

HALCYON TECHNOLOGY PLC.

บริษัท แฮลซียน เทคโนโลยี จำกัด (มหาชน)

2020

ANNUAL REPORT



Table of Contents

General Information	1
- Business Objectives and Strategies	5
- Shareholding Structure	6
Financial Highlights	7
Nature of Business Operations	8
- Revenue Structure	9
- Products and Services	10
- Marketing and Competitive Condition	14
- Production and Sourcing of Materials	18
- Privileges from the Board of Investment (BOI)	21
Risk Factors	22
Securities and Shareholders Information	24
Management Structure	25
- Organization Chart of Halcyon Technology Public Co., Ltd.	25
- Board of Directors, Committees, and Management	26
Management Policies	34
- Corporate Governance Policy	34
- Recruitment and Appointment of Directors and Senior Management	39
- Corporate Governance of Subsidiaries	41
- Policy and Guidance Relating to Insider Information	41
- Implementation of the Corporate Governance Code for Listed Companies 2017	42
Corporate Social Responsibility	43
Internal Control and Risk Management	47
Related Transactions	48
Financial Information	49
Management Discussions & Analysis (MD&A)	54
Report from the Board of Directors for the Responsibilities on the Financial Statements	60
Audit Committee's Report	61
Attachment 1: Information of Directors and Executives	62
Attachment 2: List of Directors of Subsidiaries	67
Attachment 3: Financial Statements	70

General Information

Halcyon Technology Public Co., Ltd. and subsidiaries engage in the business of manufacturing and distribution of customized cutting tools including polycrystalline diamond (PCD), monocrystalline diamond (MCD), polycrystalline carbon boron nitride (PCBN) and special carbide cutting tools for productions of high-precision parts to serve the manufacturers of hard disk drive (HDD) parts, automotive parts, aerospace parts, and other mechanical-related industries domestically and overseas. The Company also manufactures and distributes tool holders and other high-precision metal fabricated products to serve customer's needs. The Company currently has manufacturing plants in Thailand, the Philippines, Vietnam, and USA; and subsidiary distribution offices in seven countries across the globe in Thailand, Philippines, Singapore, Malaysia, Vietnam, Indonesia, and USA. General information for the Company and its subsidiaries are as follows:

Company Details

Company Name	HALCYON TECHNOLOGY PUBLIC COMPANY LIMITED
Registration No.	0107551000096
Type of Business	Manufacturing, customized production, and distribution of PCD, MCD, PCBN and special carbide cutting tools for high-precision parts to serve the manufacturers of electronic parts, automotive parts, and other mechanical related industries domestically and overseas.
Company Address	41 Moo14 Bangchan Industrial Estate Soi 6, Serithai Road, Minburi, Bangkok 10510
Telephone	02-906-3242-50
Website	www.halcyon.co.th
Registered Share Capital	THB 300,000,340 (Paid-up THB 300,000,340 divided into 300,00,340 common shares at par value of THB 1 per share)
Registrar	Thailand Securities Depository Co., Ltd. 93 Ratchadapisek Road, Din Daeng, Din Daeng, Bangkok 10400 Telephone: 02-009-9999
Auditor	Miss Jintana Mahavanich, CPA Registration No. 4687 C&A Accounting Firm Co., Ltd. 53 Narathiwasrachanakarin, Chongnonsi, Yannawa, Bangkok 10120 Telephone: 02-678-0750-4 Fax: 02-678-0661
Investor Relations	Miss Petra Rimchala Telephone: 02-9063242-50 ext. 1201

Details of Subsidiaries

Company Name	HALCYON METAL COMPANY LIMITED
Type of Business	Manufacturing, customized production and distribution of metal fabricated products including Cutting Tool Holders, Jigs & Fixtures, and other High Precision Parts
Company Address	41 Moo 14 Bangchan Industrial Estate Soi 6, Serithai Road, Minburi, Bangkok 10510 Tel. 02 906 3242 / Fax 02 906 3251
Registered Share Capital	THB 50,000,000 (Paid-up THB 50,000,000 divided into 50,000,000 common shares at par value of THB 1 per share)

Company Name	FDM TECHNOLOGY COMPANY LIMITED
Type of Business	Marketing and distribution of customized PCD/carbide cutting tools and standard carbide, ceramic, PCD and PCBN cutting tools in Thailand
Company Address	888/3 Srinakarintara Rd. Pattanakarn Sub-District, Suan Luang District, Bangkok 10250 Tel. 02 347 6255 / Fax 02 347 6256
Registered Share Capital	THB 10,000,000 (Paid-up THB 10,000,000 divided into 1,000,000 common shares at par value of THB 10 per share)

Company Name	HALCYON TOOLS AND ENGINEERING CO., LTD.
Type of Business	Marketing and distribution of customized PCD and carbide cutting tools, and standard carbide, ceramic, PCD and PCBN cutting tools in Rayong and nearby provinces
Company Address	303/14 Moo 3, Bowin Sub-District, Sriracha District, Choburi Tel. 038 350 723
Registered Share Capital	THB 2,000,000 (Paid-up THB 2,000,000 divided into 20,000 common shares at par value of THB 100 per share)

Company Name	HALCYON TECHNOLOGY (PHILIPPINES) INC.
Type of Business	Manufacturing and distribution of customized cutting tools made of PCD, PCBN, Carbide, and Natural diamond, and Jigs & Fixtures and metal fabrication parts to customers in the Philippines.
Company Address	Orient Goldcrest Building 6, Unit 1, Lot 3281-J, Phase 6, Laguna Technopark, Biñan, Laguna, Philippines Tel. +63 (49) 502 2295 / Fax +63 (49) 502 2296
Registered Share Capital	PHP 145,000,000 (Paid-up PHP 58,000,000 divided into 58,000 common shares at par value of PHP 1,000 per share)

Company Name	ATEK PRECISION TOOLS INC.
Type of Business	Marketing and distribution of standard carbide cutting tools in the Philippines
Company Address	CJRS Parkview Bldg., Level 2 Rodeo Drive Laguna Bel-Air 2, Santa Rosa, Laguna, Philippines Tel. / Fax +63 (49) 544 0520
Registered Share Capital	PHP 10,000,000 (Paid-up PHP 10,000,000 divided into 10,000 common shares at par value of PHP 1,000 per share)

Company Name	HALCYON TECHNOLOGY SINGAPORE PTE. LTD.
Type of Business	Marketing and distribution of customized PCD and carbide cutting tools, and standard carbide, ceramic, PCD & PCBN cutting tools in Singapore
Company Address	114 Lavender Street, #05-84, CT Hub 2, Singapore 338729 Tel. +65 6841 3900 / Fax +65 6841 3906
Registered Share Capital	SGD 825,000 (Paid-up SGD 825,000 divided into 825,000 common shares at par value of SGD 1 per share)

Company Name	HALCYON TECHNOLOGY (M) SDN. BHD.
Type of Business	Marketing and distribution of customized PCD and carbide cutting tools, and standard carbide, ceramic, PCD and PCBN cutting tools in Malaysia
Company Address	Block A-6-11, Ativo Plaza, No. 1, Jalan PJU 9/1, Damansara Avenue, Bandar Sri Damansara, PJU 9, Kuala Lumpur, Malaysia Tel. +60 (3) 6263 0313 / Fax +60 (3) 6263 4550
Registered Share Capital	MYR 5,000,000 (Paid-up MYR 2,021,250 divided into 2,021,250 common shares at par value of MYR 1 per share)

Company Name	HALCYON TECHNOLOGY VIETNAM CO., LTD.
Type of Business	Manufacturing and distribution of customized PCD and carbide cutting tools, and standard carbide, ceramic, PCD and PCBN cutting tools in Vietnam.
Company Address	Floor 6, Smart Building, 793/49/1 Tran Xuan Soan Street, Tan Hung Ward, District 7, Ho Chi Minh City, Vietnam Tel. / Fax +84 (8) 3711 6497
Factory Address	Hamlet No. 4, Quang Minh Ward, Me Linh District, Hanoi, Vietnam Tel. +84 (24) 3200 8520 / Fax +84 (24) 3200 8521
Registered Share Capital	VND 28,991,284,300 (Paid-up VND 28,991,284,300)

Company Name	PT HTECH TOOLS INDONESIA
Type of Business	Marketing and distribution of customized PCD and carbide cutting tools, and standard carbide, ceramic, PCD and PCBN cutting tools in Indonesia
Company Address	Mintra Sunter Boulevard Blok B No.18, Jl. Yos Sudarso Kav.89 Jakarta Utara, Indonesia 14350 Tel. +62 (21) 6530 6109 / Fax +62 (21) 650 9220
Sales Office Address	Kawasan Industri Delta Silicon Valley 5 Jl. Kenari Timur Blok G1A No. 29, Cicau, Cikarang Pusat – Bekasi 17530
Registered Share Capital	USD 1,200,000 (Paid-up USD 150,000)

Company Name	MASTER CARBIDE TOOLS COMPANY d/b/a MASTERTECH DIAMOND PRODUCTS COMPANY
Type of Business	Manufacturing and distribution of customized PCD and PCBN cutting tools, and standard carbide, ceramic, PCD and PCBN cutting tools in the USA and nearby countries
Company Address	55 Florence Avenue, Painesville, Ohio, USA 44077 Tel. +1 (888) 226 5550, +1 (440) 352 1112 / Fax +1 (440) 352 1113
Registered Share Capital	USD 30,000 (Paid-up USD 30,000)

Business Objectives and Strategies

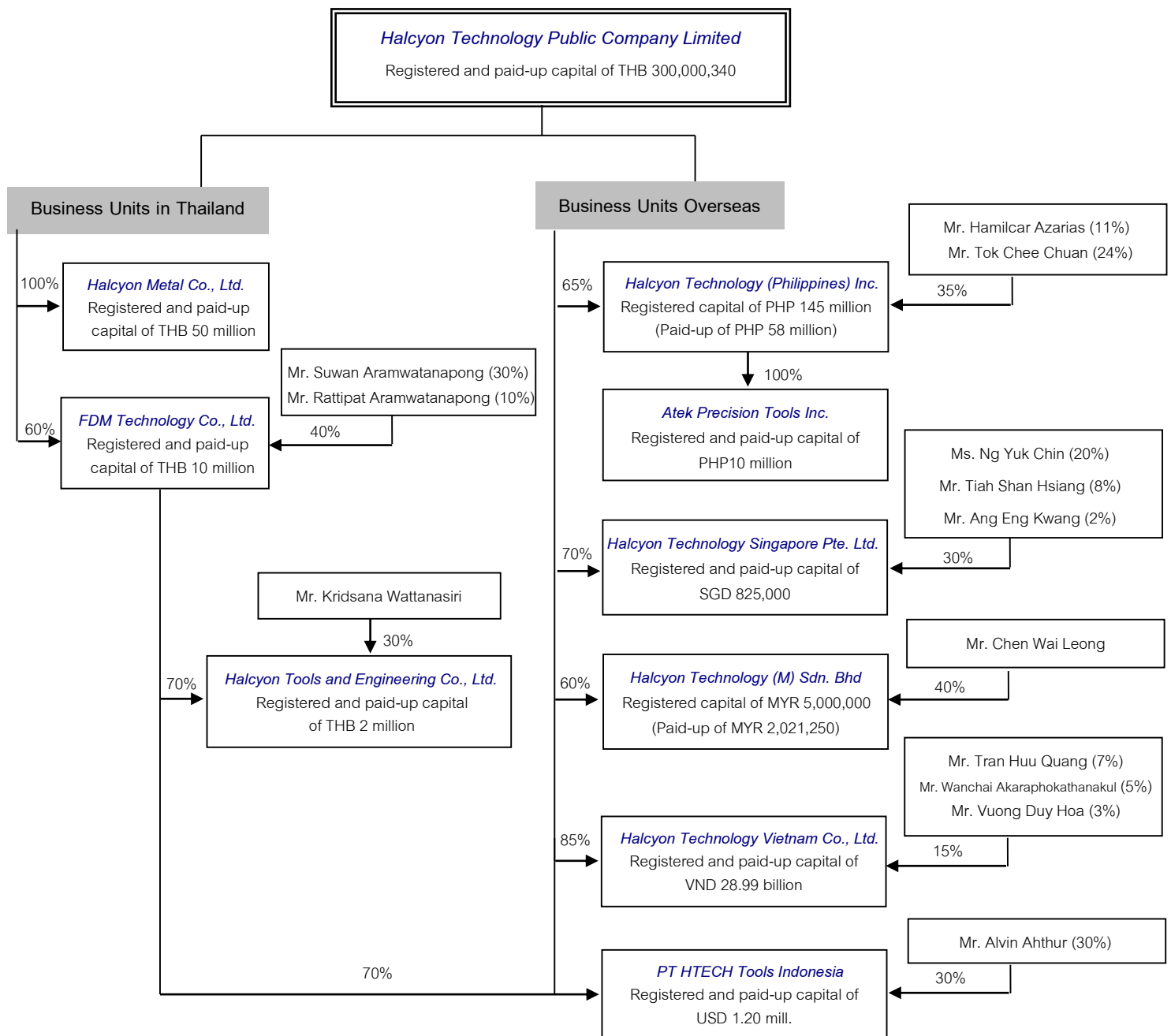
The Company aims to be the leader in the manufacturing of cutting tools in Thailand and ASEAN region as well as expanding its network around the world, focusing on customized PCD, PCBN and carbide cutting tools, and high-precision parts. The Company's strategy in business operations aims to provide a one-stop service for customers initiating from tool design, efficient quality control for high precision, working closely with customers to quickly troubleshoot problems in applications, as well as improving production process and reducing the customer's production costs.

The Company's business targets and objectives are as following:

- Continuously developing new ranges of products in order to serve the variety of industries which need the application of cutting tools in general with emphasis on part's precision and quality
- Increasing the income of the Company very year by expanding customer base both domestically and overseas for the core business of the Company, as well as seeking new business opportunities to help sustain the income in the future
- Expanding the market share of customized PCD, CBN and carbide cutting tools for the manufacturers of electronic components, automotive parts, aerospace, medical equipment, machineries and other related businesses
- Reducing cost of production in order to increase competitive advantage by converting its production process from manual system to semi-automatic to automatic system, respectively.
- Continue to improve its human resources by providing trainings to the Company's staff and developing new generations with knowledge and ability to keep up with the change of production technology.

Shareholding Structure

After the Company's initial public offerings and started trading in the MAI stock exchange in 2009 and moved to the trade in the Stock Exchange of Thailand (SET) in 2017, the Company continuously expands its business both domestically and overseas. Currently, the Company has 3 subsidiaries in Thailand and 7 subsidiaries overseas in the Philippines, Singapore, Malaysia, Vietnam, Indonesia, and USA. The Company and its subsidiaries segment its business operations by the type of business according to the products manufactured and/or traded, and by geography. Since the Company has customer base in various countries, the Company sets up subsidiaries as authorized distributors of its products to effectively serve the customers' needs. The Company and its subsidiaries shareholding structures are as shown in the diagram below.



Financial Highlights

Description (Unit: THB)	Consolidated Financial Statements		
	2020	2019	2018
Total Assets	1,719,509,014	1,614,415,024	1,659,552,133
Total Liabilities	463,730,124	412,310,747	436,931,440
Equity attributable to parent company	1,103,926,519	1,069,947,311	1,084,308,902
Revenues from Sales and Services	948,726,760	962,178,049	1,113,201,111
Total Revenues	965,811,706	965,811,706	1,117,548,120
Gross Profit	315,063,993	296,554,063	439,607,918
Earnings before interest and tax	104,112,102	95,375,325	251,385,898
Net Profit for the year	76,304,342	64,538,268	208,528,611
Net Profit attributable to the shareholder of the Company	64,796,301	51,030,017	174,287,748

Financial Ratios

Description	Consolidated Financial Statements		
	2020	2019	2018
Gross Profit Margin	33.21%	30.82%	39.49%
Comprehensive Income Margin	7.96%	6.68%	18.66%
Net Profit to parent company	6.76%	5.28%	15.60%
Return on Equity	5.96%	4.74%	16.83%
Return on Total Assets	27.55%	25.79%	40.28%
Current Ratio	2.88	2.22	2.47
Debt to Equity Ratio	0.42	0.39	0.40

Share Value

Description	Consolidated Financial Statements		
	2020	2019	2018
Paid-up Share Capital (Shares)	300,000,340	300,000,340	300,000,340
Earnings Per Share (Baht)	0.2160	0.1701	0.5810
Book Value Per Share (Baht)	3.68	3.56	3.49
Dividend Per share (Baht)*	0.087	0.08	0.24
Dividend Payout Ratio	40.28%	47.03%	37.87%

* Dividends for the year 2018 were paid on 10 September 2018 and 28 May 2018.

Dividends for the year 2019 were paid on 9 September 2018 and 20 May 2019.

Interim dividend for the performance of year 2020 was paid on 14 September 2020 and the Board of Directors' Meeting No. 1/2021 has approved for additional 0.052 baht per share to be paid on 20 May 2021.

Nature of Business Operations

Halcyon Technology Public Company Limited (“HTECH”) is the headquarter for the group companies and has a manufacturing plant in Bangchan Industrial Estate, Bangkok, Thailand. The Company is engaged in manufacturing, customized production and distribution of polycrystalline diamond (PCD), Monocrystalline Diamond (MCD), Polycrystalline Cubic Boron Nitride (PCBN), and carbide cutting tools for cutting high-precision work pieces. These PCD/MCD/PCBN/Carbide cutting tools offer different cutting quality/properties, and are suitable for cutting different type of materials used in production. However, the Company focuses mainly on PCD cutting tools due to its superior characteristics including longer tool life and better performance compared to other carbide tools, and supports customers in the industries of manufacturing hard disk drive (HDD) parts, automotive parts, aerospace parts, and other machinery parts, as well as manufacturers of watches, lens, medical equipment, etc.

Halcyon Metal Co., Ltd. (“HM”) is a subsidiary wholly owned by HTECH, with a manufacturing plant at the same location as the Company. It engages in manufacturing, customized production and distribution of Cutting Tools Holders, Jigs & Fixtures, and other high-precision metal fabricated parts according to requirements from customer for the use in their production processes in various industries such as electronic parts, automotive parts, aerospace parts, machinery parts and other mechanical related industries.

In 2010, the Company invested to set up a new manufacturing company in the Philippines, namely Halcyon Technology (Philippines) Inc. (“HP”), to engage in manufacturing and distribution of cutting tools made of PCD, PCBN, and carbide, as well as Jigs & Fixtures and other metal fabricated products, same as the products from HTECH and HM in order to distribute to customers in the Philippines. Target customers include those in the hard disk drive, automotive, or other industries. The Company provides technical support and research & development by sending personnel with expertise in production to train HP’s staff in the Philippines.

In 2012, purchased shares in FDM Technology Co., Ltd. (“FDM”), which is a distributor of customized PCD cutting tools and standard carbide, ceramic, PCD, PCBN cutting tools, mainly under the Kyocera brand. FDM also sells cutting tools from other brands to fully support its customer’s requirements. In 2016, another subsidiary was established, namely Halcyon Tools and Engineering Co., Ltd. (“HENG”). HENG is a distributor of the Company’s products in the Rayong province and other provinces in the Eastern region which is a big industrial hub, and the Company sees an opportunity to grow and expand its customer base and distribution channels. Target customers for FDM and HENG are mainly local motorcycle parts and automotive parts manufactures, and also those in other industries such as HDD or other electronic parts industries in Thailand with no sales overseas.

