

Management's Discussion and Analysis

First Quarter ending 31st March 2024

Overall Group Performance

Hana Microelectronics Group 'Hana' Sales Revenue decreased -1% year on year to THB 6,371 million for the first quarter of 2024 from THB 6,466 million for the first quarter 2023. Sales Revenue in USD terms decreased -6% to USD 179m in Q1 2024 from USD 191m in Q1 2023. Earnings from Operations increased 26% to THB 367m in Q1 2024 from THB 291m in Q1 2023.

Net Profit increased to THB 313m in Q124 from THB 266m in Q123, due to weaker exchange rate in Q124 compared to Q123.

THB '000	Quarter		Quarter		Q124-Q123	%
	Q124		Q123			
PCBA (Lamphun, Thailand)	3,176,248	50%	3,032,375	48%	143,873	5%
PCBA (Jiaxing, China)	884,169	14%	797,259	12%	86,910	11%
PCBA (Cambodia)	60,852	1%	82,263	1%	(21,411)	-26%
IC (Ayutthaya, Thailand)	1,623,560	26%	1,815,832	28%	(192,272)	-11%
IC (Jiaxing, China)	124,678	2%	247,111	4%	(122,433)	-50%
HTI (Ohio, USA)	410,714	6%	345,321	5%	65,393	19%
IC Korea	90,288	1%	145,817	2%	(55,529)	-38%
Total Revenue	6,370,509	100%	6,465,978	100%	(95,469)	-1%

Sales Revenue Analysis

Year on Year Sales Revenue Analysis

Quarter 1 2024 sales revenue for the group decreased -6% year-on-year in USD terms to USD 179m from USD 191m in Q123. The average exchange rate for Q124 was -5.2% weaker at THB/USD 35.7 from THB/USD 33.9 in Q123. As a result the sales revenue in THB terms decreased -1% year on year for the quarter.

Year-on-year, in USD terms, the microelectronics divisions sales increased by 1%. Sales in Lamphun decreased -0.3% and Jiaxing increased by 6% year on year. The IC divisions sales revenues decreased -19% in Q124, with revenues of the IC division in Ayutthaya decreasing -15% and Jiaxing decreasing by -52%. Hana Technologies Inc. 'HTI' the Microdisplay/RFID operation in Ohio sales revenue increased 13% in Q124 from Q123.

Quarter on Quarter Sales Revenue Analysis

Quarter-on-Quarter, in USD terms, sales for the group increased 2% to 179m in Q124 from USD 175m in Q423. Sales in the microelectronics divisions increased 6% with Lamphun increasing 4% and Jiaxing increasing 14%. Sales revenues from the IC divisions decreased -5% in Q124 from Q423 with Ayutthaya sales decreasing -4% and Jiaxing IC sales decreasing by -9%. HTI sales increased 1% in Q124 compared to Q423.

Sales Revenue Split

	<u>Q1 2024</u>	<u>Q4 2023</u>	<u>Q3 2023</u>	<u>Q2 2023</u>	<u>Q1 2023</u>
PCBA (Lamphun, Thailand)	50%	49%	47%	45%	48%
PCBA (Jiaxing, China)	14%	12%	12%	13%	12%
PCBA (Cambodia)	1%	1%	2%	2%	1%
IC (Ayutthaya, Thailand)	26%	27%	28%	29%	28%
IC (Jiaxing, China)	2%	2%	4%	4%	4%
HTI (Ohio, USA)	6%	7%	6%	5%	5%
IC Korea	1%	2%	1%	2%	2%
	100%	100%	100%	100%	100%

Gross Profit / Cost of Sales Analysis

The Gross Profit margin increased 2% points to 11% in Q124 from 9% Q123. Gross Margin in Q124 increased due to weaker THB/USD exchange rate and increased profits at the Thailand and US operations.

Operating Profit Analysis, Sales and Administration Analysis

Year-on-year Earnings from Operations, were 26% higher at THB 367m in Q124 compared to THB 291m in Q123. The Operating margin increased to 5.8% in Q124 from 4.5% in Q123. SG&A expenses increased 14% in Q124 compared to Q123 due to THB 28m increase in SGA expenses at IC Korea and THB 22m higher interest expense.

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 Q124 was THB/USD 35.66, Q123 was THB/USD 33.91 (Q423 was THB/USD 35.65).

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 36.47 at 31/03/24, and 34.10 at 31/03/23 (34.22 at 31/12/23) or the respective rate applicable to each offshore subsidiary's base currency.

Payout Analysis

No dividends were paid in Q124 or Q123.

Financial Status

Net Cash reserves and financial investments were THB 8.7 billion at the 31st March 2024 up from THB 3.1 billion at the 31st March 2023.

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 were 72 days at 31st March 2024, and 71 days in 2023.

