	13%	14%	15%	17%
PCBA (Cambodia)	1%	1%	0%	0%	0%
IC (Ayutthaya, Thailand)	33%	32%	32%	33%	34%
IC (Jiaxing, China)	4%	5%	5%	4%	4%
HTI (Ohio, USA)	4%	4%	5%	4%	5%
	100%	100%	100%	100%	100%

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

The Gross Profit margin was 2 percentage points lower at 13% in Q419 down from Q418 at 15% due to the stronger THB/USD exchange rate [-2%].

### **Operating Profit Analysis**

Year-on-year operating profits, were 30% lower at THB 453m in Q419 compared to THB 644m in Q418. The Operating margin was 2 percentage points lower at 9% in Q419 down from 11% in Q418 due to lower gross margin 2%. SG&A expenses were 21% lower in Q419 from Q418 due to reduced bonus expense.

### **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 Q419 was Baht/USD 30.28, Q418 was Baht/USD 32.81 (and Q319 was Baht/USD 30.71).

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 30.15 at 31/12/19, and Baht/USD 32.45 at 31/12/18 (30.39 at 30/09/19) or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

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.

In Q218 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2017.

In Q417 THB 805m dividend of THB 1.00 per share was paid as an interim dividend from the profits of 2017.

### **Financial Status**

Net Cash reserves and financial investments were THB 8.7 billion at the 31st December 2019 similar to THB 8.7 billion at 31st December 2018.

### **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 61 days in Q419 and 62 days in Q418.

	<u>31-Dec-19</u>	<u>31-Dec-18</u>	THB '000
Trade Receivables			
Less than 3 months	3,212,509	3,668,482	
3 - 6 months	9,054	34,940	
6 - 12 months	3,579	7,737	
More than 12 months	3,626	1,480	
Total accounts receivable - other companies	3,228,768	3,712,639	
Less : Allowance for doubtful accounts	(4,485)	(21,556)	
	<u>3,224,283</u>	<u>3,691,083</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 95 days as at 31st December, 2019 and 98 days as at 31st December, 2018 .

#### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q4 2019 was THB 733m which was 22% lower than Q4 2018 was THB 943m.

#### **Capital Expenditure**

Net Capital Expenditure was THB 391m in Q4 2019, and THB 446m in Q4 2018. 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's 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's 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 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 effect concerning its movement.

**Exceptional Items**

None

**Subsequent Event**

None

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	Q419		Q418		Q419-Q418	Q419-Q418
<b>REVENUES</b>						
Sales	4,922,487		5,601,091		(678,604)	-12%
consisting of:						
PCBA (Lamphun, Thailand)	2,229,021	45%	2,194,404	40%	34,617	2%
PCBA (Jiaxing, China)	643,935	13%	961,856	17%	(317,921)	-33%
PCBA (Cambodia)	32,554	1%	17,407	0%	15,147	87%
IC (Ayutthaya, Thailand)	1,626,008	33%	1,883,749	34%	(257,741)	-14%
IC (Jiaxing, China)	215,192	4%	249,521	4%	(34,329)	-14%
HTI (Ohio, USA)	175,778	4%	294,153	5%	(118,375)	-40%
	<u>4,922,488</u>	100%	<u>5,601,090</u>	100%	<u>(678,602)</u>	-12%
Other Income	102,658		143,403		(40,745)	-28%
<b>TOTAL OPERATING REVENUES</b>	<u>5,025,146</u>		<u>5,744,493</u>		<u>(719,347)</u>	-13%
<b>EXPENSES</b>						
Cost of Sales	4,302,072	87%	4,782,850	85%	(480,778)	-10%
Selling & Admin. Expenses	264,972	5%	335,851	6%	(70,880)	-21%
R&D Expenses	4,639	0%	(19,455)	0%	24,094	-124%
	<u>4,571,683</u>	93%	<u>5,099,247</u>	91%	<u>(527,564)</u>	-10%
<b>OPERATING EARNINGS</b>	<u>453,463</u>	9%	<u>645,246</u>	11%	<u>(191,783)</u>	-30%
Other Income - non operating	(1,086)		324		(1,410)	-435%
Interest	49,719		53,649		(3,930)	-7%
Finance Expenses	(3,741)		(1,546)		(2,196)	
<b>EARNINGS before Income Tax</b>	<u>498,355</u>	10%	<u>697,673</u>	12%	<u>(199,318)</u>	-29%
Corporate Income Tax	(42,458)	-1%	(42,386)	-1%	(72)	0%
<b>Earnings before Exch. &amp; Exceptional Items</b>	<u>455,897</u>		<u>655,287</u>		<u>(199,390)</u>	-30%
Exchange Gain (Loss)	102,573		(8,358)		110,931	
Exceptional Items	-		-		-	
<b>NET EARNINGS for the Period</b>	<u>558,471</u>	11%	<u>646,929</u>	11%	<u>(88,459)</u>	-14%
<b>EARNINGS % of SALES</b>	11%		12%		0%	
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals	0.57		0.81		-	0.24
EARNINGS per SHARE (baht) after exceptionals	0.69		0.80		-	0.11
Operating Profit (EBIT)	453,462		645,247		(191,785)	-30%
Operating Profit Margin	9%		12%			
Depreciation	279,641		299,688		(20,047)	
EBITDA (excl exchange gain/loss)	733,103		944,935		(211,830)	-22%
EBITDA % of Sales Revenue	15%		17%			