Between the years 2010 and 2013, the Company set up joint-ventures in various countries in the ASEAN region to expand its customer base and distribution channel of its products to new customers. Currently, the Company has 5 subsidiaries including ATEK Precision Tools Inc. (“ATEK”), Halcyon Technology Singapore Pte. Ltd. (“HS”), Halcyon Technology (M) Sdn. Bhd. (“HY”), Halcyon Technology Vietnam Co., Ltd. (“HV”), and PT HTECH Indonesia (“HI”) located in the Philippines, Singapore, Malaysia, Vietnam, and Indonesia respectively. These subsidiaries are distributor for customized PCD, PCBN, and carbide cutting tools purchased from the Company or HP, as well as standard carbide, ceramic, PCD and PCBN cutting tools under other brand names in order to fully support the customers.

In 2016, the Company started to expand its local production capacity by building a new factory plant (HT2) located in the same location adjacent to the current factory, and investing in new machines. Additionally, Halcyon Technology Vietnam Co., Ltd. (HV), the subsidiary in Vietnam also set up a new factory in Hanoi, which is a production hub for automotive parts in the countries. There are no local makers of PCD Cutting Tools in Vietnam yet. Since the establishment of HV in 2013, the company has continuous growth in sales leading to an opportunity to grow the cutting tool business in Vietnam. A local production factory would increase the credibility of the company's products as well compared to importing from overseas. The Company also benefits from the reduction of production cost by transferring low-end products to HV due to lower labor costs than Thailand.

Most recently, in 2020, the Company invested in Master Carbide Tools Company d/b/a Mastertech Diamond Products Company ("MDP") to expand its marketing channels in the Northern American continent by purchasing 80% of its shares from the original founders, Mr. Thomas Frakes and Mrs. Cynthia Frakes. MDP is a manufacturer and distributor PCD and PCBN cutting tools, located in Ohio, USA; with target customers in the automotive, aerospace, oil&gas, and heavy machines industries in the USA and nearby countries. The company has plans to further expand the production capabilities and capacities in MDP.

The Company and subsidiaries had a revenue structure breakdown by the type of product as follows:

Revenue Structure

Type of Product	2018		2019		2020	
	Million	%	Million	%	Million	%
Customized Cutting Tools ¹	591.03	52.89%	465.37	48.18%	543.41	56.57%
Standard Cutting Tools ²	457.48	40.94%	423.39	43.84%	348.52	36.34%
Metal Fabrications ³	64.69	5.79%	73.42	7.60%	56.80	5.92%
Other Income ⁴	4.35	0.39%	3.63	0.38%	10.25	1.07%
Total	1,117.55	100.00%	965.81	100.00%	958.97	100.00%

Remarks: ¹ Sales revenue from the Company HTECH, and subsidiaries HP+ATEK, HV, and MDP

² Sales revenue from subsidiaries FDM, HS, HY, HI and HENG

³ Sales revenue from subsidiary HM

⁴ Other revenue consisting of proceeds from disposal of assets, gain from exchange rate, interest income, etc.

Products and Services

The Company divides its products and services into 3 main businesses including (1) Manufacturing of Customized Cutting Tools, (2) Manufacturing of Tooling and Metal Fabrications, and (3) Trading for Cutting Tools. The details for each business are as follows:

1. Manufacturing of Customized Cutting Tool Products

The Company and subsidiaries HP, HV, and MDP are engaged in the manufacturing, customized production and distribution of customized cutting tools products that can be designed according to the specifications of the workpiece, ideal for high-precision parts with tolerance control. The product line can be categorized into 4 groups according to the material used on the cutting edge: Polycrystalline Diamond or PCD, Monocrystalline Diamond or MCD, Polycrystalline Carbon Boron Nitride or PCBN, and carbide.

1.1 Polycrystalline Diamond (PCD) Cutting Tools – PCD possesses the properties of high hardness and high abrasive resistance, resulting in better heat evacuation and longer tool life for PCD cutting tools compared to those of carbide. PCD Cutting Tools are used for controlled quality, size, and tolerance specified by the customers. They also produce high quality surface finish, while creating less pressure on the cutting edge. PCD Cutting Tools are most suitable for non-ferrous materials such as aluminum, brass, and copper; abrasive materials such as graphite; and other materials such as carbon-fiber-reinforced polymers (CFRP), plastics, woods, etc. They are mainly used for manufacturing products that require high precision such as HDD or electronic component, aerospace, medical equipments, as well as watches and jewelry, etc.

Products in this line include PCD Inserts, PCD Boring Tools, PCD Endmill, PCD Drill, PCD Reamer, PCD Brazed Tools, and PCD Hollow Tools. The Company is developing new products in this line continuously including PCD Chipbreaker, which is a modified form of regular PCD cutting tools, where it reduces the problem of long, curling chips resulting in longer continuous run and better surface finishes due to less scratch from the chips while also allowing for higher RPM feed rate; PCD Monoblock, which combines multiple processes into one tool, resulting in higher precision, and help customer save time and production costs; and PCD Facemill with Replaceable Inserts which cutting edge height can be adjusted, saving production costs by combining roughing and finishing processed into one.



PCD Inserts



PCD Boring Tools



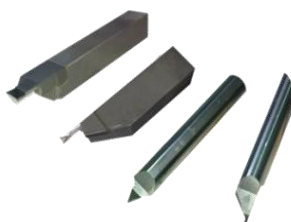
PCD Endmills



PCD Drills



PCD Reamers



PCD Brazed Tools



PCD Hollow Tools



PCD Chipbreaker



PCD Monoblocks



PCD Facemill with Replaceable Inserts



Other Customized PCD Cutting Tools

The Company also has been successful in developing its high-end products. Existing high-end product types include Veined PCD Tools (V-Tec) and Solid-Head PCD Tools (S-Tec), which have high cost due to complicated production process and limited raw material sizes resulting in limitation on the flexibility of design. So the Company developed another new model called Helix PCD Tools or "H-Tec". It can reduce production time, production costs, and has better performance comparing to normal PCD tools. It also has longer tool life and better finishing surface. And most recently, the Company developed the High-Helix PCD End Mill or Z-Tec, which is a further improvement from the H-Tec type. It is the Company's own innovation through in-house research and development. Z-Tec tools more flexible than the H-Tec type with higher helix angle and longer cutting length. Due to its higher helix angle, Z-Tec tools can result in a better surface finish on the workpiece, as well as reducing the force exerted on the cutting edge. Hence, longer tool life can be achieved than the tools with existing designs. This breakthrough in High-Helix PCD End Mill allows the feed rate to be increased, meaning lower machine cycle time. Through its flexibility in advantageous design geometry, Z-Tec tools are highly attractive products that can produce higher quality parts for our customer while reducing their costs, both directly and indirectly. The Company has filed the application for a petty patent for our High-Helix PCD End Mill (Z-Tec) in Thailand, and is now in the process of applications for five other countries.


Veined PCD Tools
(V-Tec)

Solid-Headed PCD Tools
(S-Tec)

Helix PCD Tools
(H-Tec)

High-Helix PCD End Mill
(Z-Tec)

1.2 Polycrystalline Carbon Boron Nitride (PCBN/CBN) Cutting Tools – PCBN has high resistance to heat and abrasion, suitable for iron, cast iron, and other high-hardness materials (above 50 HRC). Core products in this line include PCBN Inserts and PCBN Boring Tools, widely used in the automotive parts industry, as well as other machinery parts manufacturing.



PCBN Inserts



PCBN Boring Bar

1.3 Monocrystalline Diamond (MCD) Cutting Tools – this product line is to serve the more variety of needs from the customers. MCD is a type of synthetic diamond with the most strength and has the closest properties to those of a natural diamond. MCD cutting tools are suitable for workpieces that need super-finishing or mirror-finish. Products in this line include MCD Inserts, MCD Boring Bar, and MCD Endmills, used for cutting of non-ferrous or other materials such as aluminum, brass, copper, glass, etc. They are used in the production of camera lens, watch components, jewelry, as well as medical equipment and others.



1.4 Special Carbide Cutting Tools – custom-designed according to the customer's workpiece, different from other standard carbide cutting tools in the market due to its shape, size and tolerance which can be controlled according to the customer's application. Products in this line include Carbide Insert, Carbide Boring Tool, Carbide Drill, Carbide Endmill, Carbide Reamer, and Carbide Hollow Tools. Carbide tools used in many industries as general-purpose tools.



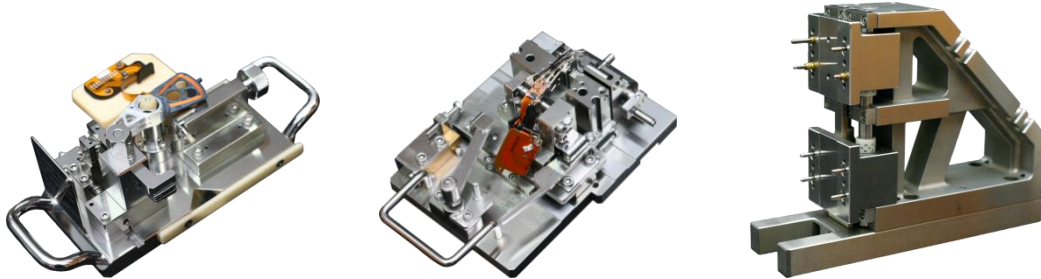
2. Manufacturing of Tooling and Metal Fabrications

The Company's subsidiary, HM, is engaged in the manufacturing, customized productions, and distribution of various metal fabrications to support the needs of the customers. Tooling and Metal Fabrication products can be categorized into 3 lines as follows:

2.1 Cutting Tool Holders are used to hold various types of cutting tools in place in order to facilitate working process. These holders include holders for inserts, as well as boring bar, made of carbide or steel of special grade. They can be used generally in various industries; and can be used with HTECH's products including PCD Inserts, PCBN Inserts, and MCD Inserts, etc. The cutting tools holders are custom-designed by our own experienced Engineering team to suit each customer's production requirements most effectively.



2.2 Jigs & Fixtures firmly hold components into right position to facilitate production process to be more precise and more efficient. Jigs & Fixtures are used in the manufacturing of components such as computer parts, automotive parts and other machinery parts. A well-designed jig and fixture can reduce production time and help ensure standardization of the products of each production batch as well as reducing production waste. HM specializes in designing, manufacturing and assembling jigs and fixtures according to the any customer's requirements.



2.3 High-Precision Metal-Fabricated Products: Other than mentioned above, HM also designs and manufactures other metal-fabricated products that require high tolerance control and high precision including toolings, machine spare parts, etc. And the company also designs and manufactures other components for supporting manufacturing production such as toggle, diaphragm chuck, gear carrier, indicator stand, etc. With over 20 years of experience, HM is trusted by customers to produce both custom pieces as well as mass production pieces.

HM also products tools for customers in the aerospace industry and medical equipments as it is certified under ISO 13485 standards for quality management of medical devices. Moreover, HM works together with Sirindhorn National Medical Rehabilitation Centre (SNMRC) and National Science and Technology Development Agency (NSTDA) to design and produce prosthetic knee, etc.



3. Trading for Cutting Tools

The Company's subsidiaries both locally and overseas distribute customized PCD, PCBN and carbide cutting tools (details as mentioned in Product and Services No. 1) manufactured by the Company or subsidiaries HP and HV; as well as standard carbide, ceramic, PCD and PCBN cutting tools under various brands. These subsidiaries are authorized distributors in many different countries including the Philippines, Singapore, Malaysia, Vietnam, Indonesia, and USA to expand its customer base and provide comprehensive products to satisfy the customer's needs.



Samples of Standard Carbide Cutting Tools

Marketing and Competitive Condition

Target Customers

The Company emphasizes on target customers who are manufacturers of metal components. Main industry for the target customers include electronics components manufacturers, focusing mainly on manufacturers hard disk drive (HDD) components, and manufacturers of automotive and motorcycle parts. Other customers include manufacturers of aerospace parts, camera/watch/jewelry, mold and die, or other machinery parts, as well as oil & gas.

The Company's customers in the HDD sector are brand owners as well as 1st tier and 2nd tier suppliers. The Company's cutting tools can be used for manufacturing of various metal HDD components such as the base plate, or spindle components like shaft of hub. These components require high precision and quality because HDD has moving parts when they are in use to read and write data quickly and efficiently.

The Company has been expanding its customer base into other industries continuously in order to diversify the customer market, focusing on automotive parts industry due to its large production base in Thailand and the ASEAN region, and high demands for the use of cutting tools. This is achieved through marketing to new customer by the Company as well as through its subsidiaries. Target customers in this sector includes manufacturers of alloy wheels, engine block, cylinder head, gear system, brake system, steering linkage, turbo, and other engine parts, who are the 1st tier and 2nd tier suppliers in automotive industry. However, the automotive industry is competitive in price and service, so the Company emphasizes on designing cutting tools that help lower the production cost for customers, and produce tools with higher quality than the market in order to gain new customer as well as retaining existing customers.

The Company also sees opportunities in the aerospace industry, as the Company's products can be used in the manufacturing of various aerospace parts such as the fuselage made of CFRP (Carbon-Fiber Reinforced Polymer), or other aluminum and titanium parts including the engine housing, or other components on the wheel, seat, cart, etc. The Company already has a customer base with continuous orders, but it is still considered a very small portion comparing to customers in other industries. However, this industry is still considered to be our long-term target due to difficulty in access, as well as long processing time for testing and approving an item.

In 2020, the COVID-19 pandemic had a great effect on the manufacturers in the aerospace and automotive industries whether by forcing a halt in productions due to lockdowns in many countries, delays in overseas transportation, or reduction in production demands overall. However, the Company expects to see signs on recovery in various industries in 2021.

Marketing Strategy

The Company focuses on providing a fully-integrated service for the customers in order to maintain good relationships with existing customer base as well as expanding to capture new customers. The Company provides service both before and after sales, from designing the cutting tools suitable for the customer's applications by experienced engineer team; our marketing team coordinate with the customers for technical support in the production process to help reduce cycle time and cost of the production for the customers. Also, the Company follows up and help troubleshoots problems arise in the production process to help improving its products continuously. The Company provide regrinding, relapping, and retipping for cutting tools with wear and tear from the production process to help customers reduce their production cost.

On the other hand, the Company also emphasize on maintaining the standards of quality. Our manufacturing companies are certified with ISO 9001, while HM is also certified with ISO 13485 for medical devices. The Company's quality assurance process is precise from the process of selecting and inspecting the raw materials, in-process inspections, until outgoing inspection before sending out to customers. In some occasions, the Company performs a test cut to ensure that the product is of quality and size specified by customer. This helps reduce problem in the production process.

Distribution Channels

The Company has sales and marketing team to contact and provide services to local customers who are mostly manufacturers. The team work closely with the customers, help give advice, and help troubleshoot the problem in the production process. For domestic sales, most of the sales is directly to the customers who are manufacturers, and a small portion is sold through distributors who have experience in specific market, or specific customers to help expand customer base and distribution channels.

For sales overseas, the Company relies mainly on subsidiary distributing offices since target customers have production bases located all over the Southeast Asia region, as well as USA and nearby countries. By selling through distributor with strong marketing penetration capability in each country, the Company is able to reach new customer base and provide better service for customer. All distributors are trained by the Company about the products' applications and characteristics as well as common application problems, so they can quickly identify and help customers solve the problems. Another advantage for selling through distributors overseas is that the Company does not have to bear all the cost of inventory, since each distributor will keep their own stock for their customers; this can ensure quick delivery to customers also. In 2018, the Company has revenue from each country as follows:

Unit: THB million	2018		2019		2020	
	Revenue*	%	Revenue*	%	Revenue*	%
Thailand**	700.47	62.68%	651.72	67.48%	585.98	61.09%
Philippines	158.43	14.18%	81.60	8.45%	66.37	6.92%
Singapore	84.17	7.53%	82.14	8.50%	100.62	10.49%
Malaysia	90.38	8.09%	75.37	7.80%	50.08	5.22%
Indonesia	55.73	4.99%	38.04	3.94%	17.63	1.84%
Vietnam	28.36	2.54%	36.94	3.83%	44.07	4.59%
United States of America	-	-	-	-	94.53	9.85%
Total Overseas	417.07	37.32%	314.09	32.52%	373.30	38.91%
Total Thailand and Overseas	1,117.55	100.00%	965.81	100.00%	959.28	100.00%

* Total revenue from selling to non-related companies with related transactions eliminated

** Revenue in Thailand comes from total revenue of the mother company HTECH, and subsidiaries HM, FDM, HENG (related transactions eliminated)

Industrial Outlook and Competitive Environment

(1) The Hard-Disk Drive (HDD) Industry

The Hard-Disk Drive (HDD) industry is highly competitive in price and technology. Manufacturers have to adapt by effectively manage their production costs to stay competitive. Many HDD manufacturers relocate their production bases to the countries which offer relatively low costs, especially to those in Asia. Thailand has policies to support foreign direct investment, whereby the industry of HDD production is ranked in top priority under which certain privileges are provided by the Board of Investment (BOI) such as tax exemption for the imported machines and corporate income exemptions, etc.

The Solid-State Drive (SSD) technology is the main competitor to HDD products for personal computers or other mobile devices. SSD has a faster processing performance and more durability in use due to the use of flash memory, which does not require moving parts; but the cost is still higher compared to HDD with the same capacity. Currently, SSD still cannot store high volume of data as much as HDD, which allows for the growing trend of HDD market for corporate use. HDD is also necessary for the development of 5G technology, data centers, and products for IT infrastructure due to the ever growing demand for data storage. Even though this shift resulted in a declining numbers of HDD shipments, the need to use HSS is still in high demand and HDD makers are also continuously developing their technologies to increase HDD capacity and its performance, resulting in more components in one HDD unit and remaining demands for the Company's cutting tools.

Furthermore, the continuous development of HDD technology gives an opportunity for the Company to present new products to reduce production cost for the customers, while also reducing competition from other makers who cannot adjust to the change in technology. The demands for high-end products are also increasing to support the growth in revenue for the Company because these high-end products are developed by the Company and no other makers can produce, so the Company is able to sell at higher price and margin. In terms of competition, the Company is the market leader in PCD cutting tools for HDD manufacturers in Thailand and Southeast Asia, because there are very small number of local producers due to productions complexity and specific know-how. Other market share is mostly importers of cutting tools for other countries. Therefore, the Company has advantages in cost and delivery lead time as well as other services including designing the tools, solving

application problems. The Company also works with customers to develop new products in order to consistently lower the cost of production, giving the Company high advantage through close relationship with customers.

The Office of Industrial Economics has reported that the HDD industry in Thailand in 2020 has reported a 1.6%¹ decrease in production of HDD from the previous year (compared to a decrease of 8.6% in 2019 and an increase of 9.1% in 2018). In the recent years, many HDD manufacturers around the world had closed down and some moved its production base in to Thailand, but the supply chain is affected by the trade war between the US and China. The sluggish economy as a result of the COVID-19 pandemic slowed down production as well. However, the Office of Industrial Economics speculates that the world electronic industry will be in an uptrend cycle in the year 2021 due to the recovery from COVID-19 and the development of 5G technology, data centers, and products for IT infrastructure. Furthermore, a large number of the population is still working from home, and students are still taking online courses. This will create more demands for the use of electronic devices and HDD².

In 2020, the Company and subsidiaries had revenue from the HDD industry in a total amount of 381.08 million baht, or 40.38% of the total revenue. The Company is accounted for 58.40%, subsidiaries in Thailand 15.64%, and subsidiaries overseas 25.97% of the total HDD revenue.

