

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue increased 17% year on year to THB 6.1 billion for the first quarter of 2022 from THB 5.2 billion for the first quarter 2021. Sales Revenue in USD terms increased 7% to USD 185m in Q1 2022 from USD 172m in Q1 2021. Earnings from Operations increased 3% to THB 384m in Q1 2022 from THB 373m in Q1 2021.

Net Profit increased 21% to THB 365m in Q122 from a profit of THB 301m in Q121, due to lower exchange loss in Q122.

THB '000	Quarter		Quarter		Q122-Q121	%
	Q122		Q121			
PCBA (Lamphun, Thailand)	2,759,158	44%	2,361,340	45%	397,818	17%
PCBA (Jiaxing, China)	709,931	12%	566,828	11%	143,103	25%
PCBA (Cambodia)	38,244	1%	25,165	0%	13,079	52%
IC (Ayutthaya, Thailand)	2,010,292	33%	1,849,198	36%	161,094	9%
IC (Jiaxing, China)	285,644	5%	223,097	4%	62,547	28%
HTI (Ohio, USA)	262,783	4%	181,091	4%	81,692	45%
IC Korea	41,208	1%	7,756	0%	33,452	431%
<b>Total Revenue</b>	<b>6,107,260</b>	<b>100%</b>	<b>5,214,475</b>	<b>100%</b>	<b>892,785</b>	<b>17%</b>

**Sales Revenue Analysis**

**Year on Year Sales Revenue Analysis**

Quarter 1 2022 sales revenue for the group increased 7% year-on-year in USD terms to USD 185m from USD 172m in Q121. The average exchange rate for Q122 was 9% weaker at THB/USD 33.1 from THB/USD 30.3 in Q121. As a result the sales revenue in THB terms increased 17% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales increased by 9%. Sales in Lamphun increased 7% and Jiaxing increased by 15% year on year. The IC divisions sales revenues increased 1% in Q122, with revenues of the IC division in Ayutthaya decreasing 0.5% and Jiaxing increasing by 17%. Hana Technologies Inc, "HTI" the Microdisplay/RFID operation in Ohio sales revenue increased 33% in Q122 from Q121.

**Quarter on Quarter Sales Revenue Analysis**

Quarter-on-Quarter, in USD terms, sales for the group decreased 2% to USD 185m in Q122 from USD 187m in Q421. Sales in the microelectronics divisions increased 3% with Lamphun increasing 14% and Jiaxing decreasing 24%. Sales revenues from the IC divisions decreased 8% in Q122 from Q421 with Ayutthaya sales decreasing 9% and Jiaxing IC sales decreasing by 4%. HTI sales decreased 6% in Q122 compared to Q421.

**Sales Revenue Split**

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
PCBA (Lamphun, Thailand)	44%	39%	44%	45%	47%
PCBA (Jiaxing, China)	12%	15%	14%	12%	11%
PCBA (Cambodia)	1%	1%	0%	0%	0%
IC (Ayutthaya, Thailand)	33%	36%	33%	34%	35%
IC (Jiaxing, China)	5%	5%	5%	5%	4%
HTI (Ohio, USA)	4%	4%	4%	4%	3%
IC Korea	1%				
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Gross Profit / Cost of Sales Analysis**

The Gross Profit margin decreased 1 percentage point to 11% in Q122 from 12% Q121. Gross Margin in Q122 decreased despite higher Revenue during the quarter due to lower Gross Profit from the loss of Korean IC THB 89m.

## **Operating Profit Analysis, Sales and Administration Analysis**

Year-on-year Earnings from Operations, were 3% higher at THB 384m in Q122 compared to THB 373m in Q121. The Operating margin was down 1 percentage point to 6% in Q122 from 7% in Q121. SG&A expenses were 19% higher in Q122 than Q121 due to THB 28m higher R&D expenses at the Korean IC subsidiary and higher salary expenses in China subsidiary.

## **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 Q122 was THB/USD 33.09, Q121 was Baht/USD 30.26 (and Q421 was THB/USD 33.38).

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 THB/USD 33.33 at 31/03/22, and 31.34 at 31/03/21 (33.42 at 31/12/21 ) or the respective rate applicable to each offshore subsidiary's base currency.

## **Payout Analysis**

No dividends were paid in Q122 or Q121.

## **Financial Status**

Net Cash reserves and financial investments were THB 5.5 billion at the 31st March 2022 down from THB 9.8 billion at the 31st March 2021.

## **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 72 days in Q122 and 70 days in Q121.

	<u>31-Mar-22</u>	<u>31-Mar-21</u>	THB '000
Trade Receivables			
Less than 3 months	4,542,704	3,837,219	
3 - 6 months	24,826	4,688	
6 - 12 months	10,549	1,413	
More than 12 months	5,386	3,186	
Total accounts receivable - other companies	4,583,465	3,846,506	
Less : Allowance for doubtful accounts	(14,751)	(5,069)	
	<u>4,568,714</u>	<u>3,841,437</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 122 days as at 31st March, 2022 and 93 days as at 31st March, 2021.

