

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue decreased 7% year on year to THB 4.8 billion for the third quarter of 2020 from THB 5.2 billion for the third quarter 2019. Sales Revenue in USD terms decreased 9% to USD 154 million for Q3 2020 from USD 168 million in Q3 2019. Operating Profits decreased 4% to THB 367m in Q3 2020 from THB 381 million in Q3 2019.

Net Profit decreased 21% to THB 320 million in Q320 from THB 407 million in Q319, due to lower sales revenue, operating profits and exchange loss in Q320.

THB '000	<u>Quarter</u>		<u>Quarter</u>		<u>Q320-</u>	<u>%</u>
	<u>Q320</u>		<u>Q319</u>		<u>Q319</u>	<u>Q320-</u>
					<u>Q319</u>	<u>Q319</u>
PCBA (Lamphun, Thailand)	2,123,903	45%	2,348,104	45%	(224,201)	-10%
PCBA (Jiaxing, China)	693,780	14%	659,502	13%	34,278	5%
PCBA (Cambodia)	19,863	0%	29,227	1%	(9,364)	-32%
IC (Ayutthaya, Thailand)	1,592,377	33%	1,678,416	32%	(86,039)	-5%
IC (Jiaxing, China)	186,134	4%	242,954	5%	(56,820)	-23%
HTI (Ohio, USA)	197,649	4%	211,446	4%	(13,797)	-7%
Total Revenue	<u>4,813,706</u>	100%	<u>5,169,649</u>	100%	<u>(355,943)</u>	-7%

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

Quarter 3 2020 sales revenue for the group decreased 9% year-on-year in USD terms to USD 154 million from USD 168 million in Q319. The average exchange rate for Q320 was 2% weaker at THB/USD 31.3 from THB/USD 30.7 in Q319. As a result the sales revenue in THB terms decreased 7% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales decreased by 8%. Sales in Lamphun decreased 12% whilst Jiaxing increased by 3%. The IC divisions sales revenues decreased 9% in Q320, with revenues of the IC division in Ayutthaya decreasing 7% and Jiaxing decreasing by 25%. "HTI" the Microdisplay/RFID operation in Ohio sales revenue decreased 8% in Q320 from Q319.

**Quarter on Quarter Sales Revenue Analysis**

Quarter-on-Quarter, in USD terms, sales for the group increased 7% to USD 154m in Q320 from USD 143m in Q220. In THB equivalent the group sales increased 5% in Q320 compared to Q220. Sales in the microelectronics divisions increased 12% with Lamphun increasing 18% and Jiaxing decreasing 5%.

Sales revenues from the IC divisions decreased 1% in Q320 from Q220 with Ayutthaya sales increasing 3% and Jiaxing IC sales decreasing by 11%. The Microdisplay division sales increased 10% in Q320 compared to Q220.

## Sales Revenue Split

	<u>Q3 2020</u>	<u>Q2 2020</u>	<u>Q1 2020</u>	<u>Q4 2019</u>	<u>Q3 2019</u>
PCBA (Lamphun, Thailand)	45%	40%	48%	44%	45%
PCBA (Jiaxing, China)	14%	16%	10%	13%	13%
PCBA (Cambodia)	0%	1%	1%	1%	1%
IC (Ayutthaya, Thailand)	33%	34%	35%	33%	32%
IC (Jiaxing, China)	4%	5%	3%	5%	5%
HTI (Ohio, USA)	4%	4%	3%	4%	4%
	100%	100%	100%	100%	100%

## Gross Profit / Cost of Sales Analysis

The Gross Profit margin increased 1% point to 12% in Q320 and Q319 at 11% due to reclassification of THB 31 million expenses of Q319 from SGA to Cost of Sales.

## Operating Profit Analysis

Year-on-year operating profits, were 4% lower at THB 367 million in Q320 compared to THB 381 million in Q319. The Operating margin was up 1% point to 8% in Q320 and Q319 due to higher Gross Margin. SG&A expenses were 7% higher in Q320 from Q319 due to reclassification of expenses in Q319. Without reclassification the SGA expenses reduced 3% due to lower 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 Q320 was Baht/USD 31.33, Q319 was Baht/USD 30.71 (and Q220 was Baht/USD 31.95).