(2) The Automotive Industry

Thai automotive parts industry posts a bright potential in the ASEAN region due to its strong production base and geographical advantage as the ASEAN hub with good infrastructure to attract the world's automotive manufacturers to set up production plants in the country. Thus, its supporting businesses such as the manufacturers of motorcycle parts and automobile parts, which are two of the Company's main target customer base, also grow accordingly. However, in 2020, the production volumes for automobiles and motorcycles and their parts dropped due to the effect of the COVID-19 pandemic in many countries around the world. Many manufacturers stopped production in the months of April-May 2020 as part of the preventive measure to slow the spread of the virus, as well as the economic slowdown in the country³. In the past year, the statistics for production, sale, and export of the automotive industry are as follows⁴:

Description	2019	2020	Change (%)
Automobile Industry			
- Production of Automobile	2,013,710	1,427,074	-29.13%
- Domestic Sale of Automobile	1,007,351	792,110	-21.37%
- Export of Automobile	1,054,304	735,842	-30.21%
Motorcycle Industry			
- Production of Motorcycle	1,948,480	1,615,319	-17.10%
- Domestic Sale of Motorcycle	1,781,587	1,516,096	-14.90%
- Export of Motorcycle	993,323	727,152	-26.80%

¹ The Office of Industrial Economics, "Reports of Industrial Economics Conditions in 2020 and Trends for 2021." 19 March 2021

² The Office of Industrial Economics, "Reports of Industrial Economics Conditions in 2020 and Trends for 2021." 19 March 2021

³ The Office of Industrial Economics, "Reports of Industrial Economics Conditions in 2020 and Trends for 2021." 19 March 2021

⁴ The Office of Industrial Economics, "Reports of Industrial Economics Conditions in Quarter 4/2020 and Trends for Quarter 1/2021." 19 March 2021

The Office of Industrial Economics predicts the production of automobiles in the country in 2021 at 1.8 million units, increasing approximately 28% from previous year. Around 40-45% is expected to be sold in the country, and 55-60% for exports. The production of motorcycles is also expected to increase to 2.00 million units, mainly to be sold in the country around 85-90%, and 10-15% for exports.⁵

However, the Company still has small market share in the automotive industry since most of the makers are still using standard tools and importing tools from other countries. The Company, then, focuses on penetrating this sector through its subsidiaries, FDM Technology Co., Ltd. and Halcyon Tools & Engineering Co., Ltd. (HENG), who are distributors of standard carbide cutting tools, widely used in the industry. FDM and HENG is another channel that the Company's products (customized PCD, PCBN, MCD, and carbide cutting tools) can be introduced to the customers in this sector, because it can help manufacturers reduce production cost or their cycle time. For the markets overseas, the Company sees opportunity to growth in automotive industry, especially from the expansion of the subsidiaries in Indonesia and Vietnam who has main target customers in the automotive industry. Also, the new factory in Vietnam is expected to help increase the support the demands from the automotive industry in the country as well.

In 2020, the Company and subsidiaries had revenue from the automotive industry in a total amount of 291.49 million baht, or 30.89% of the total revenue. The Company is accounted for 33.64%, subsidiaries in Thailand 36.47%, and subsidiaries overseas 29.89% of the total automotive revenue.

Production and Sourcing of Materials

Production

The Company has a manufacturing plant in Bangchan Industrial Estate, Bangkok, Thailand, where cutting tools products from the Company, and metal fabricated products from HM are being manufactured. The subsidiaries in the Philippines and Vietnam have two other manufacturing plants, where mainly cutting tools products are being manufactured. The HP and HV factories can also produce metal fabricated products if required by customers. Our three manufacturing plants produced goods by customer's orders, and may partially produce additional quantity to save production time and cost if there is an order in the future. In 2020, the Company invested in an additional subsidiary in the USA (MDP). MDP is a manufacturing company for PCD and PCBN cutting tool products, but it currently mainly focuses on repair and retip work. In 2021, the Company has plans to expand MDP's capacity to produce its own tools in higher volume. The production capacity of each company is as follow:

Halcyon Technology PLC. ("HTECH")

Type of Product	Total Capacity (pcs.)	Actual Production (pcs.)	% of Capacity Used
PCD Cutting Tools	287,040	153,853	53.60%
Carbide Cutting Tools	193,440	52,561	27.17%
PCBN Cutting Tools	43,680	8,730	19.99%
MCD Cutting Tools	2,496	678	27.16%
Total	215,822	526,656	40.98%

⁵ The Office of Industrial Economics, "Reports of Industrial Economics Conditions in 2020 and Trends for 2021." 19 March 2021

* Due to different size and design of different type of products in each category, the machine capacity and the actual production output may vary greatly. It also depends on the working hour during each time of the year, while the Company's normal working hours in 2020 are 6 days/week, 2 shifts/day (8 hours with 1-2 hours OT), or average of 494 hours per month.

Halcyon Metal Co., Ltd. ("HM")

Type of Product	Total Capacity (pcs.)	Actual Production (pcs.)	% of Capacity Used
Metal Fabrications	600,000	336,835	56.14%
Tooling & Gauging	4,500	2,484	55.20%
Jigs & Fixtures	2,000	1,887	94.35%
Total	606,500	341,206	56.26%

* Due to different size and design of different type of products in each category, the machine capacity and the actual production output may vary greatly. It also depends on the working hour during each time of the year, while HM's normal working hours in 2020 in January – May are 6 days/week, 2 shifts/day (8 hours with 1-2 hours OT) or average of 494 hours per month.; and in June – December 5-6 days/week, 1 shift/day (8 hours with 1-2 hours OT) or average of 228 hours per month.

Halcyon Technology (Philippines) Inc. ("HP")

Type of Product	Total Capacity (pcs.)	Actual Production (pcs.)	% of Capacity Used
PCD Cutting Tools	65,000	4,535	6.98%
Carbide Cutting Tools	40,000	10,450	26.13%
Metal Fabrications	5,000	801	16.02%
Total	110,000	15,786	14.35%

* Due to different size and design of different type of products in each category, the machine capacity and the actual production output may vary greatly. It also depends on the working hour during each time of the year, while HP's normal working hours are 5 days/week, 1 shift/day (7 hours with 1-2 hours OT), or average of 208 hours per month. However, since October 2020, HP has stopped all production in its factory in order to convert to a fully trading company.

Halcyon Technology Vietnam Co., Ltd. ("HV")

Type of Product	Total Capacity (pcs.)	Actual Production (pcs.)	% of Capacity Used
PCD Cutting Tools	24,000	20,015	83.40%
Carbide Cutting Tools	2,400	2,086	86.92%
Total	26,400	22,101	83.72%

* Due to different size and design of different type of products in each category, the machine capacity and the actual production output may vary greatly. It also depends on the working hour during each time of the year, while HV's normal working hours are 6 days/week, 2 shifts/day (8 hours with no OT), or average of 416 hours per month.

In 2020, the widespread of the COVID-19 pandemic heavily affected the manufacturing industry, resulting in overall decline in production throughout the year. The Company invested 41.43 million Baht to buy 4 new CNC PCD Wire Cut machines to prepare for production in 2021, and MDP invested 20.32 million Baht in 1 Peripheral Grinding Machine. For 2021, the Company is in the process of evaluating the situation to plan for production expansions in HV and MDP.

Sourcing of Raw Materials for Production

The Company sources out raw materials from both domestic suppliers and import from overseas, so the Company needs to set production plan to be able to determine the procurement schedule of raw materials and consumable goods to be available and ready for the production for at least one month in advance, depending on the demand and customer's order at

curtain time. The Company also implemented a consignment stock system with one of its main suppliers, by allowing the supplier to place his stock of raw material at the Company to reduce the lead time in purchasing the raw materials and reduce the risk of delivery delay, which would affect the production and delivery to customers.

The purchasing policy of the Company is not to depend on a single supplier, rather sourcing from quotations of at least two suppliers for bargaining purposes. Raw material sourcing does not depend only on the pricing; the Company also considers other factors all together such as quality, service, delivery, as well as payment term to ensure the standard of products and cost saving. An appropriate production plan is determined to allocate raw materials, labor and machine for the production of products according to the batch size and time requirement on an efficient basis. The Company's raw materials and products are classified as follows:

- **Raw Materials for Customized Cutting Tools**

Raw materials for the production of special cutting tools consist of carbide, blank insert, and materials used for cutting edge: PCD, MCD, or PCBN. In 2020, HTECH purchased raw materials from local supplier and imported in the approximate proportion of 91% and 9% respectively; HP purchased raw materials from local suppliers and overseas in the proportion of 4% and 96% respectively; HV purchased raw materials from local suppliers and overseas in the proportion of 16% and 84% respectively; and MDP purchased raw materials from local suppliers and overseas in the proportion of 26% and 74% respectively.

- **Raw Materials for Metal Fabricated Products**

Raw materials for productions of tooling and other metal fabricated products for subsidiaries HM and HP include steel, carbide, aluminum, stainless steel, plastic, etc. of which most are sourced locally.

Sourcing of Products for Sale

The Company has 9 subsidiaries in Thailand and overseas in the Philippines, Singapore, Malaysia, Vietnam, Indonesia, and USA. These subsidiaries are distributor for the Company's customized cutting tools and standard cutting tools of other brands to fulfill customer's needs. Each subsidiary will buy customized PCD/PCBN/Carbide cutting tools directly from HTECH or HP, while keeping stock for their own customers in order to ensure timely delivery. Standard cutting tools are also supplied by other leading brand owners in the same way.

Privileges from the Board of Investment (BOI)

The business activity of Halcyon Technology PLC. (HTECH) is granted privileges from the Board of Investment of Thailand (BOI). The Company was approved for business promotion of the manufacturing of cutting tools Type 4.5.2 regarding the manufacturing of machinery, equipment, or parts and/or fixing molds under the Investment Promotion Act with the following details:

Conditions	Details
Certificate Number	60-0744-1-00-1-0
1. Date of Approval	6 June 2017
2. Date of Commencement	11 December 2017
3. Promoted Business	Manufacturing of Cutting Tools
4. Privileges	
4.1 Exemption on import duty for machineries	Not specified
4.2 Exemption from corporate income tax for the net profit from the business activity granted	6 years
4.3 Dividends from promoted business that are exempted from corporate income tax in clause 4.2 are exempted from the calculation of income tax.	6 years
4.4 Raw materials and essential items imported for the manufacturing of goods for exports are exempted from import duty.	1 year
4.5 Goods imported by the promoted business for re-export are exempted from import duty.	1 year

Remarks: Conditions for receiving promotion must be new investment of machineries within 5 January 2020.

Risk Factors

(1) Risk Associated with the Dependence on the Hard-Disk Drive Industry

In the past, the Company manufactures and distributes its products to customers mainly in the Hard-Disk Drive (HDD) industry due to continuous growth from ever-changing technology. Although, there are still consistent demands from customer who are HDD manufacturers and HDD part manufacturers, the Company aims to reduce the risk associated with the dependence on the HDD industry by diversifying its customer base to support other industries with high growth potential by expanding its distribution channels in Thailand and overseas through subsidiaries. Currently, the Company has customers in various industries including manufacturers of automotive parts, aerospace parts, machinery parts, medical equipment, other metal products, etc.

In 2020, the percentage of the Company's revenue from customers in the HDD industry is 60%, compared to 47% and 55% in 2019 and 2018, respectively. The percentage has grown significantly (highest in 6-7 years) due to the COVID-19 pandemic, which heavily affected the manufacturing in other industries, especially the automotive industry, the Company's second largest target group, while in the second half of 2020, the manufacturing of HDD showed significant recovery. The proportions of total consolidated revenue for the group in 2020 are 40% from HDD, 31% from automotive, and 29% from other industries.

(2) Risk Associated with Small Customer Base

As the products of the Company are custom made to order, its customer base is limited, and the Company's revenue is concentrated on a few major customers. This may be a risk if such customers changed their purchasing policies or moved their production base, which will affect the Company's revenue adversely. However, the Company has a policy to reduce such risk by making effort to increase the customer base, especially those in the non-HDD segments such as the automotive parts or aerospace parts industries by utilizing its research and development capability and launching new products, as well as expanding customer base overseas to increase its revenue in another way.

In 2020, the Company's revenue from the top five customers (not including the Company's subsidiaries) is approximately 61% of the total sales, where sales to subsidiaries accounted for another 22%, and 17% for other customers; while the whole group of company has 19 major customers (with sales more than 10% of each company) accounting for 50% of the sales in 2020.

(3) Risk Associated with the Sourcing of Raw Materials

Due to limited numbers of suppliers for Polycrystalline Diamond (PCD), which is one of the main materials used in the production of the Company's cutting tools, there may be a risk on reliance on major supplier if such supplier cannot deliver on time, or the quality does not meet the requirement, or there is a change in policies. However, the Company has policies to reduce such risk by sourcing PCD from four suppliers, two of whom are main suppliers. Incoming materials are also being regularly inspected for quality. And delivery problems are eliminated by the use of consignment stock system, where the supplier keeps stock at the Company and orders will be issued once the items have been taken.

For other main raw materials such as carbide and steel, as well as other consumable goods, the Company will source from more than three main suppliers by considering not only price, but quality, lead time, and credit term. The Company also seeks out options for new suppliers. Furthermore, the main raw materials for the Company are not considered as commodity products, so there is little risk in the fluctuation of price.

(4) Risk Associated with the Dependence on Personnel

The businesses of the Company and its subsidiaries require knowledge, skill and experience of the personnel in order to design and produce products with high standard and precision to serve various requirements of the customers from various industries. Therefore, the Company relies on key personnel in designing and in the production line, which utilizes high and complicated technology, as well as in the marketing area to market and distribute products locally and overseas. If the Company were to lose such personnel, there may be an effect on the Company's future revenue, if the Company cannot find a suitable replacement in time. One of the Company's policies is to develop its staff through training and learning the transfer of production technology from machine suppliers. In addition, the Company has arranged for job rotation to allow the staff to work with various types of machines to be able to work in substitution to reduce the risk of relying on a single person. The Company also supports the qualified staff to become the management and shareholders to create the ownership participation and increase the morale to keep their loyalty in the Company.

(5) Risk Associated with the Fluctuation of Foreign Exchange Rates

The Company shares the risk associated with the fluctuation of foreign exchange rates from both imports and exports in foreign currencies. In 2020, the value of sale transactions in foreign currencies was THB 54.77 million, or 11.00% of total sales, all of which was in USD. The value of purchasing goods in foreign currencies in 2020 were THB 31.33 million, and purchasing machineries were THB 52.33 million, total of 48.34% of all purchase. Foreign currency purchases were mainly in EUR and USD for 50.18% and 40.67 of the total, respectively. The Company does not usually engage in a foreign currency forward contract, so the Company may have a risk from the fluctuation of foreign exchange rates. However, since the Company has both imports and exports in foreign currencies, such risk is partially offset through Natural Hedge. Overall, the foreign exchange rates do not have a significant effect in the Company's performance.

In 2020, the Company has a gain from exchange rate in the amount of THB 1.31 million or 0.14% of the consolidated total revenue, compared to a loss in the previous year in the amount of THB 7.59 million or 0.79% of the consolidated total revenue. On the other hand, the foreign exchange rates effect the conversion of overseas subsidiaries' financial statements in the consolidated financial statements. In 2020, the Company has a currency translation difference of THB 7.88 million or 0.82% of the total revenue, compared to THB 20.29 million or 2.10% of the previous year. However, it does not affect the Company's basic earnings per share.

Securities and Shareholders Information

The Company has the registered and paid-up capital of THB 300,000,340, divided into 300,000,340 shares with par value at THB 1 per share. The Company is listed in the Stock Exchange of Thailand (SET).

Top 10 Major Shareholders

Shareholders' Name	As of 15 March 2019	
	Shares	%
1. Rimchala Family	60,529,600	20.18%
Mr. Pete Rimchala	25,471,400	8.49%
Miss Petra Rimchala	12,068,200	4.02%
Mr. Chris Rimchala	11,890,000	3.96%
Miss Joyce Rimchala	11,100,000	3.70%
2. Thai NVDR Co., Ltd.	19,605,705	6.54%
3. Mr. Viboon Rujireksathorn	10,500,000	3.50%
4. Mr. Prasit Rakthaisantawee	10,426,888	3.48%
5. Mr. Suparoj Rojweera	9,721,300	3.24%
6. Mr. Chua Cheng Khuan	7,800,000	2.60%
7. Mr. Rattipat Aramwatanapong	7,750,000	2.58%
8. Mr. Somchai Vichitsangrat	7,330,000	2.44%
9. Mr. Norawee Changlum	5,666,700	1.89%
10. Miss Orathai Manawongsakul	4,446,600	1.48%
11. Other Shareholders	156,223,547	52.07%
Total	300,000,340	100.00%

Dividend Policy

The Company has a policy to pay dividends to shareholders at least twice a year at the rate of not less than 40% of net profit after deduction of corporate income tax and reserves according to the law. The Company's subsidiary has a policy to pay out dividends to shareholders at the rate of 40% of net profit after deduction of corporate income tax and reserves according to the law. However, the Company and its subsidiaries may pay out dividend at the rate lower than mentioned above if it is necessary for the Company to use such net profit for expansion of business.

Year	2018	2019	2020
Net profit attributable for the owner of the Company (THB)	174,287,748	51,030,017	64,796,301
Dividend Payout*	72,000,081	24,000,027	26,100,030
Dividend per Share	0.24	0.08	0.087
Dividend per Net Profit (%)	41.31%	47.03%	40.28%

* Dividends for the performance of the year 2018 were paid on 10 September 2018 and 28 May 2019.