	<u>31-Mar-24</u>	<u>31-Mar-23</u>	THB '000
Trade Receivables			
Less than 3 months	4,826,355	4,854,561	
3 - 6 months	82,228	45,243	
6 - 12 months	32,988	7,068	
More than 12 months	11,441	10,149	
Total accounts receivable - other companies	<u>4,953,012</u>	<u>4,917,021</u>	
Less : Allowance for doubtful accounts	(16,790)	(17,601)	
	<u>4,936,222</u>	<u>4,899,420</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 147 days as at 31st March 2024 and 141 days as at 31st March 2023.

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 59 days in Q124, 54 days in Q123.

Liquidity

Liquidity Current ratio is over 3 times current liabilities. Operating Cashflow (Recurring EBITDA) in Q1 2024 was THB 806m which was 13% higher than Q1 2023 at THB 712m.

Capital Expenditure

Capital Expenditure was THB 400m in Q1 2024 and THB 463m in Q1 2023. 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

The group has debt to fund certain subsidiaries capital expenditure. However, as the operating working capital is positive, the groups major 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, as of the 30th September 2023 all foreign exchange contracts to hedge the Baht against the USD have been unwound so there is zero net outstanding THB/USD contracts. This action was taken due to weakening THB/USD and high interest rate differential between USD and THB. At the end of Q223 USD 120m was hedged (sell USD buy THB).

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 COVID-19, may occur which may affect customer demand and the

HANA MICROELECTRONICS GROUP

CONSOLIDATED STATEMENT OF EARNINGS

'000 Baht	Quarter		Quarter		%	
	<u>Q124</u>		<u>Q123</u>		<u>Q124-Q123</u>	<u>Q124-Q123</u>
REVENUES						
Sales	6,370,509		6,465,978		(95,469)	-1%
consisting of:						
PCBA (Lamphun, Thailand)	3,176,248	50%	3,032,375	48%	143,873	5%
PCBA (Jiaxing, China)	884,169	14%	797,259	12%	86,910	11%
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HTI (Ohio, USA)	410,714	6%	345,321	5%	65,393	19%
IC (Korea)	90,288	1%	145,817	2%	(55,529)	-38%
	<u>6,370,509</u>	100%	<u>6,465,978</u>	100%	<u>(95,469)</u>	-1%
Other Income	95,465		119,841		(24,376)	-20%
TOTAL OPERATING REVENUES	<u>6,465,974</u>		<u>6,585,819</u>		<u>(119,845)</u>	-2%
EXPENSES						
Cost of Sales	5,683,442	89%	5,912,887	91%	(229,445)	-4%
Selling & Admin. Expenses	387,448	6%	352,579	5%	34,869	10%
R&D Expenses	27,758	0%	29,133	0%	(1,375)	-5%
Other Expenses	-	0%	-	0%	-	0%
	<u>6,098,648</u>	96%	<u>6,294,599</u>	97%	<u>(195,951)</u>	-3%
TOTAL EXPENSES	<u>6,098,648</u>	96%	<u>6,294,599</u>	97%	<u>(195,951)</u>	-3%
OPERATING EARNINGS	<u>367,326</u>	6%	<u>291,220</u>	4%	<u>76,106</u>	26%
Other Income - non operating	-		-		-	0%
Interest Income	35,441		17,094		18,347	107%
Finance Expenses	(23,856)		(1,770)		(22,086)	
EARNINGS before Income Tax	<u>378,911</u>	6%	<u>306,544</u>	5%	<u>72,367</u>	24%
Corporate Income Tax	(26,648)	0%	(11,701)	0%	(14,947)	128%
Earnings before Exch. & Exceptional Items	<u>352,263</u>		<u>294,843</u>		<u>57,420</u>	19%
Revaluation of Financial Instruments	-		-		-	
Exchange Gain (Loss)	(39,062)		(28,353)		(10,709)	
Exceptional Items	-		-		-	
NET EARNINGS for the Period	<u>313,201</u>	5%	<u>266,490</u>	4%	<u>46,711</u>	18%
EARNINGS % of SALES	5%		4%		1%	
Average number of shares (1 Baht par)	885,367		804,879		80,488	
EARNINGS per SHARE (baht) before exch. & exceptionals	0.40		0.37		0.03	
EARNINGS per SHARE (baht) after exceptionals	0.35		0.33		0.02	
Earnings from Operations	367,326		291,220		76,106	26%
Earnings from Operations Margin	6%		5%			
Depreciation	439,011		420,983		18,028	
EBITDA (excl exchange gain/loss)	806,337		712,203		94,134	13%
EBITDA % of Sales Revenue	13%		11%			

