

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue decreased 1% year on year at THB 5.1 billion for the first quarter of 2019 from THB 5.2 billion for the first quarter 2018. Sales Revenue in USD terms decreased 1% to USD 162m for Q1 2019 from USD 165m in Q1 2018. Operating Profits decreased 52% to THB 164m in Q1 2019 from THB 343m in Q1 2018.

Net Profit decreased 45% to THB 303m in Q119 from THB 553m in Q118, due to higher costs due to increased capacity in Q119 compared to Q118 and THB strengthening from Q418 affecting margins in Q119.

THB '000	Quarter		Quarter		%	
	Q119		Q118		Q119-Q118	Q119-Q118
PCBA (Lamphun, Thailand)	2,250,944	44%	2,242,565	43%	8,379	0%
PCBA (Jiaxing, China)	744,633	15%	813,220	16%	(68,587)	-8%
PCBA (Cambodia)	9,100	0%	5,378	0%	3,722	69%
IC (Ayutthaya, Thailand)	1,702,076	33%	1,597,705	31%	104,371	7%
IC (Jiaxing, China)	216,262	4%	307,129	6%	(90,867)	-30%
HTI (Ohio, USA)	209,738	4%	228,859	4%	(19,121)	-8%
<b>Total Revenue</b>	<b>5,132,752</b>	<b>100%</b>	<b>5,194,856</b>	<b>100%</b>	<b>(62,104)</b>	<b>-1%</b>

**Sales Revenue Analysis**

**Year on Year Sales Revenue Analysis**

Quarter 1 2019 sales revenue for the group decreased 1% year-on-year in USD terms to USD 162m from USD 165m in Q118. The average exchange rate for Q119 was similar at THB/USD 31.6 from THB/USD 31.5 in Q118. As a result the sales revenue in THB terms also decreased 1% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales decreased by 2%. Sales in Lamphun increased 1% whilst Jiaxing decreased by 9%. The IC divisions sales revenues were similar in Q119, with revenues of the IC division in Ayutthaya increasing 6% and Jiaxing decreasing by 30%. "HTI" the Microdisplay/RFID operation in Ohio sales revenue decreased 8%.

**Quarter on Quarter Sales Revenue Analysis**

Quarter-on-Quarter, in USD terms, sales for the group decreased 5% to USD 163m in Q119 from USD 184m in Q418. In THB equivalent the group sales were down 8% in Q119 compared to Q418 due to the average THB/USD exchange rate being 4% stronger at 31.6 in Q119 from 32.8 in Q418. Sales in the microelectronics divisions decreased 2% with Lamphun increasing 7% and Jiaxing decreasing 20%. Sales revenues from the IC divisions were 7% lower in Q119 with Ayutthaya sales decreasing 6% and Jiaxing IC sales decreasing by 9%. The Microdisplay division sales decreased 26% in Q119 compared to Q418.

**Sales Revenue Split**

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
PCBA (Lamphun, Thailand)	44%	40%	38%	39%	43%
PCBA (Jiaxing, China)	15%	17%	16%	18%	16%
PCBA (Cambodia)	0%	0%	0%	0%	0%
IC (Ayutthaya, Thailand)	33%	34%	35%	34%	31%
IC (Jiaxing, China)	4%	4%	6%	5%	6%
HTI (Ohio, USA)	4%	5%	5%	4%	4%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

The Gross Profit margin was 3 percentage points lower at 8% in Q119 up from Q118 at 11% due to higher higher labour costs 1%, higher depreciation 1%, higher salaries expenses 1% .

### **Operating Profit Analysis**

Year-on-year operating profits, excluding R&D expenses, were 52% lower at THB 164m in Q119 compared to THB 343m in Q118. The Operating margin was 4 percentage points lower at 3% in Q119 down from 7% in Q118 due to lower gross margin 3% and higher SGA expenses 1%. SG&A expenses were 3% higher in Q119 from Q118 due to higher salary expenses.

### **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 Q119 was Baht/USD 31.61, Q118 was Baht/USD 31.54 (and Q418 Baht/USD 32.81).

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 31.81 at 31/03/19, and Baht/USD 31.23 at 31/03/18 (32.45 at 31/12/18) or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

No dividends were paid in Q119 or Q118.