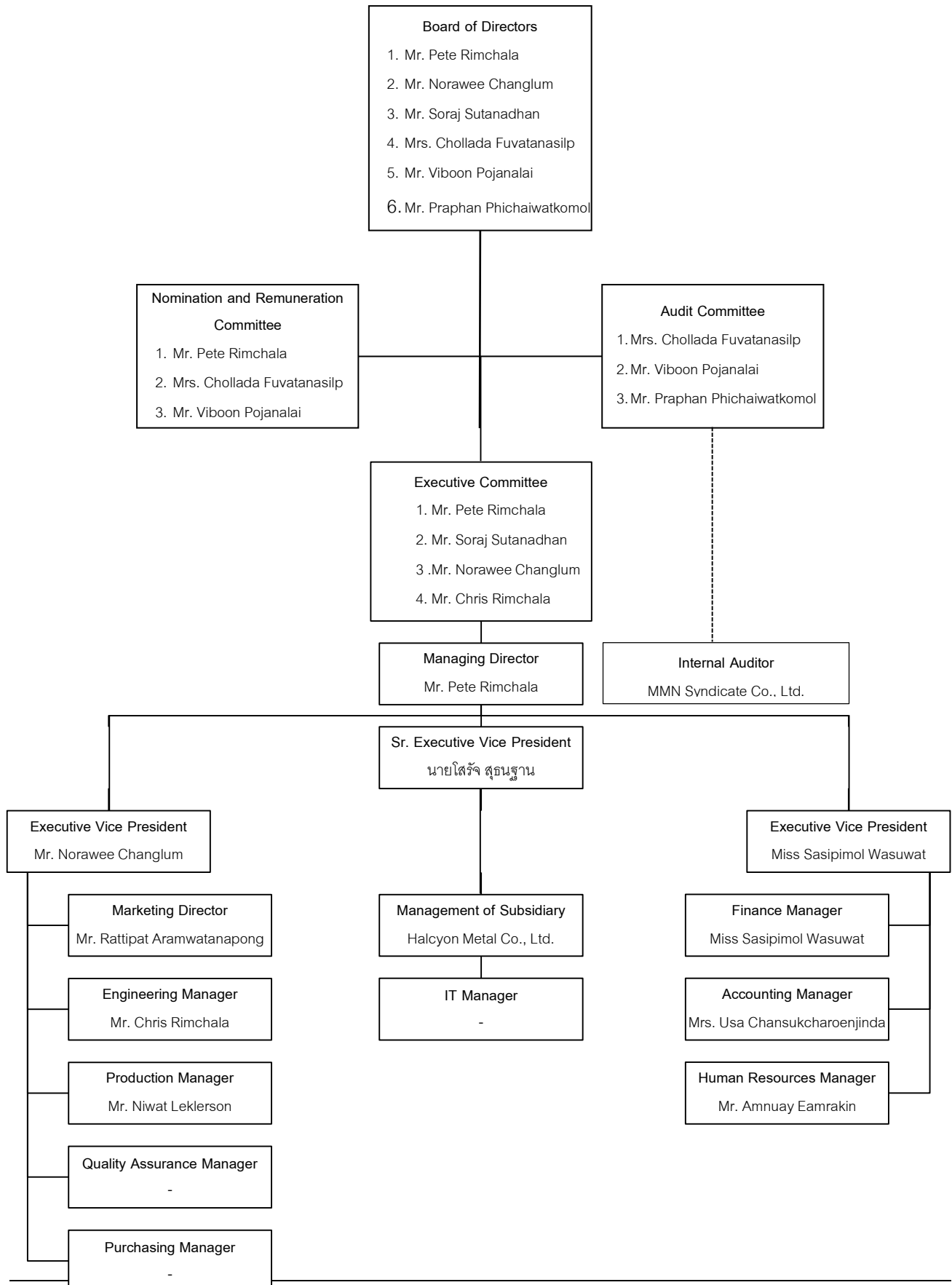
Dividends for the performance of the year 2019 were paid on 9 September 2019 and 20 May 2020.

Interim dividend for the year 2020 was paid on 14 September 2020 and the Board of Directors' Meeting No. 1/2021 has approved for additional 0.052 baht per share to be paid on 20 May 2021.

Management Structure

Organization Chart of Halcyon Technology Public Company Limited

(As of 31 December 2020)



Board of Directors, Committees, and Management

The Company consists of 4 committees, which are Board of Directors, Audit Committee, Executive Committee, and Nomination and Remuneration Committee as follows:

(1) Board of Directors

The Company's Board of Directors consists of 6 directors as follows:

- | | |
|--------------------------------|---|
| 1. Mr. Pete Rimchala | Chairman of the Board / Managing Director / Chairman of the Executive Committee / Chairman of the Nomination and Remuneration Committee |
| 2. Mr. Soraj Sutanadhan | Director / Senior Executive Vice President / Executive Committee |
| 3. Mr. Norawee Changlum | Director / Executive Vice President / Executive Committee |
| 4. Mrs. Chollda Fuvatanasilp | Chairman of the Audit Committee / Director (Independent Director)
Nomination and Remuneration Committee |
| 5. Mr. Viboon Pojanalai | Director (Independent Director) / Audit Committee
Nomination and Remuneration Committee |
| 6. Mr. Praphan Phichaiwatkomol | Director (Independent Director) / Audit Committee |

Scope of Duties and Responsibilities of the Board of Directors

The Board of Directors has authority and duties and responsibilities in management of the Company according to the laws, purposes, and articles of the Company. In summary, essential authorities and responsibilities are as follows:

1. To hold the annual shareholders meeting within 4 months from the end of accounting period of the Company.
2. To hold the Board of Directors' meeting at least once every three months.
3. To prepare balance sheet and income statements of the Company at the end of accounting period of the Company for which the auditor audited and present to shareholders assembly to consider and approve.
4. The Board may delegate its power to one or more directors or any other person to act on behalf of the Board under the Board's control; or delegates its power to such person for other things that the Board regards as appropriate and within a certain period. The Board may revoke or alter or change the delegate when it sees proper.

In addition, the Board may delegate its power to the Executive Board to have power to conduct anything which has details according to the scope of power and duties of the Executive Board. Nevertheless, such delegation must not have a feature that allow the Executive Board to consider or approve anything that the Executive Board or other persons may have conflict, interest, or any conflict of interest with the Company or its subsidiary, except for approvals of normal trade practice in accordance with policies and rules that the Board of Directors or Shareholders has considered and approved as prescribed by laws.

5. To set up targets, directions, policies, plans, and budgets of the Company, oversee management of the Executive Board to conform with the assigned policy except for these following matters, which the Board must obtain an approval from the shareholders meeting in advance, i.e. a matter that an approval from the shareholders meeting is required by laws such as increasing or decreasing of capital, debenture issuing, whole or partial selling or

transfer of the business of the Company to other persons, acquiring or receiving of other company's business, revision of Memorandum or Articles of Association, etc.

In addition, The Board of Directors has duty to oversee the Company to conform with laws regarding securities and securities exchange, regulations of the stock exchange such as related transactions, acquisition or disposal of assets according to the rules of the Stock Exchange of Thailand, or laws relating to the Company's business.

6. To consider management structure, appoint the Executive Board, Managing Director, or other committees as appropriate.
7. To continuously follow up the operation to be in accordance with plans and budgets.
8. the Board neither operates any business that has similar nature and competes with the Company's business, nor be a partner in any ordinary partnership, a general partner in any limited liability partnership, a director of a private company, nor other companies that involved in the business of similar nature and compete with business of the Company, whether for themselves or for other persons, except the shareholders' meetings has been informed of that fact prior to the appointment.
9. The director has to inform the Company immediately when he or she has an interest, whether direct or indirect, in a contract that the Company has concluded, or has more or less shares or other forms of securities of the Company or associated company.

(2) Audit Committee

The Company's Audit Committee consists of 3 persons as follows:

- | | |
|---------------------------------|---------------------------------|
| 1. Mrs. Chollada Fuvatanasilp | Chairman of the Audit Committee |
| 2. Mr. Viboon Pojanalai | Audit Committee |
| 3. Mr. Prahphah Phichaiwatkomol | Audit Committee |

Mrs. Chollada Fuvatanasilp and Mr. Viboon Pojanalai have knowledge and adequate experiences to verify the credibility of financial statements. Miss Petra Rimchala acts as the Audit Committee's Secretary.

Scope of Duties and Responsibilities of the Audit Committee

1. To verify that the Company has an accurate and adequate disclosure on financial statements by coordinating with the external auditor and the management responsible for the disclosure of quarterly and yearly financial statements. The Audit Committee may propose to the auditor to review or audit any transaction deemed necessary or importance during financial statement auditing.
2. To verify that the Company has proper and effective internal control and internal audit system.
3. To verify that the Company conforms with laws regarding securities and stock exchange, regulations of the stock exchange, or laws regarding businesses of the Company.
4. To consider, select, propose an appointment, and propose remuneration to auditors of the Company to be approved by the shareholders' meeting.

5. To disclose the Company's information when there is a related transaction or transaction that may have conflict of interest correctly and completely, including approval of such transaction in order to propose to the Board of Directors and/or the shareholders' meeting.
6. To review the financial management and risk management policies assigned by the Board of Director with consent from the Audit Committee.
7. To prepare corporate governance report of the Audit Committee for disclosure in the annual report of the Company which such report must be signed by the Audit Committee Chairman.
8. To conduct any other works as assigned by the Board of Directors with consent from the Audit Committee.

(3) Executive Board

The Executive Board consists of 4 persons as following:

- | | |
|-------------------------|--|
| 1. Mr. Pete Rimchala | Chairman of the Executive Board / Managing Director |
| 2. Mr. Soraj Sutanadhan | Executive Director / Senior Executive Vice President |
| 3. Mr. Norawee Changlum | Executive Director / Executive Vice President |
| 3. Mr. Chris Rimchala | Executive Director / Engineering Manager |

Scope of Duties and Responsibilities of the Executive Board

The Executive Board have the authority, duties and responsibilities in the normal operation and administration of the Company, establishing policies, business plan, budget, administrative structure and any the Company's administrative authority and direction in operating business of the Company in line with the prevailing economic situations for proposing to the Board of Directors' meeting for consideration and approval and/or ratification as well as verifying and monitoring the operation of the Company according to the specified policies. The key authority, duties and responsibilities can be summarized as following:

1. Operating and administering the Company according to the objectives, regulations, policies, rules, limitations, directions and resolutions of the Board of Directors and/or resolutions of the shareholders' meetings according to the rules and regulations of the Executive Board's meeting.
2. Considering the establishment of the policy, direction and strategy of operating the business of the Company, financial budgeting plan, human resource management, investment, expansion of the business, public relations according to the scope that the Board of Directors' pre-approved, and monitoring the process of the operation of the appointed working group.
3. Considering the allocation of annual budget as proposed by the management before proposing the Board of Directors to consider and approve, including considering and approving the change and addition of the annual budget when there is no Board of Directors' meeting to propose to the next Board of Directors' meeting.
4. Approving the expenditure on the purchasing of raw materials, according to the Company's normal operation, of no more than Baht 30 million (Baht Thirty Million) per transaction.
5. Approving the expenditure on the purchasing of the equipment or fixed assets, according to the Company's normal operation, of no more than Baht 50 million (Baht Fifty Million) per transaction.

6. Approving of selling, according to the Company's normal operation, such as selling of goods, made to order contracts, etc, of no more than Baht 50 million (Baht Fifty Million) per transaction.
7. Approving the opening and closing of any bank or financial institution accounts, including the terms and conditions on the withdrawal or any juristic acts related to such accounts.
8. Approving the lending, procuring credit line, issuing of debentures, overdraft contracts or any loans from bank or financial institution or general persons according to normal business conditions, of no more than Baht 60 million (Baht Sixty Million) per transaction, including approving of bank guarantee for beneficial of the Company's business of no more than Baht 50 million (Baht Fifty Million) per transaction.
9. Approving of the pledging and mortgage of the Company's assets to warrantee the Company's debts, whether existing debts or debts to be incurred in the future, of no more than Baht 60 million (Baht Sixty Million) per transaction.
10. Approving of the significant expenditure, this is already set in the annual budget assigned or approved in principle by the Board of Directors.
11. Acting as the advisory body on policies concerning finance, marketing, personnel management and other operations.
12. Specifying the organization structure, administrative authority of the organization as well as appointing, hiring, removing, determining the wages, payment, bonus of the executives and layoff.
13. Authorizing mandate of one or more directors or any person to perform any act under the supervision of the Executive Board or to authorize such person to perform acts as deemed appropriate by the Executive Board within a certain period. The Executive Board may repeal, withdraw, change or amend the authorized person or the authority as it deems appropriate. However, such authorization shall not be given to persons who may have conflicts of interest.
14. Performing any act authorized by the Board of Directors from time to time.

The Executive Board shall not approve any conflicting transaction or any transaction the Executive Board has interests in or any other benefits which is contrary to the interests of the Company and its subsidiary, except such transactions that the Company's Board of Directors or shareholders' meeting has considered and pre-approved and in accordance with the law. The Board of Directors authorizes to repeal, withdraw, change or amend the Executive Board's authorization.

Scope of Duties and Responsibilities of the Managing Director

1. Managing and supervising daily operations and/or administration of the Company.
2. Managing and operating in accordance with the policy, plan and budget approved by the Board of Directors and/or Executive Board of the Company.
3. Acting as the authorized person of the Company in operating the Company's business in compliance with the objectives, regulations, policies, rules, limitations, directions and resolutions of the shareholders' meetings and/or resolutions of the Board of Directors' meetings and/or the Executive Board.

4. Being authorized to sub-authorize and/or mandate other person to perform certain acts. The aforesaid sub-authorization or mandatory shall be under the scope of the authorization as specified herein and/or in accordance with the regulation, limitation or order which the Board of Directors and/or the Company has specified, whereas the sub-authorization shall not be given to persons who may have conflicts of interest.
5. Monitoring and evaluating the operation of the Company at all time in order to minimize the risk arising from internal or external factors.
6. Considering the entry into agreements regarding Company's business and any agreement which is in the interest of the Company including specifying the procedures and process of such agreement for proposing to the Executive Board and/or the Board of Directors.
7. Approving of the expenditure on normal business operation such as purchasing of raw materials, equipment or fix assets, excluding machines, of no more than Baht 5 million (Baht Five Million) per transaction.
8. Approving of the purchasing of operating machines of no more than Baht 20 million (Baht Twenty Million) per transaction.
9. Approving of selling, according to the Company's normal operation, such as selling of goods, made to order contracts, etc, of no more than Baht 15 million (Baht Fifteen Million) per transaction.
10. Considering the allocation on pension, bonus or any remuneration as approved by the Board of Directors to the employees or workers of the Company or any person performed any act for the Company.
11. Considering the employment and appointment as well as removal, relocation between the field/department/division or layoff, determining wage rate, remuneration, bonus including welfare regarding all employee of the Company except those employees at the management level.
12. Specifying the orders, regulations, notifications, memorandum in order to operate the business according to the policy and in the interests of the Company and to maintain the internal discipline of the organization.
13. Performing other functions authorized by the Board of Directors from time to time.

The Managing Director shall not approve any conflicting transaction or any transaction the Managing Director has interests in or any other benefits which is contrary to the interests of the Company and its subsidiary, except such transactions that the Company's Board of Directors or shareholders' meeting has considered and pre-approved and in accordance with the law. The Board of Directors authorizes to repeal, withdraw, change or amend the Managing Director's authorization.

(4) Nomination and Remuneration Committee

The Nomination and Remuneration Committee consist of 3 persons as follows:

- | | |
|-------------------------------|---|
| 1. Mr. Pete Rimchala | Chairman of the Nomination and Remuneration Committee |
| 2. Mrs. Chollada Fuvatanaslip | Nomination and Remuneration Committee |
| 3. Mr. Viboon Pojanalai | Nomination and Remuneration Committee |

Scope of Duties and Responsibilities of the Nomination and Remuneration Committee

1. To express opinion to the Board of Directors with respect to the rate of remuneration of Chairman of the Board of Directors, Directors, Chairman of the Audit Committee, Audit Committee and any Sub-Committee (if any) (Such matter shall be proposed to the Shareholders' meeting for consideration and approval afterward).
2. To nominate and propose the name list of person, who has the suitable qualifications to be a director at the first time and to monitor the performance and suitability of the director who will be retired by rotation and re-elected, to the Board of Directors for consideration and approval and propose to the Shareholders' meeting for appointment to be the director.
3. To consider and give an opinion to the Board of Directors and to follow up the operation regarding vision and strategy of human resource including management development plan.
4. To assess the Company's overall performance in order to determine the bonus and salary increase by using a suitable industrial standard for consideration.
5. To propose the salary structure and other benefits.

Meeting Statistics for the Board of Directors and Committees

In 2020, the Company's Board of Directors and committees have meeting attendance as follows:

Name	Meeting statistic (number of meeting / number of time that join the meeting)			
	The Board of Directors' Meetings	Audit Committee Meetings	Nomination and Remuneration Committee Meeting	Shareholders' Meetings
1. Mr. Pete Rimchala	6/6	-	1/1	1/1
2. Mr. Norawee Changlum	6/6	-	-	1/1
3. Mr. Soraj Sutanadhan	6/6	-	-	1/1
4. Mrs. Chollada Fuvatanasilp	6/6	4/4	1/1	1/1
5. Mr. Viboon Pojanalai	5/6	4/4	-	1/1
6. Mr. Praphan Phichaiwatkomol*	4/4*	3/3*	-	1/1

* Mr. Praphan Phichaiwatkomol was appointed as Director on 1 May 2020 to replace Lt. Gen. Preecha Wanarat, who resigned.

Authorized Signatory Directors

Directors who have the authority to sign on behalf of the Company are Mr. Pete Rimchala or Mr. Norawee Changlum or Mr. Soraj Sutanadhan, two of the three sign together with Company's stamp.

Company Secretary and the Person Supervising Accounting (Chief Accountant)

The Board of Directors has appointed Miss Petra Rimchala as the Company Secretary, and Mrs. Usa Chansukcharoenjinda (Accounting Manager) as the person supervising accounting (Chief Accountant)

Management Team

The Company's management team consists of 5 persons as follows:

- | | |
|-------------------------|---|
| 1. Mr. Pete Rimchala | Chairman of the Executive Committee / Managing Director |
| 2. Mr. Soraj Sutanadhan | Executive Committee / Senior Executive Vice President |
| 3. Mr. Norawee Changlum | Executive Committee / Executive Vice President |

- | | |
|--------------------------|--|
| 4. Ms. Sasipimol Wasuwat | Executive Vice President / Finance Manager |
| 5. Mr. Chris Rimchala | Executive Committee / Engineering Manager |

Remunerations of Directors and Executives

Cash Remunerations

(1) Remunerations of the directors consist of meeting allowances paid per attendance of meeting as follows:

Position	Meeting Allowance (THB per Meeting)
<i>The Board of Director's meetings</i>	
Chairman of the Board of Directors	16,500
Directors	13,500
<i>The Audit Committee's meetings</i>	
Chairman of the Audit Committee	16,500
Audit Committee	13,500
<i>The Nomination and Remuneration Committee's meetings*</i>	
Chairman of the Nomination and Remuneration Committee	13,500
Nomination and Remuneration Committee	13,500

In 2020, the Directors received remunerations as follows:

Director's Name	Remuneration (THB)				
	Meeting allowance	Meeting allowance	Meeting allowance	Yearly remuneration	Total
1. Mr. Pete Rimchala	46,500	-	13,500	40,000	100,000
2. Mr. Norawee Changlum	40,500	-	-	40,000	80,500
3. Mr. Soraj Sutanadhan	40,500	-	-	40,000	80,500
4. Mrs. Chollada Fuvatanaslip	40,500	46,500	13,500	150,000	250,500
5. Mr. Viboon Pojanalai	27,000	27,000	-	115,000	169,000
6. Mr. Praphan Phichaiwatkomol	27,000	27,000	-	115,000	169,000

(2) In 2020, remunerations for the Company's top 5 executives consist of salary and bonus in a total amount of THB 11.13 million (4 executives are paid by the Company and 2 executives are paid by the subsidiary HM)

Other Remunerations

Provident Fund: The Company established its provident funds for its management and employees since September 2008 onwards, the management and employees must contribute 2% of their basic salary and the Company will contribute at the same rate. In 2020, the Company paid contribution to the Provident Fund for the top 5 executives in a total amount of THB 0.12 million (4 executives are paid by the Company and 2 executives are paid by the subsidiary HM).

Personnel

As of 31 December 2020, the Company had a total of 320 employees, comparing to 445 employees in the previous year. The Company paid a total of THB 74.93 million in remunerations, including wages and salaries, over time, bonus, social security, provident fund, etc.; and its subsidiaries had a total of 290 employees and paid a total of THB 120.95 million in the same manner. The total number of employees by business segment and operational department are as follows:

As of 31 December 2020	Customized Cutting Tools ¹	Standard Cutting Tools ²	Tooling and Metal Fabrications ³	Total
Management	14	6	3	23
Production	348	4	115	467
Sales & Marketing	20	16	3	39
Administrative & Accounting	48	27	6	81
Total	430	53	127	610
Total Remuneration (THB Million)	135.99	32.64	27.25	195.89

Remarks: ¹ HTECH and subsidiaries HP+ ATEK, H, and MDP

² Subsidiaries FDM, HS, HY, HI and HENG

³ Subsidiaries HM

Management Policies

Corporate Governance Policy

The Company is aware of the significance of good governance principles. Therefore, the Board of Directors has established the Code of Conduct for the Company's directors which corresponds to the Code of Best Practices for Directors of Listed Company under the guideline of Stock Exchange of Thailand. All rules and provisions are stipulated based on actual practice. Furthermore, the Company applies the Good Corporate Governance for guideline on development of the policy of right and equality of all shareholders and stakeholders, structure, duties, responsibilities and independency of the directors, information disclosure and transparency, risk control and management, and business code of conduct for the purpose of efficiency and transparency of the Company's operation and management. The code of Company's good corporate governance consisted of 5 categories as follows.

