

**Overall Group Performance**

Hana Microelectronics Group 'Hana' Sales Revenue decreased 7% year on year at THB 5.3 billion for the fourth quarter of 2017 from THB 5.7 billion for the fourth quarter 2016. Sales Revenue in USD terms was similar at USD 162m for Q4 2017 and Q4 2016. Operating Profits decreased 28% to THB 531m in Q4 2017 from THB 734m in Q4 2016.

Net Profit decreased 2% to THB 625m in Q417 from THB 635m in Q416, due to lower operating profits and mostly offset by exchange gain in Q417.

THB '000	Quarter		Quarter		Q417-Q416	%
	Q417		Q416			
PCBA (Lamphun, Thailand)	2,022,508	39%	2,249,913	39%	(227,405)	-10%
PCBA (Jiaxing, China)	970,933	18%	997,219	17%	(26,286)	-3%
PCBA (Cambodia)	16,439	0%	39,454	1%	(23,015)	-58%
IC (Ayutthaya, Thailand)	1,732,360	32%	1,808,380	32%	(76,020)	-4%
IC (Jiaxing, China)	318,790	6%	294,710	5%	24,080	8%
HMT (Ohio, USA)	270,851	5%	336,477	6%	(65,626)	-20%
Total Revenue	5,331,882	100%	5,726,153	100%	(394,271)	-7%

**Sales Revenue Analysis**

**Year on Year Sales Revenue Analysis**

Quarter 4 2017 sales revenue for the group was similar year-on-year in USD terms, at USD 162m in Q416 and in Q417. The average exchange rate for Q417 was 7% stronger at THB/USD 32.9 from THB/USD 35.4 in Q416. 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 1%. Sales in Lamphun decreased 3% whilst Jiaxing increased by 5%. The IC divisions sales revenues increased 5% in Q417, with revenues of the IC division in Ayutthaya increasing by 3% and Jiaxing increasing by 16%. "HMT" the Microdisplay/RFID operation in Ohio sales revenue decreased 13%.

**Quarter on Quarter Sales Revenue Analysis**

Quarter-on-Quarter, in USD terms, sales for the group decreased 6% from USD 172m in Q317 to USD 162m in Q417. In THB equivalent the group sales were down 7% in Q417 compared to Q317 due to the average THB/USD exchange rate being 1% stronger at 32.9 in Q417 from 33.4 in Q317. Sales in the microelectronics division increased 3% with Lamphun increasing 1% and Jiaxing increasing 7%. Sales revenues from the IC divisions were 18% lower in Q417 with Ayutthaya sales decreasing 19% and Jiaxing IC sales decreasing by 14%. The Microdisplay division sales increased 12% in Q417 compared to Q317.

**Sales Revenue Split**

	Q4 2017	Q3 2017	Q2 2017	Q117	Q4 2016
PCBA (Lamphun, Thailand)	39%	36%	39%	38%	39%
PCBA (Jiaxing, China)	18%	16%	17%	18%	17%
PCBA (Cambodia)	0%	0%	0%	0%	1%
IC (Ayutthaya, Thailand)	32%	37%	33%	34%	32%
IC (Jiaxing, China)	6%	7%	6%	5%	5%
HMT (Ohio, USA)	5%	4%	5%	5%	6%
	100%	100%	100%	100%	100%

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

The Gross Profit margin was 14% in Q417 down from Q416 at 17% due to stronger THB/USD exchange rate.

### **Operating Profit Analysis**

Year-on-year operating profits were 28% lower at THB 531m in Q417 compared to THB 734m in Q416. The Operating margin was 10% in Q417 down 3 percentage points from 13% in Q416 due to the lower gross margin and higher SGA expenses. SG&A expenses were 17% higher in Q417 to Q416 due to higher bonus, retirement provision and salaries SG&A expenses in Q417 were 16% higher than Q317.

### **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 Q417 was Baht/USD 32.95, Q416 was Baht/USD 35.39 (and Q317 was Baht/USD 33.39).

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 32.68 at 31/12/17, and Baht/USD 35.83 at 31/12/16 (33.37 at 30/09/17) or the respective rate applicable to each offshore subsidiary's base currency.

### **Payout Analysis**

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

In Q217 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2016.