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 31.66 at 30/09/20, and Baht/USD 30.59 at 30/09/19 (Baht/USD 30.89 at 30/06/20) or the respective rate applicable to each offshore subsidiary's base currency.

## Payout Analysis

No dividends were paid out during the quarter.

## Financial Status

Net Cash reserves and financial investments were THB 9.9 billion at the 30<sup>th</sup> September 2020 up from 30<sup>th</sup> September 2019 were 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 60 days in Q320 and 64 days in Q319.

	<u>30-Sep-20</u>	<u>30-Sep-19</u>	THB '000
Trade Receivables			
Less than 3 months	3,088,232	3,548,010	
3 - 6 months	13,475	20,406	
6 - 12 months	4,025	9,001	
More than 12 months	2,370	2,974	
Total accounts receivable - other companies	3,108,102	3,580,391	
Less : Allowance for doubtful accounts	<u>(5,891)</u>	<u>(5,609)</u>	
	3,102,211	3,574,782	

### **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 107 days as at 30th September, 2020 and 89 days as at 30th September, 2019.

### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q3 2020 was THB 660 million which was 1% lower than Q3 2019 was THB 664 million.

### **Capital Expenditure**

Net Capital Expenditure was THB 202 million in Q3 2020, and THB 297 million in Q3 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 200 million 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 120 million 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		%	
		Q320		Q319		Q320-Q319	Q320-Q319
<b>REVENUES</b>							
Sales		4,813,707		5,169,663		(355,956)	-7%
consisting of:							
<i>PCBA (Lamphun, Thailand)</i>		2,123,904	45%	2,348,110	45%	(224,207)	-10%
<i>PCBA (Jiaxing, China)</i>		693,780	14%	659,503	13%	34,277	5%
<i>PCBA (Cambodia)</i>		19,863	0%	29,227	1%	(9,364)	-32%
<i>IC (Ayutthaya, Thailand)</i>		1,592,377	33%	1,678,421	32%	(86,044)	-5%
<i>IC (Jiaxing, China)</i>		186,134	4%	242,955	5%	(56,821)	-23%
<i>HTI (Ohio, USA)</i>		197,649	4%	211,447	4%	(13,798)	-7%
		<u>4,813,707</u>	100%	<u>5,169,663</u>	100%	<u>(355,957)</u>	-7%
Other Income		<u>111,848</u>		<u>86,331</u>		<u>25,517</u>	30%
<b>TOTAL OPERATING REVENUES</b>		<u>4,925,555</u>		<u>5,255,994</u>		<u>(330,440)</u>	-6%
<b>EXPENSES</b>							
Cost of Sales		4,242,063	88%	4,579,467	89%	(337,404)	-7%
Selling & Admin. Expenses		286,230	6%	287,685	6%	(1,455)	-1%
R&D Expenses		30,593	1%	7,872	0%	22,721	289%
		<u>4,558,886</u>	95%	<u>4,875,024</u>	94%	<u>(316,138)</u>	-6%
<b>TOTAL EXPENSES</b>		<u>4,558,886</u>	95%	<u>4,875,024</u>	94%	<u>(316,138)</u>	-6%
<b>OPERATING EARNINGS</b>		<u>366,669</u>	7%	<u>380,970</u>	7%	<u>(14,302)</u>	-4%
Other Income - non operating		775		388		387	100%
Interest		30,741		44,405		(13,664)	-31%
Finance Expenses		(1,897)		(4,207)		2,310	
<b>EARNINGS before Income Tax</b>		<u>396,288</u>	8%	<u>421,556</u>	8%	<u>(25,269)</u>	-6%
Corporate Income Tax		(31,020)	-1%	(30,867)	-1%	(153)	0%
<b>Earnings before Exch. &amp; Exceptional Items</b>		<u>365,268</u>		<u>390,689</u>		<u>(25,422)</u>	-7%
Exchange Gain (Loss)		(45,222)		16,522		(61,744)	
Exceptional Items		-		-		-	
<b>NET EARNINGS for the Period</b>		<u>320,046</u>	6%	<u>407,211</u>	8%	<u>(87,166)</u>	-21%
<b>EARNINGS % of SALES</b>							
Average number of shares (1 Baht par)		804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals		0.45		0.49		-	0.04
EARNINGS per SHARE (baht) after exceptionals		0.40		0.51		-	0.11
Operating Profit (EBIT)		366,669		380,970		(14,301)	-4%
Operating Profit Margin		8%		7%			
Depreciation		293,518		282,675		10,843	
EBITDA (excl exchange gain/loss)		660,187		663,645		(3,459)	-1%
EBITDA % of Sales Revenue		14%		13%			