Category 1 Rights of Shareholders

The Company is aware and pays attention to rights of shareholders. It shall avoid any actions that violate those rights and shall encourage shareholders to exercise their basic rights, which are buying, selling, or transferring shares, sharing in the profit of the Company, obtaining relevant and adequate information on the Company in a timely manner and on a regular basis and participating and voting in the shareholder meetings to elect or remove members of the board, appoint the external auditor, and make decisions on any transactions that affect the Company such as dividends payment, amendments to the Company's articles or memorandum of association, capital increases or decreases, and the approval of extraordinary transactions, etc.

The Company shall perform things that encourage and facilitate the exercise of shareholders' rights as follows:

- The Company will mandate the directors to prepare notice of the shareholders' meeting in writing with sufficient information, to send to shareholders for at least 7 days before the actual meeting or for the certain period according to the rules and regulations of the Securities Exchange Commission or those of the Stock Exchange of Thailand.
- During each meeting, the Chairman will inform shareholders of the criteria and procedures governing the Company's shareholders meetings, including the voting procedure and allocate appropriate time for the meeting.
- Shareholders are able to send their questions and suggestions prior to the meeting date, and are able to comment or query during the meeting, whereas directors and managements will attend the meeting to answer.
- In case that the shareholders are not able to attend the shareholders' meeting, the Company will enable shareholders to appoint an independent director or any person as their proxy.
- The Company will record important queries and comments on the shareholders' meeting report, which is auditable by shareholders.

Category 2 Equitable Treatment of Shareholders

The Company shall treat all shareholders, including those with management positions, non-executive shareholders, foreign shareholders and minority shareholders in an equal way as follows:

- Facilitate minority shareholders to nominate, in advance of the meeting dates, a candidate for director position.
- The Board of Directors will not add any agenda items without notifying other shareholders in advance, especially if it is an issue that will require shareholders to spend a good deal of time to study relevant information before making their decisions.
- The Company established procedures concerning the protection of inside information that prohibit its employees to disclose the inside information to irrelevant persons. In case that its employees or management use or disclose the information for their or their related persons' behalf, the action will be considered misdeed and will be subject to take disciplinary action. In addition, the Company established the policy to audit its directors and managements of disclosure of inside information on their benefits of stock trading, which is disclosed in the section of Policy and Guidance Relating to Insider Information.
- In the shareholders' meeting, the directors and managements will disclose whether they and their related parties have any interest in any issue, in order for the Board of Directors to consider such issue entirely for the Company's benefits. Directors and managements who have such interests should not participate in the decision making process on such issues.

Category 3 Role of Stakeholders

The Company pays attention to rights of each stakeholder group and has established a policy for each group as follows:

- | | |
|---------------------------------|--|
| Shareholders: | The Company aims to conduct the business using its best knowledge and management skills, with honesty and fairness to majority and minority shareholders in the best interests of all shareholders and disclose the information completely and accurately. |
| Staff: | The Company will pay reasonable remunerations to all staff, provide safe working environment for life and property, seriously and continuously develop the staff's potentials, strictly comply with all laws and regulations in conjunction with the staff, avoid unfair practice which could affect staff's career, and treat all staff with respect to honor their humanity. |
| Customers: | The Company aims to produce goods and provide services in good quality and standard with reasonable price, always and strictly maintain customer's confidence and search for more opportunity to continuously increase customer's benefits and strictly follows the terms and conditions that the Company provides to the customers. |
| Suppliers and Creditors: | The Company will not conduct its business with suppliers and creditors in bad faith. The Company will strictly perform all agreements between the Company and creditors whether the repayment, reimbursement, care of warrantee assets and any other agreements given to the creditors for mutual benefit. |

Trade Competitors:	The Company will follow the best practices of competition, avoid using dishonest and improper methods for acquisition of the competitor's secret and avoid making baseless claims to destroy the competitor's reputation.
Public:	The Company will do nothing which will have adverse affect on the public, natural resources and the environment. The Company will seek an opportunity to support social creative activity, simultaneously and seriously educate staff on social responsibility including strictly follow and monitor staff practice as required by laws or regulations issued by the relevant authority.

Category 4 Disclosure and Transparency

The Company intends to disclose information accurately, transparently, timely and in compliance with the standards and criteria set by the Stock Exchange of Thailand to ensure that each person receives information equally. The afore-mentioned includes financial and general information and other information which affect the share price and the decision making process of the investors and stakeholders. The Company posts the information on the Stock Exchange of Thailand's website and www.halcyon.co.th.

The Board of Directors is aware of the responsibility to have accurate, actual, complete and reasonable financial statements. The consolidated financial statements of the Company were made in compliance with the generally accepted accounting principles. The appropriate accounting policies have been consistently adopted. The accountancy information recording is complete in order to maintain the integrity and aware of weaknesses so that the Company can consistently prevent corruption or material crisis conducts including adequate disclosure of important information in the notes to the financial statements. Moreover, the Board of Directors has appointed Audit Committee to examine financial reports, related transactions and internal control system and the result of Audit Committee audits must be reported to each Board of Directors' meeting. The reports of the Board of Director, the Audit Committee and the Company's external auditor are disclosed in the Company's Annual Report. Currently, the Company does not intend to establish the investment relation department, but assigns Mr. Pete Rimchala, the Managing Director, to coordinate with shareholders, analyst and others.

Category 5 Responsibilities of the Board

(1) Structure of the Board of Directors

The Company's Board of Directors comprises of ones who have knowledge, ability and experiences in business operations beneficial to the Company. The Board of Directors, appointed by the shareholders' meeting, consists of 7 directors which include 3 independent directors; of which 1 of them was appointed as the Chairman of the Board of Directors and the Chairman of the Audit Committee whereas the other 2 were appointed as the Audit Committee. One of the Audit Committee has accounting background and is able to verify the credibility of the financial statements. In addition, one-third of the Board of Directors, or at least 3 directors, will be independent directors, who act as representatives of the minority shareholders in examining and balancing the Company's operation for correct and fair operation and for the best interest of shareholders.

(2) Subcommittees

The subcommittees appointed by the Board of Directors to assist in monitoring the business of the Company are:

- *The Executive Board*, consisting of 3 persons, which facilitates the Company's operation and authorizes according to the scope of duties given by the Board of Directors.
- *The Audit Committee*, consisting of at least 3 persons, who examine and monitor the business of the Company authorizes according to the scope of duties given by the Board of Directors. All Audit Committee Member have qualifications as stated by the law of securities and securities exchange or the regulations, notifications or rules of the Securities and Exchange Commission or Stock Exchange of Thailand.
- *The Nomination and Remuneration Committee*, consisting of 3 persons, which help the Company to nominate and consider remuneration and to comply with the good corporate governance according to the scope of duties given by the Board of Directors.

However, in the future, the Company may establish subcommittees to assist the Board of Directors on the assigned business of the Company.

(3) Scope of Duties and Responsibilities of the Directors

The Board of Directors is responsible for establishing policies, visions, strategies, missions, business plans and the Company's budget including monitoring the management for effective and successful performance of the policies provided under the law, objectives, Articles of Association and resolutions of the shareholders' meeting. The Board of Directors has established:

Corporate Governance Policy

The Board of Directors has established, in written, the policy of corporate governance and reviewed the policy and its implementation at least annually.

Code of Conduct

The Company has established the Code of Conduct as a guideline to the Board of Directors, Audit Committee and every staff, which mainly compresses the principles of non-disclosure of the Company's secret, honesty and compliance with the laws, respect for the right of each other and protection of the Company's internal resources and the environment. Focusing on the Code of Conduct will encourage all levels to work with honesty and support efficient internal control which will create confidence in the capital market and among the investors.

Conflicts of Interest Policy

The Company has established the policy of conflicts of interest based on the principles that all staff must work in the best interest of the Company. All acts and decisions must be made without influences of personal interest, in the interest of family, kins or other person with whom the employees have personal relationship. This policy includes 2 matters as follows:

- **Related Transactions:** The Company carefully considers the appropriateness of every related transaction prior to enter into such transaction, including pricing and establishing of the conditions on the related transactions on an arm's length basis. The Audit Committee will consider the necessity and reasonability of every transaction. In case the transactions are related transactions as stipulated in "Notification of Securities and Exchange Commission of Thailand on Information Disclosure and Operation of the Listed Company in the Related Transaction B.E. 2546", the Company will comply with the rules, conditions, and procedures of the Notification including disclosure of

such transactions in the annual report and annual information disclosure form (Form 56-1) for transparency of the related transactions and avoidance of the conflict of interest and other circumstances under which a conflict of interest may develop.

- Other circumstances which may give rise to conflict of interest, which are:
 1. General Investment. The Company does not allow the Company's staffs who are involved in or receive any benefits from the Company's competitors, to participate in any decisions making for any matters in conjunction with the relationship between the Company and such competitor. Unless the approval of the Company's Board of Directors or shareholders has been obtains under the requirements of Stock Exchange of Thailand.
 2. Gift. Every staff of all levels should not accept any gift, journey ticket, sport ticket, offer of vacation, accommodations or any offer of personal benefits, etc. if such acceptance entails obligations to the Company or loss to the Company's benefits.
 3. Academic work, public service work, lecturer or taking any position. Every staff of all levels may request for the approval of the director of their work line in order to engage in any academic work, public service work, and lecturer or taking any position, e.g. Company's director and consultant, which will create more visions and experience, provided that such staff must not involve the Company or his position in the Company without approval.

Internal Control

The Company has set up an internal control system in order to operate the Company's business effectively and increase the credibility of its financial statements. The Company hired MMN Syndicate Office Co., Ltd. operated by Mr. Marnit Aongphisud, Certified Public Accountant, who is competent in accounting and internal control, as a consultant of the Company to improve the internal control system and eliminate risks and unusual transactions. The Company annually reviews its internal control system and assesses risk management. Upon the expiration of the hiring contract, the Company plans to continue the contract and at the same time training its staffs for the job.

In addition, the Company has appointed Miss Petra Rimchala as the Audit Committee's secretary, coordinating with MMN Syndicate Office Co., Ltd. and proposing the result of internal audit to the Audit Committee at least once every 3 months.

(4) Meeting of the Board of Directors

The Board of Directors will arrange a meeting at least once every 3 months and may have special additional meetings, if necessary. The written notice of the meeting will be sent to directors for its consideration in advance at least 7 days before the meeting date except in case of an emergency or preserve the right or benefit of the Company. The directors can request any related disclosure from the Company's secretary.

The Chairman of the Board of Directors and Managing Director will set the board meeting agenda together and each director is free to propose issues for a meeting agenda. The executive managements may attend some agendas during the meeting to provide information in details.

(5) Remunerations

The Company has established a policy to set remunerations of the directors and Audit Committee as an incentive to keep quality directors who meet the Company's standard. The remuneration shall be at the same rate as paid by a similar industry and which is based on the result of operation of the Company. The remuneration has to be proposed for approval in the shareholders' meeting.

Remuneration of the Managing Director and top executives should be in accordance with the scope of authorities and the policy of the board. For the best interest of the company, executives' salaries, bonuses, and other long-term compensation will correspond to the Company's performance and that of each executive.

(6) Director and Management Training

The Board of Director will encourage and facilitate training for all internal parties related to corporate governance such as directors, Audit Committee, managements, etc. Training will enable them to continuously improve their performances. It can be either internal or external training. The Company's secretary will provide each new director with all documents and information useful to perform their duties, including introduction of the nature of the business and the operations.

Recruitment and Appointment of Directors and Senior Management Levels

Independent Committee

The Company must have independent directors at least one-third of total number of Board of Directors but not less than 3 persons.

Qualifications of the Independent Committee

1. Holds no more than 1% of the total voting shares of the Company, its parent company, its subsidiaries, its associated companies or a juristic person who may have conflicts of interest, including shares held by any related person.
2. Not be and have not been a director participating in management role, employee, staff, advisor who receives regular salary, or controlling person of the Company, its parent company, its subsidiaries, its associated companies, same-level subsidiaries or a juristic person who may have conflicts of interest, unless the foregoing status has ended for more than 2 years.
3. Not being a person related by blood or legal registration, such as father, mother, spouse, sibling, and child, including spouse of the children, management, major shareholders, controlling persons, or persons to be nominated as management or controlling person of the Company or its subsidiaries.
4. Not having a business relationship with the Company, its parent company, its subsidiaries, its associated companies or a juristic person who may have conflicts of interest, in the manner that may interfere with his/her independent judgment, or not being a major shareholder, non-independent director or management of any person having business relationship with the Company, its parent company, its subsidiaries, its associated companies or a juristic person who may have conflicts of interest.
5. Not being an auditor of the Company, its parent company, its subsidiaries, its associated companies or a juristic person who may have conflicts of interest, in the manner that may interfere with his/her independent judgment, or not being a major shareholder, non-independent director or management of any person having

business relationship with the Company, its parent company, its subsidiaries, its associated companies or a juristic person who may have conflicts of interest.

6. Not being a professional advisor including legal or financial advisor who receives an annual service fee of exceeding Baht 2 million from the Company, its parent company, its subsidiaries, its associated companies or a juristic person who may have conflicts of interest, or not being a major shareholder, non-independent director, management or partner of the professional advisor.
7. Not being appointed to represent the Company's Director, its major shareholders or shareholders who are related to the Company's major shareholders.
8. Not having any characteristics by which him/her independent opinion may be affected.
9. Not being a director assigned by the Company's Board of Directors to take part in the business decisions of the Company, its parent company, its subsidiaries, its associated companies, same-level subsidiaries or a juristic person who may have conflicts of interest, and not being a director of the Company, its parent company, its subsidiaries, its associated companies, same-level subsidiaries.
10. Having duties according to the Stock Exchange of Thailand's regulations regarding the qualifications and scope of work of the Audit Committee.

In the case that the independent director being appointed as the independent director of the parent company, its subsidiaries, its associated companies, same-level subsidiaries, the Company has to disclose such information, including the remuneration received by the independent director in the Filing, Form 56-1 and Form 56-2.

Member of Audit Committee

The Company must have at least 3 audit committees.

Qualifications of Audit Committee

1. Appointed by the Board of Directors or the shareholders
2. Audit Committee must be independent and
 - Do not participate in decision making on the Company's operations or its subsidiaries
 - Is not a director of the Company or its subsidiaries
3. Has at least one audit committee whom has sufficient knowledge and experience to ensure the reliability of financial statements.
4. Has served in the same manner as set forth in the Stock Exchange of Thailand on the features and scope of operations of the Audit Committee.

Nomination and Remuneration Committee

Nomination and Remuneration Committee, consist of 2 independent committees out of 3 committees, The committees have responsibility to recruit directors based on qualification, competency, experience, and the ability to attend the Board of Directors' meetings consistently. The directors shall be appointed by a majority vote of the shareholders' meeting in accordance with the following conditions and procedures:

1. Each shareholder shall be entitled to the number of votes equivalent to the number of share held by him. One share shall have one vote.
2. Each Shareholder may exercise all the votes to elect one or several persons, as the shareholders' meeting may deem fit, as directors, but may not allot his votes to any person at any number.
3. The directors shall be appointed in accordance with the majority vote. In the event of equal votes among the persons elected in order of respective high numbers of votes, the Chairman of that meeting shall have a casting vote.

Senior Management Level

In recruiting senior management level, the Executive Committee recruits senior management based on qualification, competency, and experiences related to the Company's business, ability to complete the giving tasks. Senior management will be presented to Nomination and Remuneration Committee and board of committee to approve.

Corporate Governance of Subsidiaries

Corporate governance of subsidiaries and/or affiliates, the managements has been selecting qualified representative who have appropriated experiences and skills to be a representative of the Company manager and make a policy to control the subsidiaries and/ or joint venture.

For efficiency and transparency of the subsidiaries and/or affiliates governance, from 2014 onward, the Company has set rules to nominate and vote for a qualified director for subsidiaries which also need to be approved by Board of Directors. The representative director at the subsidiaries and/or affiliates must operates in the best interest of subsidiaries and/or affiliates by controlling the operation of the subsidiaries and/or affiliates according to strategies and business plan which were approved by the Company's Board of Directors including operation under good governances. In addition, the representative shall receive an approval from the Company before voting for any issue which is significant as is required the board approval at the Company level. Nominating board the representative is based on proportions of the Company's shareholding.

In case of subsidiaries, the Company set rules for nominated representative to monitor subsidiaries to implement policy regarding related transaction, gain or dispose of assets, any other significant related transaction and disclose the above transaction in the same rule conditions as those of the Company including the need to ensure the storage and accounting of the subsidiary which can be reviews and consolidate financial statements within deadlines.

Policy and Guidance Relating to Insider Information

The Company has a policy and ways to examine directors and executives concerning use of insider information not yet disclosed to the public for personal gains as follows:

1. The Company will educate directors and executives on the duty to report their shareholdings, shareholdings of their spouses and minor children to the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand according to Section 59 and penalties in Section 275 of the Securities and Exchange Act, B.E. 2535.

2. The Company requires that the executives have to report any change in their shareholdings to the Office of the Securities and Exchange Commission according to Section 59 of the Securities and Exchange Act, B.E. 2535 in order that the Company can monitor stock trading of each executive.
3. The Company will send circular notices to executives to advise them of the important information that could affect stock prices in order to restrain trading their shares for the 1-month period before financial statements or such information are disclosed to the public and not to disclose such important information to other people. In case the non-disclosed information was used in a way that the Company or shareholders will suffer lost or damaged and the person responsible is executive-level person, the Board of Directors will consider the punishment and if the misconduct was carried out by lower-level managers, the managing director will be responsible for meting out the punishment.

Implementation of the Corporate Governance Code for Listed Companies 2017

In 2017, the Securities and Exchange Commission (SEC) published the Corporate Governance Code: CG Code 2017, which determines the code of conduct for the Board in 8 main principles as follows:

1. Establishing clear leadership role and responsibilities of the Board, contributing to the sustainable value creation for the business
2. Define objectives that promote sustainable value creation
3. Strengthen Board effectiveness
4. Ensure effective CEO and people management
5. Nurture innovation and responsible business
6. Strengthen effective risk management and internal control
7. Ensure disclosure and financial integrity
8. Ensure engagement and communication with shareholders

The Board acknowledges and has a review process for the implementation of the CG Code 2017 to suit the business context of the Company at least once a year.

Corporate Social Responsibilities (CSR)

Policy Overview

Corporate Social Responsibilities refer to business operation with care to stakeholders, economy, society and environment with integrity, ethics and morals; as well as the corporate governance carrying out in various activities with honesty, transparency and fairness. The Company and its subsidiaries conduct business in a responsible manner to the society, environment, and stakeholders according to the guiding principle of social responsibility of 8 clauses of the Stock Exchange of Thailand. The Board of Directors' Meeting No. 1/2014 on February 20, 2014 had set policy and procedure for the Company and its subsidiaries to adopt as part of managing business processes (CSR-in-Process) as follows:

(1) Operate with Fairness

Businesses with fairness give confidence to stakeholders. The Company and its subsidiaries are committed to conduct its business with ethics to the competitors to achieve fair competition. The guidelines are as following:

1. Practice under the rules of fair competition and avoid accomplice with competitor to take out other business
2. Do not seek information that is confidential to competitors by means of dishonest or inappropriate such as the payment of remuneration to the employees of its competitors.
3. Never try to damage the reputation of competitors by a malicious accusation without basis in fact.
4. Do not support any action in the manner of intellectual property infringement, uses products and services with a valid license.