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Dec-19</u>	Quarter <u>31-Dec-18</u>	<u>Q419-Q418</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	5,885,159	4,561,408	1,323,750
Financial Investments	3,132,586	3,985,334	(852,748)
Accounts Receivable - trade	3,340,723	3,831,672	(490,949)
Amounts due from Related Companies	-	-	
Inventories	4,518,387	5,222,840	(704,452)
Other Current Assets	137,874	155,141	(17,268)
<b>TOTAL CURRENT ASSETS</b>	<u>17,014,729</u>	<u>17,756,395</u>	<u>(741,666)</u>
Fixed Deposit	135,790	146,121	(10,331)
<b>FIXED ASSETS (net)</b>	6,974,166	7,251,542	(277,376)
<b>OTHER ASSETS</b>	301,497	214,254	87,243
<b>TOTAL ASSETS</b>	<u>24,426,182</u>	<u>25,368,313</u>	<u>(942,130)</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	500,000	-	500,000
Accounts & Notes Payable	2,252,054	3,421,409	(1,169,354)
Short Term Provisions	-	324,498	(324,498)
Corporate Income Tax Payable	22,447	37,278	(14,831)
Accrued Expenses	301,540	-	301,540
Other Current Liabilities	105,661	130,408	(24,747)
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,181,702</u>	<u>3,913,593</u>	<u>(731,890)</u>
<b>LONG TERM LIABILITIES</b>	698,864	371,590	327,274
<b>TOTAL LIABILITIES</b>	<u>3,880,567</u>	<u>4,285,183</u>	<u>(404,616)</u>
<b>SHAREHOLDERS EQUITY</b>			
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	18,441,803	18,237,930	203,873
Translation adj. & Investment revaluation	(880,748)	(139,361)	(741,387)
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<u>20,545,616</u>	<u>21,083,130</u>	<u>(537,514)</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<u>24,426,182</u>	<u>25,368,313</u>	<u>(942,130)</u>

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>31-Dec-19</u>	Quarter <u>31-Dec-18</u>
<b><u>Cashflow from Operating Activities</u></b>		
Net Earnings before tax	600,928	689,315
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	279,641	299,688
Unrealised (gain) Loss on exchange	17,823	45,931
Increase (Decrease) in allowance for doubtful debts	(1,124)	13,031
Increase (Decrease) in allowance for obsolete inventories	(37,123)	46,808
Change in other provisions	(111,591)	(29,952)
	<u>147,627</u>	<u>375,506</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	368,679	258,034
Inventories	19,792	(609,090)
Trade accounts payable	7,138	82,618
Other	(92,085)	(48,058)
	<u>303,523</u>	<u>(316,495)</u>
<b>Net Cashflow from Operating Activities</b>	<u>1,052,078</u>	<u>748,326</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	1,484,567	903,159
Increase in property, plant and equipment	(459,756)	(799,238)
Proceeds from sale of fixed assets	31,684	(373)
Increase (decrease) in translation adjustment	(104,425)	22,137
Revaluation deficit on investments	82,846	5,402
Other		
	<u>1,034,916</u>	<u>131,087</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	(1,707)	-
Dividend paid	(523,171)	(804,879)
Other	70,000	-
Net cash (used in ) from financing activities	<u>(454,878)</u>	<u>(804,879)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	1,632,116	74,534
Cash and Equivalents at the beginning of the period	<u>3,802,864</u>	<u>4,006,801</u>
Cash and Equivalents at the end of the period	<u>5,434,980</u>	<u>4,081,335</u>

# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	<u>Quarter</u> <u>30-Dec-19</u>	<u>Quarter</u> <u>30-Dec-18</u>	<u>Q419-Q418</u>	
<b>Profitability Ratios</b>				
Gross Profit Margin (%)	13%	15%		-2%
Operating Profit Margin (%)	9%	11%		-2%
Net Profit before Exceptional Margin (%)	9%	12%		-3%
Net Profit after Exceptional Margin (%)	11%	12%		-1%
EBITDA margin (%)	15%	17%		-2%
Return On Equity (%) pa	11%	12%		-1%
Return On Assets (%) pa	9%	10%		-1%
Return On Operating Capital Employed (%) pa	14%	20%		-6%
<b>Efficiency Ratios</b>				
Working Capital turnover	4	4		
Account Receivable days	61	62	-	1
Inventory days	95	98	-	3
Accounts Payable days	47	64	-	17
<b>Liquidity Ratios</b>				
Current Ratio	5	5		
Quick Ratio	4	3		1
<b>Financial Capital Ratios</b>				
Debt / Equity	0	0		
Net Debt to Equity	0	0		
Interest Coverage	n/a	n/a		