

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue increased 5% year on year at THB 5.6 billion for the fourth quarter of 2018 from THB 5.3 billion for the fourth quarter 2017. Sales Revenue in USD terms increased 5% to USD 171m for Q4 2018 from USD 162m in Q4 2017. Operating Profits increased 21% to THB 645m in Q4 2018 from THB 531m in Q4 2017.

Net Profit increased 3% to THB 647m in Q418 from THB 625m in Q417, due to higher sales revenue and operating profits in Q418.

THB '000	Quarter		Quarter		%	
	Q418		Q417		Q418-Q417	Q418-Q417
PCBA (Lamphun, Thailand)	2,194,404	40%	2,022,508	39%	171,896	8%
PCBA (Jiaxing, China)	961,856	17%	970,933	18%	(9,077)	-1%
PCBA (Cambodia)	17,407	0%	16,439	0%	968	6%
IC (Ayutthaya, Thailand)	1,883,749	34%	1,732,360	32%	151,389	9%
IC (Jiaxing, China)	249,521	4%	318,790	6%	(69,269)	-22%
HTI (Ohio, USA)	294,153	5%	270,851	5%	23,302	9%
Total Revenue	5,601,091	100%	5,331,881	100%	269,210	5%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 4 2018 sales revenue for the group increased 5% year-on-year in USD terms to USD 171m from USD 162m in Q417. The average exchange rate for Q418 was similar at THB/USD 32.8 from THB/USD 32.9 in Q417. As a result the sales revenue in THB terms also increased 5% year on year for the quarter. Year-on-year, in USD terms, the microelectronics divisions sales increased by 6%. Sales in Lamphun increased 9% whilst Jiaxing decreased by 1%. The IC divisions sales revenues decreased 4% in Q418, with revenues of the IC division in Ayutthaya increasing 9% and Jiaxing decreasing by 21%. "HTI" the Microdisplay/RFID operation in Ohio sales revenue increased 6%.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter, in USD terms, sales for the group decreased 6% to USD 171m in Q418 from USD 182m in Q318. In THB equivalent the group sales were down 7% in Q418 compared to Q318 due to the average THB/USD exchange rate being 1% stronger at 32.8 in Q418 from 33.0 in Q318. Sales in the microelectronics divisions decreased 3% with Lamphun decreasing 4% and Jiaxing increasing 1%. Sales revenues from the IC divisions were 13% lower in Q418 with Ayutthaya sales decreasing 11% and Jiaxing IC sales decreasing by 28%. The Microdisplay division sales increased 9% in Q418 compared to Q318.

Sales Revenue Split

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
PCBA (Lamphun, Thailand)	40%	38%	39%	43%	39%
PCBA (Jiaxing, China)	17%	16%	18%	16%	18%
PCBA (Cambodia)	0%	0%	0%	0%	0%
IC (Ayutthaya, Thailand)	34%	35%	34%	31%	32%
IC (Jiaxing, China)	4%	6%	5%	6%	6%
HTI (Ohio, USA)	5%	5%	4%	4%	5%
	100%	100%	100%	100%	100%

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

The Gross Profit margin was 1 percentage points higher at 15% in Q418 up from Q417 at 14% due to higher sales revenue .

Operating Profit Analysis

Year-on-year operating profits, excluding R&D expenses, were 21% higher at THB 645m in Q418 compared to THB 531m in Q417. The Operating margin was 2 percentage points higher at 12% in Q418 up from 10% in Q417 due to higher gross margin and lower SGA expenses. SG&A expenses were 5% lower in Q418 from Q417 due to capitalisation of R&D expenses (THB 19m) in the quarter.

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 Q418 was Baht/USD 32.81, Q417 was Baht/USD 32.95 (and Q318 Baht/USD 32.97).

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 32.45 at 31/12/18, and Baht/USD 32.68 at 31/12/17 (32.41 at 30/09/18) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

In Q418 THB 805m dividend of THB 1.00 per share was paid as an interim dividend 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.

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

Financial Status

The group currently has no interest bearing debt. Cash reserves and financial investments at the 31st December 2018 were THB 8.7 billion down from 31st December 2017 were THB 9.7 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 62 days in Q418 and 66 days in Q417.