In Q416 THB 805m dividend of THB 1.00 per share was paid as an interim dividend from the profits of 2016.

In Q216 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2015.

In Q415 THB 805m dividend of THB 1.00 per share was paid as an interim dividend from the profits of 2015.

In Q215 THB 805m final dividend of THB 1.00 per share was paid during the quarter from the profits of 2014.

### **Financial Status**

The group currently has no interest bearing debt. Cash reserves and financial investments at the 31st December 2017 were THB 9.7 billion down from 31st December, 2016 THB 9.9 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 Q417 and 56 days in Q416.

	<u>31-Dec-17</u>	<u>31-Dec-16</u>	THB '000
Trade Receivables			
Less than 3 months	3,713,024	3,404,803	
3 - 6 months	14,756	18,549	
6 - 12 months	681	26,032	
More than 12 months	9,130	4,443	
Total accounts receivable - other companies	3,737,591	3,453,827	
Less : Allowance for doubtful accounts	(11,159)	(19,855)	
	<u>3,726,432</u>	<u>3,433,972</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 81 days as at 31st December, 2017 and 69 days as at 31st December, 2016.

### **Liquidity**

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q4 2017 was THB 798m which was 23% lower than Q4 2016 was THB 1,034m.

### **Capital Expenditure**

Capital Expenditure was THB 192m in Q4 2017, and THB 167m in Q4 2016. 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 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 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 140m 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>Q417</u>		<u>Q416</u>		<u>Q417-Q416</u>	<u>Q417-Q416</u>
<b>REVENUES</b>						
Sales	5,331,882		5,726,153		(394,271)	-7%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	2,022,508	39%	2,249,913	39%	(227,405)	-10%
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<i>IC (Jiaxing, China)</i>	318,790	6%	294,710	5%	24,080	8%
<i>HMT (Ohio, USA)</i>	270,851	5%	336,477	6%	(65,626)	-20%
	<u>5,331,882</u>	100%	<u>5,726,153</u>	100%	<u>(394,271)</u>	-7%
Other Income	95,645		62,758		32,888	52%
<b>TOTAL OPERATING REVENUES</b>	<u>5,427,527</u>		<u>5,788,911</u>		<u>(361,384)</u>	-6%
<b>EXPENSES</b>						
Cost of Sales	4,560,883	86%	4,767,845	83%	(206,961)	-4%
Selling & Admin. Expenses	335,453	6%	287,131	5%	48,322	17%
<b>TOTAL EXPENSES</b>	<u>4,896,336</u>	92%	<u>5,054,976</u>	88%	<u>(158,639)</u>	-3%
<b>OPERATING EARNINGS</b>	<u>531,191</u>	10%	<u>733,935</u>	13%	<u>(202,744)</u>	-28%
Interest	50,314		52,958		(2,644)	-5%
Interest Expenses	(1,720)		(2,172)		452	
<b>EARNINGS before Income Tax</b>	<u>579,784</u>	11%	<u>784,721</u>	14%	<u>(204,936)</u>	-26%
Corporate Income Tax	(68,247)	-1%	(20,632)	0%	(47,615)	231%
<b>Earnings before Exch. &amp; Exceptional Items</b>	<u>511,537</u>		<u>764,089</u>		<u>(252,551)</u>	-33%
Exchange Gain (Loss)	113,524		(128,626)		242,150	
Exceptional Items	-		-		-	
<b>NET EARNINGS for the Period</b>	<u>625,061</u>	12%	<u>635,463</u>	11%	<u>(10,401)</u>	-2%