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED STATEMENT OF EARNINGS

	'000 Baht	YTD		YTD		YTD		YTD %	
		30-Sep-20		30-Sep-19		Q320-Q319		Q320-Q319	
<b>REVENUES</b>									
Sales		14,015,737		15,461,935		(1,446,198)			-9%
consisting of:									
PCBA (Lamphun, Thailand)		6,197,690	43%	6,864,541	45%	(666,851)			-10%
PCBA (Jiaxing, China)		1,899,745	14%	2,150,467	14%	(250,722)			-12%
PCBA (Cambodia)		75,586	1%	52,794	0%	22,792			
IC (Ayutthaya, Thailand)		4,774,002	34%	5,039,335	33%	(265,333)			-5%
IC (Jiaxing, China)		545,460	4%	692,905	4%	(147,445)			-21%
HTI (Ohio, USA)		523,254	4%	661,893	4%	(138,639)			-21%
		<u>14,015,737</u>	100%	<u>15,461,935</u>	100%	<u>(1,446,198)</u>			-9%
Other Income		284,126		245,225		38,901			16%
<b>TOTAL OPERATING REVENUES</b>		<u>14,299,863</u>		<u>15,707,160</u>		<u>(1,407,297)</u>			-9%
<b>EXPENSES</b>									
Cost of Sales		12,032,425	86%	13,860,692	90%	(1,828,267)			-13%
Selling & Admin. Expenses		881,878	6%	869,703	6%	12,174			1%
R&D Expenses		59,246	0%	22,105	0%	37,142			168%
		<u>12,973,549</u>	93%	<u>14,752,500</u>	95%	<u>(1,778,951)</u>			-12%
<b>TOTAL EXPENSES</b>		<u>12,973,549</u>	93%	<u>14,752,500</u>	95%	<u>(1,778,951)</u>			-12%
<b>OPERATING EARNINGS</b>		<u>1,326,314</u>	9%	<u>954,660</u>	6%	<u>371,654</u>			39%
Other Income - non operating		1,605		1,152		453			
Interest		110,750		133,838		(23,088)			-17%
Finance Expenses		(35,186)		(9,493)		(25,693)			
<b>EARNINGS before Income Tax</b>		<u>1,403,483</u>	10%	<u>1,080,157</u>	7%	<u>323,326</u>			30%
Corporate Income Tax		(77,507)	6%	(65,807)	6%	(11,700)			18%
<b>Earnings before Exch. &amp; Exceptional Items</b>		<u>1,325,976</u>		<u>1,014,350</u>		<u>311,626</u>			31%
Exchange Gain (Loss)		(119,912)		231,765		(351,677)			
Exceptional Items		-		-		-			
<b>NET EARNINGS for the Period</b>		<u>1,206,064</u>	8%	<u>1,246,115</u>	8%	<u>(40,051)</u>			-3%
<b>EARNINGS % of SALES</b>									
Average number of shares (1 Baht par)		804,879		804,879		-			
EARNINGS per SHARE (baht) before exch. & exceptionals		1.65		1.26		0.39			
EARNINGS per SHARE (baht) after exceptionals		1.50		1.55		-			0.05
Operating Profit (EBIT)		1,326,314		954,660		371,654			
Operating Profit Margin		9%		6%					
Depreciation		863,623		858,493		5,130			
EBITDA (excl exchange gain/loss)		2,189,937		1,813,153		376,784			
EBITDA % of Sales Revenue		16%		12%					