	<u>31-Dec-18</u>	<u>31-Dec-17</u>	THB '000
Trade Receivables			
Less than 3 months	3,668,482	3,713,024	
3 - 6 months	34,940	14,756	
6 - 12 months	7,737	681	
More than 12 months	1,480	9,130	
Total accounts receivable - other companies	3,712,639	3,737,591	
Less : Allowance for doubtful accounts	(21,556)	(11,159)	
	<u>3,691,083</u>	<u>3,726,432</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 98 days as at 31st December, 2018 and 81 days as at 31st December, 2017.

Liquidity

Liquidity ratios are high at approximately 4 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q4 2018 was THB 945m which was 18% higher than Q4 2017 was THB 798m .

Capital Expenditure

Net Capital Expenditure was THB 446m in Q4 2018, and THB192m in Q4 2017. 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 Q418		Quarter Q417		Q418-Q417	%
						Q418-Q417
REVENUES						
Sales	5,601,091		5,331,882		269,209	5%
consisting of:						
<i>PCBA (Lamphun, Thailand)</i>	2,194,404	40%	2,022,508	39%	171,896	8%
<i>PCBA (Jiaxing, China)</i>	961,856	17%	970,933	18%	(9,077)	-1%
<i>PCBA (Cambodia)</i>	17,407	0%	16,439	0%	968	6%
<i>IC (Ayutthaya, Thailand)</i>	1,883,749	34%	1,732,360	32%	151,389	9%
<i>IC (Jiaxing, China)</i>	249,521	4%	318,790	6%	(69,269)	-22%
<i>HTI (Ohio, USA)</i>	294,153	5%	270,851	5%	23,302	9%
	<u>5,601,091</u>	100%	<u>5,331,881</u>	100%	<u>269,210</u>	5%
Other Income	143,403		95,588		47,815	50%
Other Income - non operating	324		57		267	465%
TOTAL OPERATING REVENUES	<u>5,744,819</u>		<u>5,427,526</u>		<u>317,292</u>	6%
EXPENSES						
Cost of Sales	4,782,850	85%	4,560,883	86%	221,967	5%
Selling & Admin. Expenses	335,851	6%	335,453	6%	398	0%
R&D Expenses	(19,455)	0%	-	0%	(19,455)	0%
TOTAL EXPENSES	<u>5,099,247</u>	91%	<u>4,896,336</u>	92%	<u>202,911</u>	4%
OPERATING EARNINGS	<u>645,572</u>	11%	<u>531,190</u>	10%	<u>114,382</u>	22%
Interest	53,649		50,314		3,335	7%
Interest Expenses	(1,546)		(1,720)		174	
EARNINGS before Income Tax	<u>697,674</u>	12%	<u>579,784</u>	11%	<u>117,891</u>	20%
Corporate Income Tax	(42,386)	-1%	(68,247)	-1%	25,861	-38%
Earnings before Exch. & Exceptional Items	<u>655,289</u>		<u>511,537</u>		<u>143,752</u>	28%
Exchange Gain (Loss)	(8,358)		113,524		(121,882)	
Exceptional Items	-		-		-	
NET EARNINGS for the Period	<u>646,931</u>	11%	<u>625,061</u>	12%	<u>21,870</u>	3%
EARNINGS % of SALES	12%		12%		0%	
Average number of shares (1 Baht par)	804,879		804,879		-	
EARNINGS per SHARE (baht) before exch. & exceptionals	0.81		0.64		0.17	
EARNINGS per SHARE (baht) after exceptionals	0.80		0.78		0.02	
Operating Profit (EBIT)	645,247		531,133		114,114	21%
Operating Profit Margin	12%		10%			
Depreciation	299,688		266,820		32,868	
EBITDA (excl exchange gain/loss)	964,390		797,954		147,249	18%
EBITDA % of Sales Revenue	17%		15%			