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Dec-17</u>	Quarter <u>31-Dec-16</u>	<u>Q417-Q416</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash in Hand & at Banks	5,221,929	6,347,595	(1,125,666)
Financial Investments	4,517,582	3,292,934	1,224,648
Accounts Receivable - trade	3,904,178	3,561,206	342,971
Amounts due from Related Companies	-	-	
Inventories	4,082,874	3,676,207	406,667
Other Current Assets	166,896	159,638	7,258
<b>TOTAL CURRENT ASSETS</b>	<u>17,893,458</u>	<u>17,037,580</u>	<u>855,878</u>
Fixed Deposit	-	313,262	(313,262)
<b>FIXED ASSETS (net)</b>	6,065,872	6,217,792	(151,920)
OTHER ASSETS	443,768	212,149	231,618
<b>TOTAL ASSETS</b>	<u>24,403,098</u>	<u>23,780,784</u>	<u>622,314</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	2,920,965	2,813,467	107,498
Corporate Income Tax Payable	40,486	42,023	(1,537)
Accrued Expenses	326,809	358,307	(31,498)
Other Current Liabilities	97,658	150,343	(52,684)
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,385,918</u>	<u>3,364,139</u>	<u>21,779</u>
<b>LONG TERM LIABILITIES</b>	327,302	454,879	(127,578)
<b>TOTAL LIABILITIES</b>	<u>3,713,220</u>	<u>3,819,019</u>	<u>(105,799)</u>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	804,879	804,879	(0)
Treasury Shares	-	-	
Share Premium	1,723,219	1,723,219	(0)
Retained Earnings			
Appropriated Statutory Reserve	443,691	428,284	15,407
Unappropriated	17,504,229	16,088,535	1,415,694
Translation adj. & Investment revaluation	213,860	916,848	(702,988)
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
<b>TOTAL SHAREHOLDERS EQUITY</b>	<u>20,689,878</u>	<u>19,961,765</u>	<u>728,113</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS EQUITY</b>	<u>24,403,098</u>	<u>23,780,784</u>	<u>622,314</u>

# HANA MICROELECTRONICS GROUP

## CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>31-Dec-17</u>	Quarter <u>31-Dec-16</u>
<b>Cashflow from Operating Activities</b>		
Net Earnings before tax	693,308	656,095
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>		
<b>Non Cash items</b>		
Depreciation	266,820	292,509
Unrealised (gain) Loss on exchange	(31,800)	138,701
Increase (Decrease) in allowance for doubtful debts	(3,219)	2,712
Increase (Decrease) in allowance for obsolete inventories	43,896	(152)
Change in other provisions	(77,147)	(86,737)
	<u>198,551</u>	<u>347,032</u>
<b>Working Capital (increase) decrease</b>		
Trade accounts receivable	(50,240)	100,690
Inventories	(303,692)	(75,979)
Trade accounts payable	(40,985)	57,231
Other	(2,643,176)	(60,632)
	<u>(3,038,093)</u>	<u>21,310</u>
<b>Net Cashflow from Operating Activities</b>	<u>(2,146,234)</u>	<u>1,024,437</u>
<b>Cashflow from Investing Activities</b>		
(Increase) decrease in short term investment	(1,559,614)	548,454
Increase in property, plant and equipment	(933,731)	(383,085)
Proceeds from sale of fixed assets	17,167	1,788
Increase (decrease) in translation adjustment	(673,377)	222,739
Revaluation deficit on investments	1,871,880	720
Other		
	<u>(1,277,675)</u>	<u>390,615</u>
<b>Cashflow from Financing Activities</b>		
Cash received from increase in share capital	-	-
Dividend paid	(804,879)	(804,879)
Other	-	-
Net cash (used in ) from financing activities	<u>(804,879)</u>	<u>(804,879)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(4,228,788)	610,173
Cash and Equivalents at the beginning of the period	<u>8,985,326</u>	<u>5,737,422</u>
Cash and Equivalents at the end of the period	4,756,538	6,347,595

# HANA MICROELECTRONICS GROUP

## Financial Ratios

'000 Baht	<u>Quarter</u> <u>31-Dec-17</u>	<u>Quarter</u> <u>31-Dec-16</u>	<u>Q417-Q416</u>
<b>Profitability Ratios</b>			
Gross Profit Margin (%)	14%	17%	-3%
Operating Profit Margin (%)	10%	13%	-3%
Net Profit before Exceptional Margin (%)	10%	13%	-3%
Net Profit after Exceptional Margin (%)	12%	11%	1%
EBITDA margin (%)	15%	18%	-3%
Return On Equity (%) pa	12%	13%	-1%
Return On Assets (%) pa	10%	11%	-1%
Return On Operating Capital Employed (%) pa	19%	28%	-9%
<b>Efficiency Ratios</b>			
Working Capital turnover	4	5	- 1
Account Receivable days	66	56	10
Inventory days	81	69	12
Accounts Payable days	58	53	5
<b>Liquidity Ratios</b>			
Current Ratio	5	5	
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	