### **Financial Status**

The group currently has no interest bearing debt. Cash reserves and financial investments at the 31st March 2019 were THB 8.5 billion down from 31st March 2018 were THB 9.8 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 66 days in Q119 and 65 days in Q118.

Trade Receivables	<u>31-Mar-19</u>	<u>31-Mar-18</u>	THB '000
Less than 3 months	3,638,692	3,601,360	
3 - 6 months	19,982	17,499	
6 - 12 months	3,101	1,855	
More than 12 months	1,903	4,612	
Total accounts receivable - other companies	<u>3,663,678</u>	<u>3,625,326</u>	
Less : Allowance for doubtful accounts	(14,884)	(10,307)	
	<u>3,648,794</u>	<u>3,615,019</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 96 days as at 31st March, 2019 and 80 days as at 31st March, 2018 .

#### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q1 2019 was THB 453m which was 25% lower than Q1 2018 was THB 607m .

#### **Capital Expenditure**

Net Capital Expenditure was THB 180m in Q1 2019, and THB 266m in Q1 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 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 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		%	
	<u>Q119</u>		<u>Q118</u>		<u>Q119-Q118</u>	<u>Q119-Q118</u>
<b>REVENUES</b>						
Sales	5,132,752		5,194,856		(62,104)	-1%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	2,250,944	44%	2,242,565	43%	8,379	0%
<i>PCBA (Jiaxing, China)</i>	744,633	15%	813,220	16%	(68,587)	-8%
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<i>IC (Jiaxing, China)</i>	216,262	4%	307,129	6%	(90,867)	-30%
<i>HTI (Ohio, USA)</i>	209,738	4%	228,859	4%	(19,121)	-8%
	<u>5,132,752</u>	100%	<u>5,194,856</u>	100%	<u>(62,104)</u>	-1%
Other Income	81,168		89,756		(8,588)	-10%
Other Income - non operating	-		908		(908)	-100%
<b>TOTAL OPERATING REVENUES</b>	<u>5,213,920</u>		<u>5,285,520</u>		<u>(71,600)</u>	-1%
<b>EXPENSES</b>						
Cost of Sales	4,733,619	92%	4,635,107	89%	98,512	2%
Selling & Admin. Expenses	308,780	6%	296,765	6%	12,016	4%
R&D Expenses	7,088	0%	9,556	0%	(2,469)	-26%
<b>TOTAL EXPENSES</b>	<u>5,049,487</u>	98%	<u>4,941,428</u>	95%	<u>108,059</u>	2%
<b>OPERATING EARNINGS</b>	<u>164,433</u>	3%	<u>344,092</u>	7%	<u>(179,659)</u>	-52%
Interest	43,441		49,888		(6,447)	-13%
Interest Expenses	-		-		-	
<b>EARNINGS before Income Tax</b>	<u>207,874</u>	4%	<u>393,980</u>	7%	<u>(186,106)</u>	-47%
Corporate Income Tax	(16,743)	0%	(28,721)	-1%	11,978	-42%
<b>Earnings before Exch. &amp; Exceptional Items</b>	<u>191,131</u>		<u>365,259</u>		<u>(174,128)</u>	-48%
Exchange Gain (Loss)	112,123		188,179		(76,056)	
Exceptional Items	-		-		-	
<b>NET EARNINGS for the Period</b>	<u>303,254</u>	6%	<u>553,438</u>	10%	<u>(250,184)</u>	-45%
<b>EARNINGS % of SALES</b>	6%		11%		-5%	
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals	0.24		0.45		-	0.21
EARNINGS per SHARE (baht) after exceptionals	0.38		0.69		-	0.31
Operating Profit (EBIT)	164,433		343,184		(178,751)	-52%
Operating Profit Margin	3%		7%			
Depreciation	288,851		263,478		25,373	
EBITDA (excl exchange gain/loss)	453,284		606,662		(154,286)	-25%
EBITDA % of Sales Revenue	9%		12%			