(2) Anti-Corruption

Company's policy is to conduct business with transparency, adhering to the righteousness, unsupporting the job completion by method of fraud. The Board's policy is to comply anti-corruption with the law. The guidelines comply with clause 10.5.

(3) Respect for Human Rights

Respect for human rights refer to treating stakeholders, community and peers with respect to human values and does not violate the basic human rights. The Company and its subsidiaries are committed to respect and do not violate human rights. The guidelines are as follows:

1. Supports and respects the protection of human rights by frequent monitoring to ensure that the business is not involved with human rights abuses such as forced labor support or use of child labor, etc.
2. Promote human rights compliance within the Company and encourage employees to comply with human rights standards.

(4) Treat Labor with Fairness

Company's policy is to treat all employees equally and fairly; take care of safety and hygiene in the workplace; and to promote learning experience and development organizations to leverage the work of the professional staff, development work and create innovation in organizations. The guidelines are as following:

1. Provide fair conditions of employment and ensure employees receive proper compensation.

2. Arrange for appropriate welfare to employees such as providing annual vacation leave, reasonable overtime, medical treatment as necessary and appropriate etc.
3. Promotion, reward and punishment to employees are in good faith and neutrally which based on the capability and suitability of the staff.
4. Providing care to employees in the work environment with safety to healthcare and their properties
5. Develop staff to increase their skills and potential by offer opportunity for employees to learn thoroughly and regularly.
6. Strictly cope with legal and regulations related to employee
7. Avoid any action of unfairness which may affect the stability of the employee and treat employees with courtesy.

(5) Responsibility for Consumer

The Company is committed to delivering quality and standard products and services while the offering price is reasonable, confidentiality of its customers seriously and consistently, constantly pursuit of opportunities to add value to its customers and cope with the conditions made by the customers strictly. The guidelines are as following:

1. Delivering quality products that meet the needs of customers under the fair condition.
2. Constantly developing products and services which add value to the business and to add value to its customers.
3. Provide accurate information about products and services to customers with enough information to make decisions.
4. Maintain client confidentiality, and do not apply to own advantage or related wrongful.

(6) Responsibility for Environment

The Company recognizes the importance of environmental preservation not to cause pollution problems including global warming which affects the quality of human life and the ecosystem. The Company has a policy of not taking any action to result in damage to natural resources and the environment. The guidelines are as following:

1. Use resources more efficiently by means of energy saving and recycling resources
2. Develop products and services that do not affect the environment and is safe to use.
3. Use technology and production process with standards by taking into account of the reduction of pollutants and waste treatment before being released to the environment.
4. Support activities that will contribute to social and environmental regularly.

(7) Community and Society Development

The Company has a policy to promote the use of business processes to benefit the quality of life, create a stronger economy, community and society. The guidelines are as following:

1. Supporting employment in the community.
2. Seeking opportunities to support social and community activities.

3. Building awareness about social and environmental responsibility among employees at all levels.
4. Strictly controlling practices to comply with laws and regulations issued by regulatory agencies

(8) Dissemination of Innovation for Responsibility of Social, Environmental and Stakeholders

The Company recognizes that all stakeholders have an important role in determining the direction of the business. It is important to take care of and take into account all stakeholders, both internally and externally. The Company has a policy to encourage the participation of stakeholders (Co-Creation) in developing innovations that create a balance between value and benefits to the community, society and the environment, coupled with the growth of sustainable businesses. The guidelines are as following:

1. Analyzing operating processes in details, which may lead opportunities to discover business innovation
2. Creating opportunities to invent new products with stakeholders, to grow with stakeholder while creating sustainable profit.
3. Collaborating with government agencies in the development of products to help the disadvantaged in society

To have everyone notice the corporate social responsibility policy in the organization, the Company will publish such policies over the communication channels, such as email newsletters, annual report disclosures (56-1) and annual reports (56-2). The policy will be reviewed on a yearly basis.

Implementation and Report Preparation

Social responsibility policies and guidelines above are parts of the Company's business which the Company and its subsidiaries have been followed along. The Company has operations in accordance with policies and guidelines from source of supply (high raw materials quality at reasonable prices), to achieve fairly competitive and avoid accomplice with competitor to take out other business. The Company has no intention of purchasing raw material from any suppliers in particular. The purchasing orders of raw material are made from several suppliers so that the Company can compare prices and increased bargaining power.

For the production process, the Company checks and ensures quality control from the beginning of the production process until the last step before delivering to customers, including providing advice in bringing its products to the customer's production processes to reduce cycle time in manufacturing as well as marketing to follow up after sales to listen to the feedback from customers and improve, develop new products to meet the needs of the customers even more.

The business of the Company and its subsidiaries rely on knowledge, skill, and experience employees. The Company management realized the importance of human resources and promoting new personnel with the knowledge and capability to keep pace with changes in technology by arrange a training seminar for employees which give an opportunity for employees to learn new technology from direct oversea manufacturer.

Business Operation that Impacts the Social Responsibility

-none-

Corporate Social Responsibilities After Process

The Company has a policy to support the society and the environment activities when there is a reasonable opportunity.

Prevention in Involvement with Corruptions

“Corruption” means use of power or use of property that is in an inappropriate way, such as the benefit for own self, families, friends, acquaintances or any other advantage possible which caused damage to the interests of others. Corruption can occur in several ways, such as bribery by providing either money or goods, money laundering, embezzlement, concealment of facts and obstruction of justice etc.

The Company and its subsidiaries have been aware of the importance of anti-corruption. In the past, the Company establishes guidelines for the proper conduct of the Board of Directors, management and employees in business ethics and corporate governance. The Company has to take into account the damage caused by corruption. The Board of Directors' Meeting No. 1/2014 on February 20, 2014 has implemented anti-corruption by preventing directors, executive officers and employees of the Company and its subsidiaries to act related to all forms of corruption to directly or indirectly gain benefits for themselves, their family, friends and acquaintances whether they are as a recipient or provider, either in monetary or non-monetary form to the state agency or private agency that conducts businesses with the Company or its subsidiary. The Company and its subsidiaries conduct business by the following guidelines:

1. Create a corporate culture of integrity and fairness.
2. Do not receive or provide bribery from/to stakeholders in their own responsibility either directly or indirectly in order to obtain benefits in any way.
3. Procurement / commissioning must be taken through the steps by regulations of the Company with transparency.
4. Avoid conflicts of interest which could lead to corruption, such as holding shares in the competitors company, avoiding the use of inside information for own advantage to buy or sell shares of the Company, or giving inside information to others.
5. Responsible for the preparation of financial reports with accurate and complete in accordance with generally accepted accounting standards.
6. Providing a strong effective internal control system and evaluate internal controls each year, the Company has hired an outside company (Outsource) to serve as an internal auditor to evaluate the risks and unusual transactions which will present to the Audit Committee at least every 3 months.
7. If witness any action related to the corruption associated with the Company either directly or indirectly, the person should inform the committee immediately. The Company will maintain the confidentiality of the reporter.

To have everyone notice the anti-corruption policy in the organization, The Company will publish such policies over the communication channels such as email newsletters, annual report disclosures (56-1) and annual reports (56-2). The policy will be reviewed on a yearly basis.

Internal Control and Risk Management

Adequacy of Internal Control System Assessment by Board of Directors

At the meeting of Board of Directors No. 1/2020 on February 23, 2020 with the attendance of Audit Committee, who are 3 independent directors, the Board of Directors had assessed internal control system by inquiring information from management on the adequacy of internal control system of the Company in 5 areas consisting of organization and environment, risk management, management control, information system and data communications, and monitoring system. After the assessment, the Board of Directors believed that the Company has the adequate internal control system and personnel to execute the system efficiently. The Company also has sufficient internal control system for the operations of its subsidiaries to protect its assets from misuse or unauthorized use by the management of the Company or the subsidiary, as well as transactions with persons with conflict of interest or related persons. The Company's internal control system has the independence to be tracked and assessed. Furthermore, the Company has a system to store important documents that allows directors, auditors, and legal authorities to inspect within a reasonable period of time. The internal auditor will audit the internal control of the company and follow up on the implementation of corrective actions found to report to the Audit Committee on the quarterly basis.

Auditor Observations on the Company's Systems of Internal Control

From review of the Company's internal control system for the year 2020, the auditor reported to Audit Committee's Meeting No.1/2021 dated February 26, 2021 that there was no significant issue of internal control system so that there was no report of auditor observations on the Company's systems of internal control in 2020.

Observation of Internal Auditor on the Internal Control Systems

At the meeting of Committee No. 1/2020 dated February 26, 2020 the Company hired MMN Syndicate Co., Ltd. to audit internal control in 2020. MMN Syndicate Co., Ltd. assigned Mr. Marnit Aongphisud to audit internal control of the Company

The Audit Committee has considered qualification of the MMN Syndicate Co., Ltd. and Mr. Marnit Aongphisud, believe that they are qualify for the giving tasks. Mr. Marnit Aongphisud is a certify auditor who has knowledge and experience in accounting system and internal control as well, to be the consultant of the Company's internal control system including with assesses risks and directly report about the irregular transactions to Audit Committee. The Company's internal control department has responsibilities for cooperating and being the Audit Committee's secretary including with learning with the expert in order to apply in the future. The internal auditor assesses risks, makes annual internal audit program, audits, follows up with the system improvement and directly report to the Audit Committee at least every quarter. The main objective is to evaluate the effectiveness and adequacy of the internal control system, compliance with policies and regulations Including the suitability and reliability of financial reporting of the Company. In the past, auditors have audited the operations of the Company. The management realized that important of system and adjusted as auditor recommended. The appointment, transfer and dismissal of internal auditor must be approved by the Audit Committee.

Related Transactions

The Related Transactions in 2020

Detail as describe in the Notes to Financial Statements No. 9 Related Party Transactions. Related parties comprise enterprises and individuals that control, or are controlled, by the Company, whether directly or indirectly, or which under common control with the Company. They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

Measures or Procedures for Related Transaction Approval

The entry of any related transaction with the person who may have a conflict of interest must be submitted to the Audit Committee to consider and approve in the best interest of the Company and to protect investors and persons related to the Company. Such related transactions shall be in accordance with the rules regarding securities and the stock exchange and regulations, notifications, orders or rules of the Stock Exchange of Thailand. A person who may have any conflict of interest in the related transactions shall not be allowed to participate in an approval of such transactions.

For the regular traded transactions such as purchases or sales of products from a related company, the Company has the policy to comply such transactions with the normal trade practice with appropriate prices and conditions. However, the price shall not be higher than the price that the Company can purchase from other distributors. Such transactions will be examined by the Audit Committee every quarter and the reasonable of the transactions will be considered through market price, condition, and the necessity of the effect on Company businesses such as delivery period or qualification of product. This is for the best interest of the Company.

Trend of Related Transactions in the Future

Related transactions that may occur in the future will have similar conditions with the normal trade practice with reference to appropriate prices and market conditions. However, the Company and/or the Company group shall invite the Audit Committee and/or independent directors to comment on the price including the necessity and appropriateness of such transaction. If there is any transaction related to any person who might has a conflict of interest with the Company in the future, the Company shall perform in accordance with regulations, notifications, and/or rules of the Office of the Securities and Exchange Commission and/or the Stock Exchange of Thailand. The Company may invite an independent specialist or an auditor of the Company to make a comment on such transaction to supplement the Board of Directors or shareholders determination, depending on the circumstance. At all events, the Company group will disclose related transactions in the supplementary notes to the financial statement which is audited by the auditor of the Company.



Financial Information

Balance Sheet

Unit: THB

Balance Sheet	Consolidated Financial Statements					
	As of 31/12/2018		As of 31/12/2019		As of 31/12/2020	
	Amount	%	Amount	%	Amount	%
Assets						
Current Assets						
Cash and cash equivalents	203,507,945	12.26	218,420,571	13.53	257,541,499	14.98
Trade and other receivables	293,630,157	17.69	231,780,917	14.36	248,863,927	14.47
Short-term loans	217,440	0.01	217,440	0.01	217,440	0.01
Inventories	253,640,241	15.28	248,978,138	15.42	254,009,891	14.77
Other current financial assets	633,613	0.04	630,003	0.04	670,881	0.04
Other current assets	4,120,390	0.25	7,028,918	0.44	5,546,127	0.32
Total current assets	755,749,786	45.54	707,055,987	43.80	766,849,765	44.60
Non-Current Assets						
Long-term borrowings	1,821,006	0.11	1,540,146	0.10	1,322,706	0.08
Property, plant and equipment	859,614,747	51.80	870,591,507	53.93	808,192,219	47.00
Right-of-use assets	-	-	-	-	27,736,271	1.61
Intangible assets	37,914,466	2.28	30,316,103	1.88	22,741,368	1.32
Unallocated excess of acquisition cost over estimated value of interest acquired in net assets of a subsidiary	-	-	-	-	82,051,007	4.77
Non-current non-cash financial assets pledged as collateral	3,358,400	0.20	3,948,600	0.24	3,948,600	0.23
Other non-current assets	1,093,708	0.07	962,681	0.06	6,667,078	0.39
Total non-current assets	903,802,347	54.46	907,359,037	56.20	952,659,249	55.40
Total Assets	1,659,552,133	100.00	1,614,415,024	100.00	1,719,509,014	100.00
Liabilities						
Current Liabilities						
Bank overdrafts and short-term loans from financial institutions	92,158,824	5.55	111,780,652	6.92	40,000,000	2.33
Trade and other current payables	122,898,675	7.41	131,644,268	8.15	162,858,198	9.47
Current portion of long-term liabilities	81,709,534	4.92	66,350,501	4.11	48,407,429	2.82
Current portion of lease liabilities	1,190,452	0.07	1,425,588	0.09	10,382,093	0.60
Short-term borrowings	1,510,033	0.09	-	-	-	-
Income tax payable	6,728,168	0.41	6,344,429	0.39	3,540,695	0.21
Other current liabilities	102,754	0.01	727,033	0.05	684,052	0.04
Total current liabilities	306,298,440	18.46	318,272,471	19.71	265,872,467	15.46
Non-Current Liabilities						
Long-term loans	109,857,535	6.62	66,802,501	4.14	139,286,279	8.10
Lease liabilities	2,949,693	0.18	2,635,540	0.16	16,038,375	0.93
Deferred tax liabilities	3,267,436	0.20	2,778,796	0.17	17,944,740	1.04
Non-current provisions for employee benefit	14,558,336	0.88	21,821,439	1.35	24,588,263	1.43
Total Non-Current Liabilities	130,633,000	7.87	94,038,276	5.82	197,857,657	11.51
Total	436,931,440	26.33	412,310,747	25.54	463,730,124	26.97

Balance Sheet (cont.)

Unit: THB

Balance Sheet	Consolidated Financial Statements					
	As of 31/12/2018		As of 31/12/2019		As of 31/12/2020	
	Amount	%	Amount	%	Amount	%
Shareholders' Equity						
Authorized share capital	300,000,340	18.08	300,000,340	18.58	300,000,340	17.45
Issued and paid up share capital	300,000,340	18.08	300,000,340	18.58	300,000,340	17.45
Premium on share capital	214,951,946	12.95	214,951,946	13.31	214,951,946	12.50
Retained Earnings:						
Appropriated for legal reserve	30,000,034	1.88	30,000,034	1.86	30,000,034	1.74
Unappropriated	560,524,397	33.78	560,747,024	34.73	603,044,056	35.07
Other components of shareholders' equity	(21,167,815)	(1.28)	(35,752,033)	(2.21)	(44,069,857)	(2.56)
Total equity attributable to parent company	1,084,308,902	65.34	1,069,947,311	66.27	1,103,926,519	64.20
Non-controlling interests	138,311,791	8.33	132,156,966	8.19	151,852,371	8.83
Total Shareholders' Equity	1,222,620,693	73.67	1,202,104,277	74.46	1,255,778,890	73.03
Total Liabilities and Shareholders' Equity	1,659,552,133	100.00	1,614,415,024	100.00	1,719,509,014	100.00



Statement of Income

Unit: THB

Statement of Income	Consolidated Financial Statement					
	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
Revenues						
Sales and service income	1,113,201,111	99.65	962,178,049	99.68	948,726,760	98.93
Other income	3,900,713	0.35	3,074,782	0.32	10,245,492	1.07
Total Revenues	1,117,101,824	100.00	965,811,706	100.00	965,811,706	100.00
Expenses						
Cost of sales and services	673,593,192	60.30	665,623,986	68.92	633,662,767	66.08
Distribution costs	58,235,266	5.21	57,790,525	5.99	60,552,675	6.31
Administrative expenses	134,333,763	12.03	147,021,870	15.23	160,954,724	16.78
Total expenses	866,162,221	77.54	870,436,381	90.18	855,170,166	89.18
Profit from operating activities			94,816,450	9.82	103,802,086	10.82
Financial income	446,296	0.04	558,875	0.06	310,016	0.03
Financial cost	17,691,608	1.58	12,628,780	1.31	12,209,170	1.27
Profit before tax	233,694,290	20.92	82,746,545	8.57	91,902,932	9.58
Income tax	25,165,679	2.25	18,208,277	1.89	15,598,590	1.63
Net Profit	208,528,611	18.67	64,538,268	6.69	76,304,342	7.96

Net profit (loss) attributable to:

Owner of the Company	174,287,748	15.60	51,030,017	5.29	64,796,301	6.76
Non-controlling interests	34,240,863	3.07	13,508,251	1.40	11,508,041	1.20
Net profit	208,528,611	18.67	64,538,268	6.69	76,304,342	7.96

Earnings per share

Net profit attributable to owner of the Company	0.5810	0.1701	0.2160
Weighted average number of share	300,000,340	300,000,340	300,000,340

Statement of Comprehensive Income

Unit: THB

Statement of Comprehensive Income	Consolidated Financial Statement					
	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
Net Profit for the year	208,528,611	18.67	64,538,268	6.69	76,304,342	7.96
Gain from measurement of fair value – other non-current financial assets	14,966	0.00	20,183	0.00	10,108	0.00
Currency translation difference	(12,685,601)	(1.14)	(20,287,015)	(2.10)	(7,878,672)	(0.82)
Total comprehensive income for the year	193,361,590	17.30	41,473,590	4.30	68,435,778	7.14

Net profit (loss) attributable to:

Owner of the Company	163,738,911	14.65	33,728,502	3.49	58,368,687	6.09
Non-controlling interests	29,622,679	2.65	7,745,088	0.80	10,067,091	1.05
Total comprehensive income for the year	193,361,590	17.30	41,473,590	4.30	68,435,778	7.14