HANA MICROELECTRONICS GROUP

CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Dec-18</u>	Quarter <u>31-Dec-17</u>	<u>Q418-Q417</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	4,561,408	5,221,929	(660,520)
Financial Investments	3,985,334	4,517,582	(532,249)
Accounts Receivable - trade	3,831,672	3,904,178	(72,505)
Amounts due from Related Companies	-	-	
Inventories	5,222,840	4,082,874	1,139,966
Other Current Assets	155,141	166,896	(11,754)
TOTAL CURRENT ASSETS	<u>17,756,395</u>	<u>17,893,458</u>	<u>(137,063)</u>
Fixed Deposit	146,121	-	146,121
FIXED ASSETS (net)	7,251,542	6,065,872	1,185,670
OTHER ASSETS	214,254	443,768	(229,514)
TOTAL ASSETS	<u>25,368,313</u>	<u>24,403,098</u>	<u>965,215</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	-	-	
Accounts & Notes Payable	3,421,409	2,920,965	500,444
Short Term Provisions	324,498	-	324,498
Corporate Income Tax Payable	37,278	40,486	(3,208)
Accrued Expenses	-	326,809	(326,809)
Other Current Liabilities	130,408	97,658	32,750
TOTAL CURRENT LIABILITIES	<u>3,913,593</u>	<u>3,385,918</u>	<u>527,675</u>
LONG TERM LIABILITIES	371,590	327,302	44,288
TOTAL LIABILITIES	<u>4,285,183</u>	<u>3,713,220</u>	<u>571,963</u>
SHAREHOLDERS EQUITY			
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	18,237,930	17,504,229	733,701
Translation adj. & Investment revaluation	(139,361)	213,860	(353,220)
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>21,083,130</u>	<u>20,689,878</u>	<u>393,252</u>
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>25,368,313</u>	<u>24,403,098</u>	<u>965,215</u>

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	<u>Quarter</u> <u>31-Dec-18</u>	<u>Quarter</u> <u>31-Dec-17</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	689,317	693,308
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	299,688	266,820
Unrealised (gain) Loss on exchange	45,931	(31,800)
Increase (Decrease) in allowance for doubtful debts	13,031	(3,219)
Increase (Decrease) in allowance for obsolete inventories	46,808	18,815
Change in other provisions	(29,952)	(76,833)
	<u>375,506</u>	<u>173,783</u>
Working Capital (increase) decrease		
Trade accounts receivable	258,034	(50,240)
Inventories	(609,090)	(278,611)
Trade accounts payable	82,618	(40,985)
Other	(48,058)	(2,643,176)
	<u>(316,495)</u>	<u>(3,013,012)</u>
Net Cashflow from Operating Activities	<u>748,327</u>	<u>(2,145,922)</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	903,159	(1,559,614)
Increase in property, plant and equipment	(799,238)	(934,044)
Proceeds from sale of fixed assets	(373)	17,167
Increase (decrease) in translation adjustment	22,137	(673,377)
Revaluation deficit on investments	5,402	1,871,880
Other		
	<u>131,087</u>	<u>(1,277,988)</u>
Cashflow from Financing Activities		
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)	74,535	(4,228,789)
Cash and Equivalents at the beginning of the period	<u>4,006,801</u>	<u>8,985,326</u>
Cash and Equivalents at the end of the period	<u>4,081,337</u>	<u>4,756,537</u>

HANA MICROELECTRONICS GROUP

Financial Ratios

'000 Baht	<u>Quarter</u> <u>31-Dec-18</u>	<u>Quarter</u> <u>31-Dec-17</u>	<u>Q418-Q417</u>
Profitability Ratios			
Gross Profit Margin (%)	15%	14%	1%
Operating Profit Margin (%)	11%	10%	1%
Net Profit before Exceptional Margin (%)	12%	10%	2%
Net Profit after Exceptional Margin (%)	12%	12%	
EBITDA margin (%)	17%	15%	2%
Return On Equity (%) pa	12%	12%	
Return On Assets (%) pa	10%	10%	
Return On Operating Capital Employed (%) pa	20%	19%	1%
Efficiency Ratios			
Working Capital turnover	4	4	
Account Receivable days	62	66	- 4
Inventory days	98	81	17
Accounts Payable days	64	58	6
Liquidity Ratios			
Current Ratio	5	5	
Quick Ratio	3	4	- 1
Financial Capital Ratios			
Debt / Equity	0	0	
Net Debt to Equity	0	0	
Interest Coverage	n/a	n/a	