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Mar-19</u>	Quarter <u>31-Mar-18</u>	<u>Q119-Q118</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	4,032,995	6,267,036	(2,234,041)
Financial Investments	4,268,143	3,437,692	830,451
Accounts Receivable - trade	3,785,795	3,767,199	18,596
Amounts due from Related Companies	-	-	
Inventories	5,025,906	4,123,395	902,511
Other Current Assets	114,369	245,558	(131,189)
<b>TOTAL CURRENT ASSETS</b>	<u>17,227,208</u>	<u>17,840,880</u>	<u>(613,672)</u>
Fixed Deposit	236,100	140,640	95,460
<b>FIXED ASSETS (net)</b>	7,132,431	6,115,050	1,017,381
OTHER ASSETS	417,111	226,130	190,981
<b>TOTAL ASSETS</b>	<u>25,012,850</u>	<u>24,322,700</u>	<u>690,150</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	2,844,342	2,740,451	103,891
Short Term Provisions	318,117	-	318,117
Corporate Income Tax Payable	29,592	29,058	534
Accrued Expenses	-	312,318	(312,318)
Other Current Liabilities	166,060	120,802	45,258
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,358,111</u>	<u>3,202,629</u>	<u>155,482</u>
<b>LONG TERM LIABILITIES</b>	374,949	336,452	38,497
<b>TOTAL LIABILITIES</b>	<u>3,733,060</u>	<u>3,539,081</u>	<u>193,979</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	443,691	12,772
Unappropriated	18,541,184	18,057,667	483,517
Translation adj. & Investment revaluation	(245,955)	(245,837)	(118)
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<u>21,279,790</u>	<u>20,783,619</u>	<u>496,171</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<u>25,012,850</u>	<u>24,322,700</u>	<u>690,150</u>

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>31-Mar-19</u>	Quarter <u>31-Mar-18</u>
<b>Cashflow from Operating Activities</b>		
Net Earnings before tax	319,997	582,159
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	288,851	263,478
Unrealised (gain) Loss on exchange	(7,984)	(25,871)
Increase (Decrease) in allowance for doubtful debts	(6,672)	(852)
Increase (Decrease) in allowance for obsolete inventories	21,996	4,553
Change in other provisions	(15,587)	(16,679)
	<u>280,604</u>	<u>224,629</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	95,078	(45,075)
Inventories	174,938	(95,917)
Trade accounts payable	(417,536)	54,547
Other	4,572	1,186,565
	<u>(142,948)</u>	<u>1,100,120</u>
<b>Net Cashflow from Operating Activities</b>	<u>457,653</u>	<u>1,906,908</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	(458,397)	127,591
Increase in property, plant and equipment	(357,413)	(233,384)
Proceeds from sale of fixed assets	-	3,116
Increase (decrease) in translation adjustment	(176,306)	1,013,619
Revaluation deficit on investments	(56,580)	811,723
Other	-	-
	<u>(1,048,696)</u>	<u>1,722,665</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	-	-
Dividend paid	-	-
Other	-	-
Net cash (used in ) from financing activities	<u>-</u>	<u>-</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(591,043)	3,629,573
Cash and Equivalents at the beginning of the period	<u>4,081,337</u>	<u>4,756,538</u>
Cash and Equivalents at the end of the period	3,490,294	8,386,111

# HANA MICROELECTRONICS GROUP

# Financial Ratios

'000 Baht	Quarter <u>31-Mar-19</u>	Quarter <u>31-Mar-18</u>	<u>Q119-Q118</u>
<b>Profitability Ratios</b>			
Gross Profit Margin (%)	8%	11%	-3%
Operating Profit Margin (%)	3%	7%	-4%
Net Profit before Exceptional Margin (%)	4%	7%	-3%
Net Profit after Exceptional Margin (%)	6%	11%	-5%
EBITDA margin (%)	9%	12%	-3%
Return On Equity (%) pa	6%	11%	-5%
Return On Assets (%) pa	5%	9%	-4%
Return On Operating Capital Employed (%) pa	5%	12%	-7%
<b>Efficiency Ratios</b>			
Working Capital turnover	4	4	
Account Receivable days	66	65	1
Inventory days	96	80	16
Accounts Payable days	54	53	1
<b>Liquidity Ratios</b>			
Current Ratio	5	6	- 1
Quick Ratio	4	4	
<b>Financial Capital Ratios</b>			
Debt / Equity	0	0	
Net Debt to Equity	0	0	
Interest Coverage	n/a	n/a	