Statements of Cash Flow

Unit: THB

Statements of Cash Flow	Consolidated Financial Statement		
	2018	2019	2020
Cash Flows from Operating Activities			
Earnings before income tax expense	233,694,290	82,746,545	91,902,932
Adjustments to reconcile earnings before income tax to expense to cash provided by (used in) operating activities:			
Depreciation and amortization	150,679,252	158,582,819	166,415,413
(Reversal of) Loss allowance for trade receivables	(692,238)	1,590,668	815,253
(Reversal of) Loss from allowance for decrease in value of inventories	4,546,017	(703,681)	308,771
(Gain) Loss on sales of fixed asset	(160,772)	(89,498)	4,904,907
(Gain) Loss on unrealized exchange rate	119,861	1,212,021	2,389,499
Employee benefit obligations	1,268,055	4,528,449	3,200,062
Finance cost	17,691,608	12,628,780	12,209,170
Earnings from operating activities before change in operational assets and liabilities	407,146,073	260,496,103	282,146,007
Decrease (Increase) in operational assets:			
Trade and other current receivables	(19,805,046)	58,471,962	(3,860,260)
Inventories	(47,400,375)	5,365,784	30,610,916
Other current assets	(1,842,546)	(2,908,527)	1,507,946
Other non-current assets	1,619,982	1,952,032	(5,704,398)
Decrease (Increase) in operational liabilities:			
Trade and other current payables	7,114,274	(18,976,911)	(8,342,062)
Other current liabilities	93,691	624,279	(42,982)
Cash received (paid) from operations	347,143,053	305,024,722	296,315,167
Cash paid for employee benefits	(5,636,150)	(197,100)	(797,456)
Cash paid for finance cost	(17,248,944)	(12,244,404)	(11,121,691)
Cash paid for corporate income tax	(29,500,809)	(19,080,655)	(11,917,815)
Net cash flows from (used in) operating activities	294,757,150	273,502,563	272,478,205
Cash flows from investing activities			
Short-term loans	(217,440)	-	-
Cash paid for long-term loans	(1,821,006)	-	-
Cash received from long-term loans	-	280,860	217,440
Increase in restricted deposits at financial institutions	(258,400)	(590,200)	-
Cash paid for investment in subsidiary	-	-	(103,728,580)
Cash paid for fixed assets acquisition	(138,963,326)	(140,418,358)	(63,266,338)
Cash paid for intangible assets acquisition	-	(1,207,500)	(418,600)
Proceeds from sale of fixed assets	1,564,590	107,477	476,636
Net Cash Used in Investing Activities	(139,695,582)	(141,827,721)	(166,719,442)
Cash Flow from Financing Activities			
Increase (Decrease) in bank overdrafts and short-term loans from financial institution	(15,964,627)	19,621,828	(71,780,652)
Short-term loans	(3,903,071)	-	-
Cash received from long-term loans from financial institutions	93,354,749	24,000,000	139,051,429
Cash paid for long-term loans from financial institutions	(77,875,680)	(82,018,402)	(84,821,587)
Cash paid for loans from related persons	-	(1,510,033)	-
Cash paid for liabilities under financial lease contracts	(1,640,033)	(1,431,962)	(11,891,757)
Proceed from non-controlling interests in share capital of subsidiaries	8,153,098	400,000	-
Dividend paid by subsidiaries to non-controlling interests	(16,598,735)	(14,390,228)	(12,214,107)
Dividend paid	(66,000,053)	(47,999,778)	(22,499,269)
Net Cash Provided by (Used in) financial activities	(80,474,352)	(103,328,575)	(64,155,943)
Difference in exchange rates on translation of financial statement	(8,781,607)	(12,570,120)	(2,207,062)
Effect from foreign exchange in cash and cash equivalents	(147,231)	(863,521)	(274,830)
Net Increase (Decrease) in Cash and Cash Equivalents	65,658,378	14,912,626	39,120,928
Cash and cash equivalents at beginning of year	137,849,567	203,507,945	218,420,571
Cash and cash equivalents at end of year	203,507,945	218,420,571	257,541,499

Financial Ratios

Financial Ratios		Consolidated Financial Statements		
		2018	2019	2020
Liquidity Ratios				
Current Ratio	(Times)	2.47	2.22	2.88
Quick Ratio	(Times)	1.62	1.41	1.90
Operating Cash Flow to Current Liabilities Ratios	(Times)	0.89	0.88	1.00
Accounts Receivable Turnover	(Times)	3.91	3.66	3.95
Average Collection Period	(Days)	93	100	92
Inventory Turnover	(Times)	2.90	2.65	2.52
Average Day's Sales in Inventory	(Days)	126	138	145
Accounts Payable Turnover	(Times)	4.65	5.23	4.30
Average Payment Period	(Days)	78	70	85
Cash Cycle	(Days)	141	168	152
Profitability Ratios				
Gross Profit Margin	(%)	39.49%	30.82%	33.21%
Operation Profit Margin	(%)	22.49%	9.88%	10.94%
Operating Cash Flow to Operating Profit Ratio	(%)	116.44%	286.76%	280.33%
Net Profit Margin	(%)	18.66%	6.68%	7.96%
Comprehensive Income Margin	(%)	15.60%	5.28%	6.76%
Return on Equity	(%)	16.83%	4.74%	5.96%
Efficiency Ratios				
Return on Total Assets	(%)	10.71%	3.12%	3.89%
Return on Fixed Assets	(%)	40.28%	25.79%	27.55%
Total Asset Turnover	(Times)	0.69	0.59	0.58
Financial Policy Ratios				
Debt to Equity Ratio	(Times)	0.40	0.39	0.42
Interest Coverage Ratio	(Times)	19.08	24.10	26.11
Fixed Charged Coverage Ratio (cash basis)	(Times)	0.97	0.95	0.75
Dividend Payout Ratio	(%)	37.87%	47.03%	40.28%
Earning Per Share	(Baht)	0.5810	0.1701	0.2160

Management Discussion and Analysis: MD&A

Analysis of Performance for the Year of 2020

Halcyon Technology Public Co., Ltd. or "HTECH" and subsidiaries had the operation results for the year ended 31 December 2020 with the following details.

Unit: THB Million	2020	2019	Change	
			THB Million	%
Revenue from Sales and Service	948.73	962.18	-13.45	-1.40%
Total Revenue	958.97	965.25	-6.28	-0.65%
Net Profit for the Year	76.30	64.54	11.77	18.23%
Net Profit for Shareholders of the Company	64.80	51.03	13.77	26.98%

Operating results for each business segment are shown below:

1. *Manufacturing and Selling of Special Cutting Tools* consisting of revenue from the Company, Halcyon Technology PLC. ("HTECH"), and subsidiaries including Halcyon Technology (Philippines) Inc. ("HP"), Atek Precision Tools Inc. ("ATEK"), Halcyon Technology Vietnam Co., Ltd. ("HV"), and Mastertech Diamond Products Company ("MDP").

Unit: THB Million	2020	2019	Change	
			THB Million	%
Revenue from External Customers	543.31	465.37	78.05	16.77%
Net Profit for the Period	53.14	17.50	35.64	203.63%

2. *Importing and Selling of Cutting Tools* consisting of revenue from FDM Technology Co., Ltd. ("FDM"), Halcyon Tools & Engineering Co., Ltd. ("HENG"), Halcyon Technology Singapore Pte. Ltd. ("HS"), Halcyon Technology (M) Sdn. Bhd. ("HY"), and PT HTECH Tools Indonesia ("HI").

Unit: THB Million	2020	2019	Change	
			THB Million	%
Revenue from External Customers	348.52	423.39	-74.87	-17.68%
Net Profit for the Period	20.76	33.92	-13.15	-38.79%

3. *Manufacturing and Selling of Tooling and Metal Fabrications* consisting of revenue solely from Halcyon Metal Co., Ltd. ("HM")

Unit: THB Million	2020	2019	Change	
			THB Million	%
Revenue from External Customers	56.80	73.42	-16.62	-22.64%
Net Profit for the Period	2.40	13.12	-10.72	-81.70%

For the year ended 31 December 2020, the Company and its subsidiaries had a total revenue of 958.97 million baht, decreasing 6.28 million baht, or 0.65% from the same period in 2019. Revenue from sales and service was 948.73 million baht, decreasing 13.45 million baht, or 1.40% from the same period in 2019.

Revenues from the *Manufacturing and Selling of Special Cutting Tools* segment include sales from the Company, subsidiaries in the Philippines and Vietnam, and a new subsidiary, Mastertech Diamond Products Company or “MDP”, in the US, which was consolidated for the first time in Q2/2020 in the amount of 83.19 million baht accounting for 15.44% of the revenue from external customers in this segment. The consolidation of MDP is the main reason for the growth in revenue in this segment.

Also, the recovery of the industrial sector in general after the lockdown in several countries due to the spread of the Coronavirus 2019 (COVID-19) led to an increasing orders from the Company's main customers in the Hard Disk Drive (HDD) sector. This resulted in the growth in the Company's revenue in Quarters 3-4, and the Company's revenue from external customers grew 0.06% or maintained approximately the same as the previous year. Halcyon Technology Vietnam Co., Ltd. or “HV”, the subsidiary in Vietnam, had a revenue growth of 20.14%.

However, Halcyon Technology (Philippines) Inc. or “HP” and its subsidiary in the Philippines had a drop in revenue of 16.24% as a result of deteriorating sales beginning in the latter part of the year 2018 from its main customer in the HDD sector moving the production base from the Philippines back to Thailand, as well as the effects from COVID-19 in early 2020. The company had made the decision to convert its business operations from a manufacturing company to a trading company for better management of its costs, while still being a distributor for the Company's products to its remaining customers. The HP factory has officially stopped its production in November 2020, and has moved to a new office location earlier this year.

Revenues from the *Importing and Selling of Cutting Tools* segment include sales from 5 trading subsidiaries in Thailand and overseas. After eliminating related transactions, this segment had decreasing revenues from external customers as a result of the effects of the COVID-19 pandemic. Lockdowns were enforced in many countries and some subsidiaries had to shut down its operation temporarily. Customers' orders also decreased, and shipments were postponed. Furthermore, since all of the subsidiaries in this segment are trading companies and have their main customers in the automotive sector, which is also still struggling, the revenue from this segment is expected to recover slower than the first segment.

The *Manufacturing and Selling of Toolings and Metal Fabrications* segment, which is solely from Halcyon Metal Co., Ltd. or “HM”, in 2020 had a revenue to external customers of 56.80 million baht, decreasing 16.62 million baht, or 22.64% from 2019. The drop in revenue from this segment is a result of its main aerospace customer in the US reducing orders due to drastically less production as an effect of the COVID-19. This segment is expected to continue to slow down, while other segments had started to see recovery signs in Q4/2020.

In 2020, the group had other income of 10.25 million baht, increasing from 3.07 million baht in the previous year. Other income consists of sales of scraps, gain from disposal of asset, and gain from exchange rate. In addition, the group had a financial income of 0.31 million baht, compared to 0.56 million baht in the previous year.

Overall, the Company and its subsidiaries had a net profit for the year 2020 of 76.30 million baht and net profit for the shareholders of the Company of 64.80 million baht. Net profit margins were 7.69% and 6.69% of the total revenue respectively (compared to 6.69% and 5.59% in the previous year). Net profit margins for each business segment are shown below:

Net Profit Margin (to Total Revenue)	2020	2019
Manufacturing and Selling of Special Cutting Tools Segment	9.67%	3.75%
Importing and Selling of Cutting Tools Segment	5.90%	7.98%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	4.17%	17.78%
Total	7.69%	6.69%

The overall net profit margin for the year ended 31 December 2020 was 7.69% of the total revenue, compared to 6.69% in the previous year. The Company and subsidiaries in the Special Cutting Tools segment has shown significant growth from 3.75% to 9.67% of the total revenue. This is due to the Company having lower proportion of labor costs to sales due to less production compared to the previous year. There were decreases in wages and overtime paid, as well as lay off of some employees. Another factor for the growth in net profit margin for this segment is the consolidation of the new subsidiary, MDP, in the US this year as well. Moreover, this segment had a gain from foreign exchange of 1.28 million baht, compared to a loss of 7.03 million baht in the previous year.

The Importing and Selling of Cutting Tools segment had net profit margin of 7.98%, decreasing from 5.90% of the total revenue from the previous year. This is due to the significant drop in sales as a results of the COVID-19 as well as the loss from foreign exchange of 0.41 million baht, compared to 0.34 million baht in the previous year. Even though the Company and subsidiaries are working to reduce costs and expenses as much as possible to adjust to the continuous decline in revenue due to the effects of the current economic situation and this segment had lower expenses compared to previous year, the proportion of expenses compared to its revenue were still slightly higher resulting in the drop in the net profit margin as mentioned.

In the Tooling and Metal Fabrications segment, net profit margin decreased from 17.78% to 4.17% of the total revenue. This was mainly the result of the drop in revenue, especially in Q3-4/2020, while the company still had a high portion of fixed cost despite the lay-off of some employees in the Q3/2020. However, the company had a gain from foreign exchange of 0.43 million baht, compared to a loss of 0.22 million baht in the previous year.

Analysis of Financial Status for the Year of 2020

Assets

The Company and subsidiaries had a total assets value at the end of the year 2020 of THB 1,719.51 million, increasing THB 105.09 million from THB 1,614.42 million in the previous year. Total assets consist of current assets of THB 766.85 million and non-current assets of THB 952.66 million, representing 44.60% and 55.40% of the total assets, respectively. The main assets consist of the following:

(1) Property, plant and equipment (net) at the end of 2020 were THB 808.19 million, decreasing THB 62.40 million from THB 870.59 million at the end of 2019 due mainly to the disposal of machines and equipment in subsidiary HP, which is converting its business operation from manufacturing plant to a trading company. Total disposal value for HP is THB 106.54 million. However, there were some acquisition of assets from subsidiary MDP, and depreciation during the year, resulting in the decrease in total PPE value as mentioned. (See Notes to the Financial Statements No. 17 for more detail)

(2) Cash and equivalents at the end of 2020 were THB 257.54 million, increasing THB 39.12 million from THB 218.42 million at the end of 2019, or increasing 17.91% from previous year. This derived from cash flows from operating activities of THB 272.48 million, decreasing slightly THB 1.02 million from the previous year. Cash flows used in investing activities were THB 166.72 million, increasing from THB 24.89 million from the previous year, mainly due to the cash paid for investing in a new subsidiary, MDP in the US, of THB 103.73 million; and purchasing of new machines to improve production capabilities and increase capacity of THB 63.27 million. Cash flows used in financing activities were THB 64.16 million, decreasing THB 39.17 million from the previous year due to the cash received from long-term loan from financial institution for the investment of MDP as well.

(3) Inventory at the end of 2020 was THB 254.01 million, increasing slightly of THB 5.03 million from THB 248.98 million at the end of 2019. Inventory consists of raw material, consumable products, work in process, finished goods, and goods in transit. In 2020, work in process and goods in transit increase from the previous year due to high production volume of the Company, and subsidiary MDP. The Company has policy to set an allowance for obsolete inventory by considering various factors including the ability and potential to sell the item in the future, how long the item has been in inventory and item life cycle, movement of the item, etc. The items will be reviewed at least every three months or every quarter. However, most of the obsolete items are mostly partially finished goods prepared as spare items in addition to customer's orders. These items are cutting tools that can be modified to be sold again. At the end of 2020, the Company set an allowance for obsolete items at THB 27.04 million, compared to THB 26.73 million of the previous year. (See Notes to the Financial Statements No. 14 for more detail)

(4) Trade account receivables at the end of 2020 were THB 232.83 million, increasing from THB 204.11 million at the end of 2019. Account receivables not yet due are THB 167.98 million, accounting for 72.15% of the total; overdue less than three months are THB 63.30 million, accounting for 27.19%; and overdue more than three months are THB 6.48 million, accounting for 2.78%. The average collection period is 92 days, decreasing from 100 days in the previous year, while the Company's credit policy for normal customers are approximately 30 – 90 days and 90 days for subsidiaries. For external customers, the Company regularly evaluates trade credit in order to lower the risk of bad debts as well, which is in accordance with the Company's internal control policy. However, the Company allows for some flexibility in debt collection from related parties in case the subsidiary has restricted cash flows, resulting in overdue receivables from related parties value of THB 20.02 million from total trade receivables value of THB 152.92 million. This does not increase the Company's risk from bad debts. Moreover, the consolidated financial statements had other receivables from employees, share payments, the Revenue Department, etc. at the total value of THB 15.68 million, decreasing from THB 24.23 million in the previous year. Thus, total trade receivables and other current receivables for the year 2020 is THB 248.86 million, increasing from THBE 231.78 million in the previous year. (See Notes to the Financial Statements No. 13 for more detail)

(5) In 2020, the Company has an addition of unallocated excess of acquisition cost over estimated value of interest acquired in net assets of a subsidiary of THB 82.05 million from the previous year from the acquisition of new subsidiary MDP in the US. Currently, the Company is in the process of measuring the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date of MDP. Most of which are related to identifying and measuring the values of fixed assets and certain intangible assets. The Company will update respectively the estimates recognized at the acquisition date when the complete accounting information is obtained for reporting in the financial statements. (See Notes to the Financial Statements No. 16 for more detail)

(6) In 2020, the Company also has an addition of right-of-use assets value of THB 27.74 million from the previous year due to the first-time adoption of new financial reporting standard, TFRS 16, effective on 1 January 2020. The Company recognizes the effect of the adoption of the new financial reporting standard as an adjustment to the beginning retained earnings by not updating the comparative information of the new standard on lease liabilities as of 1 January 2020 as detailed in the Notes to Financial Statements No. 6 and 18. This includes the right-of-use for land, building, improvements and vehicles for the Company and subsidiaries from various lease contracts.

(7) Intangible assets in 2020 includes market share and relationship with customers from the investments in subsidiaries, and computer programs. At the end of the year, the total value was THB 22.74 million, decreasing from THB 30.32 million at the end of 2019, due to amortization during the year as detailed in the Notes to the Financial Statements No. 19. The

investments allow for the group to expand its network and customer base for cutting tools both locally and overseas in Singapore, Malaysia, and USA. The Company can also sell certain products at a higher price because the Company can sell directly to the customers without going through a distributor. Moreover, the Company has acquired experienced personnel with knowledge and experience in the respective markets to oversee management.

Liabilities

At the end of 2020, the Company and subsidiaries had total liabilities of THB 463.73 million, increasing THB 51.42 million from THB 412.31 million in the previous year. Total current liabilities is THB 265.87 million, and non-current liabilities is THB 197.86 million, accounting for 57.33% and 42.67% of the total liabilities, respectively. The main liabilities consist of the following:

(1) Trade and other payables at the end of 2020 were THB 162.86 million, increasing THB 31.21 million from THB 131.64 million in the previous year. This includes payables for share from the investment in MDP of THB 63.80 million, which does not occur in the previous year. While in 2020, there was no payable from the purchase of fixed assets (compared to THB 42.27 million in the previous year). Additional increase was from trade payables, accrued expenses, and other payable, for a total increase of THB 9.89 million. (See Notes to the Financial Statements No. 22 for more detail)

(2) Long-term loans the current portion of long-term liabilities at the end of 2020 were THB 139.29 million and THB 48.41 million, respectively, compared to the previous year of THB 66.80 million and THB 66.35 million. Total long-term loans at the end of 2020 were THB 187.69 million, increasing THB 54.54 million from THB 133.15 million in the previous year, which consist mostly of the Company's liability in a total of THB 168.93 million from 4 loans from financial institutions, and 1 subsidiary's loan from financial institution of THB 18.76 million. (See Notes to the Financial Statements No. 23 for more detail)

(3) Total bank overdrafts and short-term loans from financial institutions at the end of 2020 were THB 40.00 million, decreasing THB 71.78 million from THB 111.78 million in the previous year. This consists of only the Company's promissory notes with an interest rate of 3.75-4.50%. (See Notes to the Financial Statements No. 21 for more detail)

Shareholders' Equities

At the end of 2020, the Company's shareholders' equities attributable to owners of the Company were THB 1,103.93 million, increasing THB 33.98 million from THB 1,069.95 million at the end of 2019. The increase is due to the growth in unallocated retained earnings of THB 603.04 million, increasing from THB 560.75 million in the previous year, and other components of shareholders' equity of THB -44.09 million, increasing from THB -35.75 million in the previous year. The Company has a paid-up capital of THB 300.00 million, premium on share capital of THB 214.95 million, and legal reserve of THB 30.00 million; with no change from the previous year.