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>30-Sep-20</u>	Quarter <u>30-Sep-19</u>	<u>Q320-Q319</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	4,961,351	3,802,864	1,158,487
Financial Investments	4,835,603	5,022,620	(187,017)
Accounts Receivable - trade	3,229,737	3,704,329	(474,592)
Amounts due from Related Companies	-	-	
Inventories	5,027,071	4,514,397	512,674
Other Current Assets	58,712	85,234	(26,522)
<b>TOTAL CURRENT ASSETS</b>	<u>18,112,474</u>	<u>17,129,444</u>	<u>983,030</u>
Fixed Deposit	79,242	137,761	(58,519)
<b>FIXED ASSETS (net)</b>	6,953,726	6,942,368	11,358
OTHER ASSETS	390,597	290,334	100,263
<b>TOTAL ASSETS</b>	<u>25,536,039</u>	<u>24,499,907</u>	<u>1,036,132</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	-	430,000	(430,000)
Accounts & Notes Payable	2,399,279	2,326,825	72,454
Short Term Provisions	316,579	-	316,579
Corporate Income Tax Payable	19,176	17,083	2,093
Accrued Expenses	-	305,919	(305,919)
Other Current Liabilities	139,724	123,035	16,689
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,874,758</u>	<u>3,202,862</u>	<u>(328,104)</u>
<b>LONG TERM LIABILITIES</b>	749,821	411,684	338,137
<b>TOTAL LIABILITIES</b>	<u>3,624,579</u>	<u>3,614,546</u>	<u>10,033</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	19,124,696	18,679,166	445,530
Translation adj. & Investment revaluation	(197,797)	(778,366)	580,569
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<u>21,911,460</u>	<u>20,885,361</u>	<u>1,026,099</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<u>25,536,039</u>	<u>24,499,907</u>	<u>1,036,132</u>

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>30-Sep-20</u>	Quarter <u>30-Sep-19</u>
<b>Cashflow from Operating Activities</b>		
Net Earnings before tax	351,065	438,078
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	293,518	282,675
Unrealised (gain) Loss on exchange	70,827	(60,727)
Increase (Decrease) in allowance for doubtful debts	(3,120)	1,545
Increase (Decrease) in allowance for obsolete inventories	42,441	(2,973)
Change in other provisions	(27,585)	6,654
	<u>376,081</u>	<u>227,174</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	(98,042)	(74,026)
Inventories	154,689	390,599
Trade accounts payable	(108,937)	(279,905)
Other	(33,535)	27,962
	<u>(85,825)</u>	<u>64,630</u>
<b>Net Cashflow from Operating Activities</b>	<u>641,321</u>	<u>729,882</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	(522,973)	386,684
Increase in property, plant and equipment	544,972	(355,996)
Proceeds from sale of fixed assets	(799,552)	40,398
Increase (decrease) in translation adjustment	(1,333,803)	(161,064)
Revaluation deficit on investments	(32,574)	(17,267)
Other		
	<u>(2,143,930)</u>	<u>(107,245)</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	2,038	(3,217)
Dividend paid	521,133	-
Other	500,000	(140,000)
Net cash (used in ) from financing activities	<u>1,023,171</u>	<u>(143,217)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(479,438)	479,420
Cash and Equivalents at the beginning of the period	<u>4,742,155</u>	<u>3,323,444</u>
Cash and Equivalents at the end of the period	4,262,717	3,802,864



# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	<u>Quarter</u> <u>30-Sep-20</u>	<u>Quarter</u> <u>30-Sep-19</u>	<u>Q320-Q319</u>	
<b>Profitability Ratios</b>				
Gross Profit Margin (%)	12%	11%		1%
Operating Profit Margin (%)	8%	8%		
Net Profit before Exceptional Margin (%)	8%	8%		
Net Profit after Exceptional Margin (%)	7%	8%		-1%
EBITDA margin (%)	14%	13%		1%
Return On Equity (%) pa	6%	8%		-2%
Return On Assets (%) pa	5%	7%		-2%
Return On Operating Capital Employed (%) pa	11%	12%		-1%
<b>Efficiency Ratios</b>				
Working Capital turnover	3	4	-	1
Account Receivable days	60	64	-	4
Inventory days	107	89		18
Accounts Payable days	51	46		5
<b>Liquidity Ratios</b>				
Current Ratio	6	5		1
Quick Ratio	5	4		1
<b>Financial Capital Ratios</b>				
Debt / Equity	0	0		
Net Debt to Equity	0	0		
Interest Coverage	n/a	n/a		