### **Accounts Payable**

Credit terms with suppliers are mostly open account with credit terms varying from cash in advance to 90 days. The credit term has been determined in accordance with the principles of fair dealing between the Company and suppliers. Average accounts payable were 66 days in Q122, 58 days in Q121.

### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q1 2022 was THB 743m which was 7% higher than Q1 2021 was THB 695m.

## **Capital Expenditure**

Net Capital Expenditure was THB 789m in Q1 2022 and THB 616m in Q1 2021. Generally, capital expenditure for production equipment will follow the increase in sales, particularly in the IC division. However, there is a 6 to 12 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

## **Forward Looking Statement**

### **Factors That May Effect the financial condition of the Operating Results**

The principle risks which may affect the company's operations are, but not limited to: Customer retention, winning new customers, product price erosion, customers products success in their respective markets and lifecycle of such products, consistently manufacturing products to agreed specifications and delivery schedules with customers, recall, product liability risks in the event of product failures, suppliers price and consistent supply of raw materials to agreed specifications, supplier financial solvency, fluctuation in foreign exchange rates for each of our operations compared to both product sales currency which is primarily USD, materials purchasing currency which is primarily USD and the operating currency in each country which we operate, wages and salaries increases, availability and turnover of direct labour and skilled staff, credit risks, market, liquidity and funding, insurance, operational, regulatory compliance, strategic, reputation, legal and regulatory environment, competitive and systemic risks.

Our success in executing and completing mergers and acquisitions and subsequent operational risks.

Our success in developing and marketing new products and factory processes.

Success in protecting intellectual property developed.

Macro-economic stability of the countries in which we, our customers and suppliers operate. Global financial stability which may affect interest rates and access of funding of the company, its customers and suppliers. Pandemic risks such as the continuing severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic, of businesses' and governments' responses to the pandemic the extent to which the COVID-19 pandemic and related impacts, including global supply chain disruptions.

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	Q122		Q121		Q122-Q121	Q122-Q121
<b>REVENUES</b>						
Sales	6,107,260		5,214,475		892,785	17%
consisting of:						
PCBA (Lamphun, Thailand)	2,759,158	44%	2,361,340	45%	397,818	17%
PCBA (Jiaxing, China)	709,931	12%	566,828	11%	143,103	25%
PCBA (Cambodia)	38,244	1%	25,165	0%	13,079	52%
IC (Ayutthaya, Thailand)	2,010,292	33%	1,849,198	36%	161,094	9%
IC (Jiaxing, China)	285,644	5%	223,097	4%	62,547	28%
HTI (Ohio, USA)	262,783	4%	181,091	4%	81,692	45%
IC (Korea)	41,208	1%	7,756	0%	33,452	431%
	<u>6,107,260</u>	100%	<u>5,214,475</u>	100%	<u>892,785</u>	17%
Other Income	108,499		77,070		31,429	41%
<b>TOTAL OPERATING REVENUES</b>	<u>6,215,759</u>		<u>5,291,545</u>		<u>924,214</u>	17%
<b>EXPENSES</b>						
Cost of Sales	5,444,680	89%	4,593,263	88%	851,417	19%
Selling & Admin. Expenses	351,576	6%	324,829	6%	26,747	8%
R&D Expenses	35,231	1%	-	0%	35,231	0%
Other Expenses	-	0%	-	0%	-	0%
<b>TOTAL EXPENSES</b>	<u>5,831,487</u>	95%	<u>4,918,092</u>	94%	<u>913,395</u>	19%
<b>OPERATING EARNINGS</b>	<u>384,272</u>	6%	<u>373,453</u>	7%	<u>10,819</u>	3%
Other Income - non operating	465		410		55	13%
Interest	24,500		29,064		(4,564)	-16%
Finance Expenses	(1,453)		(1,434)		(19)	
<b>EARNINGS before Income Tax</b>	<u>407,784</u>	7%	<u>401,493</u>	8%	<u>6,291</u>	2%
Corporate Income Tax	(14,708)	0%	(1,825)	0%	(12,883)	706%
<b>Earnings before Exch. &amp; Exceptional Items</b>	<u>393,076</u>		<u>399,668</u>		<u>(6,592)</u>	-2%
Exchange Gain (Loss)	(28,081)		(98,473)		70,392	
Exceptional Items	-		-		-	
<b>NET EARNINGS for the Period</b>	<u>364,995</u>	6%	<u>301,195</u>	6%	<u>63,800</u>	21%
EARNINGS % of SALES	6%		6%		0%	
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals	0.49		0.50		-	0.01
EARNINGS per SHARE (baht) after exceptionals	0.45		0.37			0.08
Earnings from Operations	384,272		373,453		10,819	3%
Earnings from Operations Margin	6%		7%			
Depreciation	358,734		321,776		36,958	
EBITDA (excl exchange gain/loss)	743,006		695,229		47,777	7%
EBITDA % of Sales Revenue	12%		13%			