In addition, the Company has non-controlling interests at the end of 2020 of THB 151.85 million, compared to THB 132.16 million; resulting in the total shareholders' equity of THB 1,255.78 million, increasing from THB 1,202.10 million in the previous year.

Analysis of Financial Ratios for the Year of 2020

Liquidity

Cash flows from operating activities in 2020 were THB 272.48 million, decreasing slightly at THB 1.02 million from THB 273.50 million in the previous year. Cash flows used investing activities were THB 166.72 million, increasing THB 24.78 million from THB 141.83 million in the previous year, mainly from the investment in subsidiary MDP. Cash flows used in financing

activities were THB 64.16 million, decreasing THB 39.17 million from THB 103.33 million in the previous year. Effects from exchange rate is THB -2.48 million, decreasing THB 10.95 million from THB -13.43 million in the previous year. Thus, at the end of 2020, the Company and subsidiaries had cash and cash equivalents of THB 257.54 million, increasing THB 39.12 million from THB 218.42 million in the previous year, resulting in operating cash flow to current liabilities ratio improving from 0.88 to 1.00, while overall current ratio increased from 2.22 to 2.88. Average collection period for the group in 2020 was 92 days, decreasing from 100 days in the previous year, but the average payment period was 85 days compared to 70 days of the previous year, resulting in the cash cycle of 152 days, compared to 168 days in the previous year.

Return on Equity

Return on equity for the year 2020 was 5.96% compared to 4.74% in the previous year. Dividend payout ratio was 40.28% of net profit, compared to 47.03% in the previous year, which were THB 0.087 per share in 2020 and THB 0.08 per share in 2019. Earnings per share were 0.2160 baht, compared to 0.1701 baht in the previous year. Overall, return on equity for the year increased from the previous year due to increasing net profit attributable to the shareholders of the Company from THB 51.03 million to THB 64.80 million.

The Significant Financial Changes after December 31, 2020

The Company's Board of Directors Meeting No. 1/2021 held on 26 February 2021 passed the resolution to propose to the Annual General Shareholders Meeting for approval of additional dividend payment from the operational performance for the year 2020 at the rate of THB 0.052 per share or approximately THB 15.60 million. The Company will identify the rightful shareholders who may receive dividend on 5 May 2021 (Record Date) and will pay dividend on 20 May 2021.

Report from the Board of Directors for the Responsibilities on the Financial Statements

Dear Shareholders,

The Board of Directors is responsible for the financial statements of Halcyon Technology (Public) Company Limited and consolidated financial statements of the Company and its subsidiaries as well as the information shown in the annual report. The financial statements have been prepared in accordance with the generally accepted accounting principles in Thailand using the appropriate accounting policies on the consistent basis. Crucial information was sufficiently disclosed in Notes to Financial Statements for the advantages of the shareholders and general investors.

The Board of Directors has appointed the Audit Committee to oversee the accounting policies and the accuracy of financial reports, including the review of the internal control system. The opinion of the Audit Committee is presented in the Audit Committee's Report, included in this annual report. Moreover, the Company's external auditor also gives opinion towards financial statements of the Company and subsidiary presented in Report of Certified Public Accountant which is also included in this annual report.

The Board of Directors has the opinion that the Company's overall internal control system is adequacy and be assured that the financial reports of the Company for the year ended December 31, 2020 are accurate and fairly stated, as well as in the compliance with the relevant laws and regulations.



(Mr. Pete Rimchala)

Chairman of the Board / Managing Director

Audit Committee's Report

The Company's Audit Committee consists of the 3 independent directors in accordance with the qualification and rules stipulated by The Stock Exchange of Thailand are as following:

- | | |
|--------------------------------|---------------------------------|
| 1. Mrs. Chollada Fuvatanasilp | Chairman of the Audit Committee |
| 2. Mr. Viboon Pojanalai | Audit Committee |
| 3. Mr. Praphan Phichaiwatkomol | Audit Committee |

Mrs. Chollada Fuvatanasilp, member of the Committee who possesses knowledge and experience in the accounting field. All of the Audit Committee members do not have any vested interest in the Company. Neither are they shareholders, management, staffs, and employees of the Company.

The Audit Committee has performed its duties within scope of work authorized by the Company's Board of Directors. Its primary responsibilities have been to conduct a review in order that the Company has a financial report that is correct and transparent, to review that the Company has good corporate governance in line with the corporate governance principles. In this regard, the Audit Committee conducted 4 meetings in 2020, the content of which can be summarized as follow:

1. **The Accuracy of Financial Statement:** The Audit Committee reviewed and provided independent opinions in respect of the quarterly and yearly financial statements prior to submission to the Company's Board of Directors for approval. A meeting with the Company's authorized financial auditor was set in order to propose clarification, observations, and recommendation. The Audit Committee had an opinion that the Company's financial statements are accurate, complete and reliable.
2. **The Adequacy of Internal Control System:** The Audit Committee evaluated the adequacy of the Company's internal control system including the review of the internal audit report and had an opinion that the Company's internal control system is adequate and appropriate.
3. **Corporate Governance:** The Audit Committee had an opinion that the Company complies with the principles of good corporate governance adequately and appropriately. The Audit Committee intends to perform its duty under the good corporate governance conducts and be responsible to monitor that the Company's operations and activities follow the policy of the Board of Directors on the efficient transparent and legitimate manner, and to protect the interest of all shareholders with good care and fair treatment.
4. **Transaction that may have Potential Conflict of Interest:** The Audit Committee considered the related transactions or transaction which may have potential conflict of interest every quarter and had opinion that the related transactions for the year of 2020 were in the ordinary business condition, reasonable and most beneficial to the Company.
5. **The Appropriateness of Auditor:** The Audit Committee made the selection of auditor by considering the independence and appropriateness of auditor and their remuneration. A resolution was made and proposed to the Company's Board of Directors for approval and to be certified by the annual general meeting of shareholders.



(Mrs. Chollada Fuvatanasilp)

Chairman of the Audit Committee

Attachment 1

Information of the Company's Directors and Executives



Information of the Company's Directors and Executives

(1) Mr. Pete Rimchala

Position held	Chairman of the Board / Chairman of the Nomination and Remuneration Committee / Managing Director		
Education Background	- Faculty of Technical Education and Science in Mechanical Engineering, King Mongkut's Institute of Technology North Bangkok		
Certificate Programs	- Director Accreditation Program (DAP) from Thai IOD - Financial Management for Executives from Chulalongkorn University		
Work experience (within the last 5 years)	2020 - Present	Director	Mastertech Diamond Products Company
	2020 - Present	Chairman of the Board	Halcyon Technology PLC.
	2020 - Present	Chairman of the Nomination and Remuneration Committee	Halcyon Technology PLC.
	2016 - Present	Director	Halcyon Tools and Engineering Co., Ltd.
	2014 - Present	Director	PT HTECH Indonesia
	2014 - Present	Director	Halcyon Technology Vietnam Co., Ltd.
	2013 - Present	Director	Halcyon Technology Singapore Pte. Ltd.
	2012 - Present	Director	FDM Technology Co., Ltd.
	2012 - Present	Nomination and Remuneration Committee	Halcyon Technology PLC.
	2011 - Present	Director	Atek Precision Tools Inc.
	2010 - Present	Director	Halcyon Technology (Philippines) Inc.
	2002 - Present	Managing Director	Halcyon Technology PLC.
	1993 - Present	Managing Director	Halcyon Metal Co., Ltd.

(2) Mr. Norawee Changlum

Position held	Director / Executive Vice President		
Education Background	- Master of Business Management, Bangkok University - Bachelor of Art (Communication Design Arts), Bangkok University		
Certificate Programs	- Director Accreditation Program (DAP) from Thai IOD - Financial Management for Executives from Chulalongkorn University - Certificate Program for Thai Company Secretary		
Work experience (within the last 5 years)	2012 - Present	Director	FDM Technology Co., Ltd.
	2010 - Present	Director	Halcyon Metal Co., Ltd.
	2010 - Present	Director	Halcyon Technology PLC.
	2010 - 2019	Company Secretary	Halcyon Technology PLC.
	2008 - Present	Executive Vice President	Halcyon Technology PLC.

(3) Mr. Soraj Sutanadhan

Position held	Director / Senior Executive Vice President		
Education	- Master of Information Systems, New Jersey Institute of Technology		
Background	- Faculty of Engineering, Chulalongkorn University		
Certificate Programs	- Director Accreditation Program (DAP) from Thai IOD - Financial Management for Executives from Chulalongkorn University		
Work experience (within the last 5 years)	2017 – Present	Senior Executive Vice President	Halcyon Technology PLC.
	2014 – Present	Director	Atek Precision Tools Inc.
	2014 – Present	Director	Halcyon Technology (Philippines) Inc.
	2013 – Present	Director	Halcyon Technology PLC.
	2010 – Present	Director	Halcyon Metal Co., Ltd.

(4) Mrs. Chollada Fuvatanasilp

Position held	Chairman of the Audit Committee / Director (Independent Director) / Nomination and Remuneration Committee		
Education	- Master Degree of Political Science (MPA), National Institute of Development Administration (NIDA)		
Background	- LL.B, SukhothaiThammarat University - Bachelor Degree of Law (Accounting) (BBA), Ramkhamhaeng University		
Certificate Programs	- Director Certification Program (DCP) from Thai IOD - Public Administration and Law for Executives, King Prajadhipok's Institute - Thailand and the ASEAN Economic Community, King Prajadhipok's Institute - TLCA Executive Development Program, Thai Listed Companies Association - Thai Intelligent Investor Program (TIIP), Thai Investors		
Work experience (within the last 5 years)	2020 – Present	Chairman of the Audit Committee	Halcyon Technology PLC.
	2012 – Present	Nomination and Remuneration Committee	Halcyon Technology PLC.
	2011 – Present	Director / Advisor	Federation of Accounting Professions
	2016 – Present	Director's Consultant	Board of Trade of Thailand
		Tax Committee	
	2008 – Present	Director / Audit Committee	Halcyon Technology PLC.
	2007 – 2019	VP. – Tax Department	PTT Public Co., Ltd.

(5) Mr. Viboon Pojanalai

Position held	Director (Independent Director) / Audit Committee / Nomination and Remuneration Committee		
Education	- Master of Sciences, Risk Management and Financial Derivatives, Georgia State University		
Background	- Bachelor of Accounting, Thammasat University		
Certificate Programs	Director Accreditation Program (DAP) from Thai IOD		
Work experience (within the last 5 years)	2021 – Present	Audit Committee / Independent Director	Thai Enger Holding PLC.
	2020 – Present	Nomination and Remuneration Committee	Halcyon Technology PLC.
	2019 – Present	Director / Audit Committee	Halcyon Technology PLC.
	2016 – Present	CFO	Thai Enger Holding PLC.
	2016 – Present	Director	Thai Enger Co., Ltd.
	2015 – Present	Audit Committee / Independent	Dental Corporation PLC.
	2011 – Present	Audit Committee / Independent	Beauty Community PLC.
	2008 – Present	Director	Asia Mineral Processing Co., Ltd.
	2003 – 2006	Audit Committee / Independent	Mukdahan International Hospital Co., Ltd.
	2004 – 2013	Senior Audit Manager	AST Master Co., Ltd.

(6) Mr. Praphan Phichaiwatkomol

Position held	Director (Independent Director) / Audit Committee		
Education	- LL.B., Thammasat University		
Background	- LL.M. (Financial Services), University of New South Wales		
Certificate Programs	Director Accreditation Program (DAP) from Thai IOD		
Work experience (within the last 5 years)	2020 – Present	Audit Committee / Independent Director	Halcyon Technology PLC.
	2017 – Present	Independent Director	Dental Corporation PLC.
	2010 – Present	Attorney Partner	Siam Premiere International Law Office Ltd.

(7) Mr. Chris Rimchala

Position held	Executive Director / Engineering Manager		
Education Background	- MBA, Sasin School of Management, Chulalongkorn University - M.S., Mechanical Engineering, Worcester Polytechnic Institute - B.S., Mechanical Engineering, Worcester Polytechnic Institute		
Certificate Programs	-		
Work experience (within the last 5 years)	2020 – Present	Executive Director	Halcyon Technology PLC.
	2018 – Present	Engineering Manager	Halcyon Technology PLC.
	2014 – 2018	Application Engineer	Halcyon Technology PLC.

(8) Ms. Sasipimol Wasuwat

Position held	Executive Vice President / Finance Manager		
Education Background	- Bachelor of Business Management (Accounting), Rajamangala Institute of Technology Phra Nakhon		
Work experience (within the last 5 years)	2011 – Present	Executive Vice President	Halcyon Technology PLC.
	2010 – 2011	Finance Manager	Halcyon Technology PLC.
	2008 – 2011	Accounting Manager	Halcyon Technology PLC.
	2008 – Present	Finance & Accounting Manager	Halcyon Metal Co., Ltd.

(9) Mrs. Usa Chansukcharoenjinda

Position held	Accounting Manager (Person Supervising Accounting – Chief Accountant)		
Education Background	- B.B.A., Ramkhamhaeng University		
Work experience (within the last 5 years)	2010 – Present	Accounting Manager	Halcyon Technology PLC.

(10) Miss Petra Rimchala

Position held	Company Secretary / Secretary of the Audit Committee / Executive Secretary		
Education Background	- IMBA, Thammasat University - Bachelor of Arts in Architecture, Lehigh University		
Work experience (within the last 5 years)	- Financial Management for Executives from Chulalongkorn University - Company Secretary Program (CSP) from Thai IOD		
	2019 – Present	Company Secretary / Secretary of the Audit Committee	Halcyon Technology PLC.
	2009 – Present	Executive Secretary	Halcyon Technology PLC.

Attachment 2

List of Directors of Subsidiaries

List of Directors of Subsidiaries

Halcyon Metal Co., Ltd.

Halcyon Metal Co., Ltd. has 3 directors as follows:

- | | |
|-------------------------|-------------------------------------|
| 1. Mr. Pete Rimchala | Director / Managing Director |
| 2. Mr. Soraj Sutanadhan | Director / Executive Vice President |
| 3. Mr. Norawee Changlum | Director |

FDM Technology Co., Ltd.

FDM Technology Co., Ltd. has 5 directors as follows:

- | | |
|--------------------------------|------------------------------|
| 1. Mr. Suwan Aramwatanapong | Director / Managing Director |
| 2. Mr. Rattipat Aramwatanapong | Director |
| 3. Mr. Pete Rimchala | Director |
| 4. Mr. Chua Cheng Khuan | Director |
| 5. Mr. Norawee Changlum | Director |

Halcyon Tools and Engineering Co., Ltd.

Halcyon Tools and Engineering Co., Ltd. has 5 directors as follows:

- | | |
|--------------------------------|------------------------------|
| 1. Mr. Kridsana Wattanasiri | Director / Managing Director |
| 2. Mr. Rattipat Aramwatanapong | Director |
| 3. Mr. Suwan Aramwatanapong | Director |
| 4. Mr. Pete Rimchala | Director |
| 5. Mr. Chris Rimchala | Director |

Halcyon Technology (Philippines) Inc.

Halcyon Technology (Philippines) Inc. has 5 directors as follows:

- | | |
|-------------------------|------------------------------|
| 1. Mr. Pete Rimchala | Chairman of the Board |
| 2. Mr. Hamilcar Azarias | Director / Managing Director |
| 3. Mr. Chua Cheng Khuan | Director |
| 4. Mr. Tok Chee Chuan | Director |
| 5. Mr. Soraj Sutanadhan | Director |

ATEK Precision Tools Inc.

ATEK Precision Tools Inc. has 4 directors as follows:

- | | |
|-------------------------|------------------------------|
| 1. Mr. Pete Rimchala | Chairman of the Board |
| 2. Mr. Hamilcar Azarias | Director / Managing Director |
| 3. Mr. Chua Cheng Khuan | Director |
| 4. Mr. Soraj Sutanadhan | Director |

Halcyon Technology Singapore Pte. Ltd.

Halcyon Technology Singapore Pte. Ltd. has 3 directors as follows:

- | | |
|-------------------------|------------------------------|
| 1. Mr. Tian Shan Hsiang | Director / Managing Director |
| 2. Mr. Pete Rimchala | Director |
| 3. Mr. Chua Cheng Khuan | Director |

Halcyon Technology (M) Sdn. Bhd.

Halcyon Technology (M) Sdn. Bhd. has 3 directors as follows:

- | | |
|--------------------------------|------------------------------|
| 1. Mr. Chen Wai Leong | Director / Managing Director |
| 2. Mr. Chua Cheng Khuan | Director |
| 3. Mr. Rattipat Aramwatanapong | Director |

Halcyon Technology Vietnam Co., Ltd.

Halcyon Technology Vietnam Co., Ltd. has 3 directors as follows:

- | | |
|-------------------------|------------------------------|
| 1. Mr. Tran Huu Quang | Director / Managing Director |
| 2. Mr. Pete Rimchala | Director |
| 3. Mr. Chua Cheng Khuan | Director |

PT HTECH Indonesia

PT HTECH Indonesia has 5 directors as follows:

- | | |
|--------------------------------|------------------------------|
| 1. Mr. Alvin Ahthur | Director / Managing Director |
| 2. Mr. Pete Rimchala | Director |
| 3. Mr. Chua Cheng Khuan | Director |
| 4. Mr. Rattipat Aramwatanapong | Director |

Mastertech Diamond Products Comapny

Mastertech Diamond Products Comapny has 3 directors as follows:

- | | |
|-----------------------|-------------------------------|
| 1. Mr. Thomas Frakes | President / Managing Director |
| 2. Mr. Pete Rimchala | Director |
| 3. Mr. Chris Rimchala | Director |

Attachment 3

Financial Statements for the Year 2020

QR Code for Downloading the Financial Statements

The Company's Financial Statements for the year 2020 can be downloaded from the QR Code below, or from the Company's website at www.halcyon.co.th under the "Investor Relations" menu >> Financial Information >> Financial Statements.



Information Regarding the Financial Statements

The Financial Statements as of 31 December 2020 was reviewed by Miss Jintana Mahavanich, CPA License No. 4687 from C&A Audit Office Co., Ltd., who was agreed that the financial statements of the Company shows the balance sheet and statement of income correctly according to general accounting practices. The auditor's remunerations for the year 2020 are as follows:

Auditor's Remunerations	Amount (baht)
Audit fee for the Company	1,270,000
Audit fees for subsidiaries in Thailand	
- Halcyon Metal Co., Ltd.	600,000
- FDM Technology Co., Ltd.	370,000
- Halcyon Tools & Engineering Co., Ltd.	170,000
Fees for BOI Statement Review	
- Halcyon Technology Public Co., Ltd.	40,000
Transportation Fees	
- Halcyon Technology Public Co., Ltd.	66,400
- Halcyon Metal Co., Ltd.	34,400
- FDM Technology Co., Ltd.	55,000
- Halcyon Tools & Engineering Co., Ltd.	66,000