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CONSOLIDATED Balance Sheet

'000 Baht	Quarter <u>31-Mar-24</u>	Quarter <u>31-Mar-23</u>	<u>Q124-Q123</u>
ASSETS			
CURRENT ASSETS			
Cash in Hand & at Banks	2,825,591	1,846,776	978,815
Financial Investments	7,026,965	1,223,528	5,803,437
Accounts Receivable - trade	5,065,439	5,082,044	(16,605)
Amounts due from Related Companies	-	-	
Inventories	9,258,424	9,231,018	27,406
Other Current Assets	193,102	229,318	(36,216)
TOTAL CURRENT ASSETS	<u>24,369,521</u>	<u>17,612,684</u>	<u>6,756,837</u>
Long Term Financial Investments	-	150	(150)
FIXED ASSETS (net)	11,919,594	10,758,261	1,161,333
OTHER ASSETS	453,102	535,122	(82,020)
TOTAL ASSETS	<u>36,742,217</u>	<u>28,906,217</u>	<u>7,836,000</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdrafts & Loans	1,127,373	-	1,127,373
Accounts & Notes Payable	3,749,241	3,563,340	185,901
Accrued Expenses	364,651	-	364,651
Short Term Provisions	-	340,988	(340,988)
Corporate Income Tax Payable	69,741	35,031	34,710
Current portion of Long Term Loan	30,208	-	30,208
Current portion of Lease Liabilities	2,778	4,063	(1,285)
Other Current Liabilities	144,853	155,351	(10,498)
TOTAL CURRENT LIABILITIES	<u>5,488,845</u>	<u>4,098,773</u>	<u>1,390,072</u>
Long Term Loans	240,150		240,150
Other Long Term Liabilities	916,927	821,559	95,368
TOTAL LIABILITIES	<u>6,645,922</u>	<u>4,920,332</u>	<u>1,725,590</u>
SHAREHOLDERS EQUITY			
Share Capital	885,367	804,879	80,488
Treasury Shares	-	-	
Share Premium	6,230,536	1,723,219	4,507,317
Retained Earnings			
Appropriated Statutory Reserve	541,627	536,313	5,314
Unappropriated	21,443,240	20,500,586	942,654
Other components of shareholders equity	995,525	420,888	574,637
Unrealised gain(loss) on change in investments	-	-	
Excess Cost over Net Book Value of Subsidiary Investments	-	-	
TOTAL SHAREHOLDERS EQUITY	<u>30,096,295</u>	<u>23,985,885</u>	<u>6,110,410</u>
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	<u>36,742,217</u>	<u>28,906,217</u>	<u>7,836,000</u>

HANA MICROELECTRONICS GROUP

CONSOLIDATED Summary Statement of Cashflows

'000 Baht	Quarter <u>31-Mar-24</u>	Quarter <u>31-Mar-23</u>
<u>Cashflow from Operating Activities</u>		
Net Earnings before tax	339,849	278,191
Adjustments to reconcile net earnings to net cash provided by operating activities		
Non Cash items		
Depreciation	439,011	420,983
Unrealised (gain) Loss on exchange	(94,977)	(48,974)
Increase (Decrease) in allowance for doubtful debts	826	4,312
Increase (Decrease) in allowance for obsolete inventories	48,728	24,990
Change in other provisions	10,760	(33,714)
	<u>404,348</u>	<u>367,597</u>
Working Capital (increase) decrease		
Trade accounts receivable	312,057	(2,801)
Inventories	(337,805)	200,920
Trade accounts payable	323,165	(608,075)
Other	(104,205)	(118,672)
	<u>193,212</u>	<u>(528,628)</u>
Net Cashflow from Operating Activities	<u>937,409</u>	<u>117,160</u>
Cashflow from Investing Activities		
(Increase) decrease in short term investment	(5,076,772)	41,749
Increase in property, plant and equipment	(684,185)	(595,132)
Proceeds from sale of fixed assets	932	22,765
Increase (decrease) in translation adjustment	721,452	(136,563)
Revaluation deficit on investments	2,759	24,055
Other		
	<u>(5,035,814)</u>	<u>(643,126)</u>
Cashflow from Financing Activities		
Cash received from increase in share capital	(41,973)	(9)
Dividend paid	-	-
Other	11,553	(1,959)
Net cash (used in) from financing activities	<u>(30,420)</u>	<u>(1,968)</u>
Net Cash, equivalents and short term liquid investments increase (decrease)	(4,128,825)	(527,934)
Cash and Equivalents at the beginning of the period	<u>6,954,416</u>	<u>2,374,708</u>
Cash and Equivalents at the end of the period	<u>2,825,591</u>	<u>1,846,774</u>

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Financial Ratios

'000 Baht	Quarter <u>31-Mar-24</u>	Quarter <u>31-Mar-23</u>	<u>Q124-Q123</u>
Profitability Ratios			
Gross Profit Margin (%)	11%	9%	2%
Operating Profit Margin (%)	6%	5%	1%
Net Profit before Exceptional Margin (%)	6%	5%	1%
Net Profit after Exceptional Margin (%)	5%	4%	1%
EBITDA margin (%)	13%	11%	2%
Return On Equity (%) pa	4%	4%	
Return On Assets (%) pa	3%	4%	-1%
Return On Operating Capital Employed (%) pa	7%	5%	2%
Efficiency Ratios			
Working Capital Turnover (A/R+Inventory-A/P)	2	2	
Account Receivable days	72	71	1
Inventory days	147	141	6
Accounts Payable days	59	54	5
Liquidity Ratios			
Current Ratio	4	4	
Quick Ratio	3	2	1
Financial Capital Ratios			
Debt / Equity	0	0	
Net Debt to Equity	0	0	
Interest Coverage	n/a	n/a	