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Mar-22</u>	Quarter <u>31-Mar-21</u>	<u>Q122-Q121</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	3,483,588	5,044,999	(1,561,411)
Financial Investments	1,966,578	4,756,149	(2,789,571)
Accounts Receivable - trade	4,861,020	4,047,903	813,117
Amounts due from Related Companies	-	-	
Inventories	7,407,524	4,763,671	2,643,853
Other Current Assets	169,813	104,040	65,773
<b>TOTAL CURRENT ASSETS</b>	<u>17,888,523</u>	<u>18,716,762</u>	<u>(828,239)</u>
Long Term Financial Investments	97	97	
<b>FIXED ASSETS (net)</b>	10,022,512	7,296,638	2,725,874
<b>OTHER ASSETS</b>	613,419	625,652	(12,233)
<b>TOTAL ASSETS</b>	<u>28,524,551</u>	<u>26,639,149</u>	<u>1,885,402</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	4,019,785	2,979,114	1,040,671
Short Term Provisions	332,973	7,024	325,949
Corporate Income Tax Payable	21,372	16,272	5,100
Current portion of Lease Liabilities	6,226	313,394	(307,168)
Other Current Liabilities	190,172	235,450	(45,278)
<b>TOTAL CURRENT LIABILITIES</b>	<u>4,570,528</u>	<u>3,551,254</u>	<u>1,019,274</u>
<b>LONG TERM LIABILITIES</b>	759,857	782,140	(22,283)
<b>TOTAL LIABILITIES</b>	<u>5,330,385</u>	<u>4,333,394</u>	<u>996,991</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	514,958	456,463	58,495
Unappropriated	19,708,948	19,540,755	168,193
Translation adj. & Investment revaluation	442,162	(219,561)	661,723
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<u>23,194,166</u>	<u>22,305,755</u>	<u>888,411</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<u>28,524,551</u>	<u>26,639,149</u>	<u>1,885,402</u>

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>31-Mar-22</u>	Quarter <u>31-Mar-21</u>
<b>Cashflow from Operating Activities</b>		
Net Earnings before tax	379,703	303,020
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	358,734	321,776
Unrealised (gain) Loss on exchange	32,615	169,715
Increase (Decrease) in allowance for doubtful debts	3,637	(1,048)
Increase (Decrease) in allowance for obsolete inventories	(11,537)	2,055
Change in other provisions	33,163	(888)
	<u>416,612</u>	<u>491,610</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	(320,670)	(548,830)
Inventories	(539,415)	(269,584)
Trade accounts payable	431,541	524,570
Other	(56,396)	(37,991)
	<u>(484,940)</u>	<u>(331,835)</u>
<b>Net Cashflow from Operating Activities</b>	<u>311,375</u>	<u>462,795</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	547,266	(585,116)
Increase in property, plant and equipment	(623,143)	(658,913)
Proceeds from sale of fixed assets	612	4,990
Increase (decrease) in translation adjustment	(44,183)	448,851
Revaluation deficit on investments	(10,554)	(22,422)
Other		
	<u>(130,002)</u>	<u>(812,610)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	-	-
Dividend paid	-	-
Other	(1,958)	(5,447)
Net cash (used in ) from financing activities	<u>(1,958)</u>	<u>(5,447)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	179,415	(355,262)
Cash and Equivalents at the beginning of the period	<u>3,304,173</u>	<u>5,400,261</u>
Cash and Equivalents at the end of the period	3,483,588	5,044,999

# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	<u>Quarter</u> <u>31-Mar-22</u>	<u>Quarter</u> <u>31-Mar-21</u>	<u>Q122-Q121</u>	
<b>Profitability Ratios</b>				
Gross Profit Margin (%)	11%	12%		-1%
Operating Profit Margin (%)	7%	7%		
Net Profit before Exceptional Margin (%)	6%	8%		-2%
Net Profit after Exceptional Margin (%)	6%	6%		
EBITDA margin (%)	12%	13%		-1%
Return On Equity (%) pa	6%	5%		1%
Return On Assets (%) pa	5%	5%		
Return On Operating Capital Employed (%) pa	8%	11%		-3%
<b>Efficiency Ratios</b>				
Working Capital turnover	3	4	-	1
Account Receivable days	72	70		2
Inventory days	122	93		29
Accounts Payable days	66	58		8
<b>Liquidity Ratios</b>				
Current Ratio	4	5	-	1
Quick Ratio	2	4	-	2
<b>Financial Capital Ratios</b>				
Debt / Equity	0	0		
Net Debt to Equity	0	0		
Interest Coverage	n/a	n/a		