

Subject: Management Discussion and Analysis for the 3-Month Period Ended March 31, 2019

To: Directors and Managers
The Stock Exchange of Thailand

Halcyon Technology Public Company Limited and its subsidiaries had the operation results for the three-month period ended March 31, 2019 with the following details:

unit: THB million	2019	2018	Change (THB million)	Change (%)
Revenue from Sales and Service	240.31	266.14	-25.82	-9.70%
Total Revenue	240.83	269.91	-29.08	-10.78%
Net Profit for the Period	18.52	53.50	-34.98	-65.38%
Net Profit for Shareholders of the Company	13.30	42.13	-28.83	-68.42%

Operating results for each business segment are shown below:

1. Manufacturing and Selling of Special Cutting Tools

unit: THB million	2019	2018	Change (THB million)	Change (%)
Revenue from External Customers	120.67	146.71	-26.04	-17.75%
Total Revenue	121.05	147.62	-26.58	-18.00%
Net Profit for the Period	5.04	39.42	-34.38	-87.21%

2. Importing and Selling of Standard Cutting Tools

unit: THB million	2019	2018	Change (THB million)	Change (%)
Revenue from External Customers	105.04	105.50	-0.46	-0.44%
Total Revenue	105.10	108.29	-3.19	-2.95%
Net Profit for the Period	10.20	11.27	-1.07	-11.27%

3. Manufacturing and Selling of Tooling and Metal Fabrication

unit: THB million	2019	2018	Change (THB million)	Change (%)
Revenue from External Customers	14.60	13.92	0.68	4.89%
Total Revenue	14.68	14.00	0.68	4.89%
Net Profit for the Period	3.28	2.81	0.47	16.85%

In the three-month period of Q1/2019, the Company and its subsidiaries had a total revenue of 240.83 million baht, decreasing 29.08 million baht, or 10.78% from the same period in 2018. The decrease in revenue resulted mainly from the decline of revenues from the manufacturing and selling of Special Cutting Tools segment, which include sales from the Company, the subsidiary in the Philippines (Halcyon Technology Philippines Inc. or "HP") and the subsidiary in Vietnam (Halcyon Technology Vietnam Co., Ltd. or "HV"). After eliminating related transactions, the segment had a decrease in revenue of 26.58 million baht.

Main target customers for the Special Cutting Tools segment are in the Hard Disk Drive (HDD) industry, with production base in Thailand and the Philippines. Customers in Vietnam are mostly in the automotive industry, but revenue from HV is still a small proportion compared to the revenues from the Company and HP. In the last few month since the end of 2018, the HDD industry was impacted by the global economy as well as the pressure from the trade war between China and the US, resulting in main customers decreasing purchase orders and postponing investment plans for additional capacity in the

country temporarily. However, it is expected that the industry will recover in the second half of this year due to high demands for HDD usage, especially in the enterprise segment and big data centers, which have been growing continuously. The Company will proceed with its initial investment plans, and installations of new machines in the second-phase capacity expansion for the new factory will be completed by the end of Q2/2019 in time to support the recovery of the HDD industry as mentioned.

The importing and selling of Standard Cutting Tools segment in the three-month period of Q1/2019 had a total revenue of 105.10 million baht, decreasing 3.19 million baht, or 2.95% from the same period of 2018. This segment includes revenues from trading subsidiaries in Thailand and overseas, in which the main customers are in the automotive industry. The decrease in revenues came from subsidiaries in Malaysia and Indonesia, while revenues from subsidiaries in Thailand and Singapore grew from the same period last year. However, the subsidiaries overseas were affected by the strengthening of Thai Baht, which resulted in an average 2-4% decline in total value when converting their operating results from local currencies to Thai Baht for the consolidation of financial statements.

The manufacturing and selling of Toolings and Metal Fabrications, which is solely from Halcyon Metal Co., Ltd. or "HM" in the three-month period of Q1/2019 had a total revenue of 14.68 million baht, increasing 0.68 million baht, or 4.89% from the same period in 2018. This is because HM partly manufactures its products to support the Company. When the Company's production capacity dropped, HM's sales to the Company dropped as well, resulting in additional free production capacity to support external customers, which is why there was a growth in revenue from external customers as shown.

Overall. The Company and its subsidiaries had a net profit for the period of 18.52 million baht and net profit for the shareholders of the Company of 13.30 million baht in the three-month period of Q1/2019. Net profit margins were 7.69% and 5.52% of the total revenue respectively (compared to 19.82% and 15.61% in the previous year). Net profit margins for each business segment are shown below:

Net Profit Margin (to Total Revenue)	2019	2018
Special Cutting Tools Segment	4.16%	26.70%
Standard Cutting Tools Segment	9.71%	10.41%
Tooling and Metal Fabrications Segment	22.33%	20.05%
Total	7.69%	19.82%

The decrease in net profit margins is a result of the decline in revenue from the Special Cutting Tools segment, while the Company had a large portion of fixed costs. Some of which increased from the previous year, especially the labor cost and bonus with annual adjustments, and depreciation increasing slightly due to new machines installed in Q2/2018 – Q1/2019. However, the main variable costs including raw materials and consumables used decreased from the previous year as the production slowed down. The only selling and administrative expenses increased were related to employee's salary and bonus, while there were no significant changes in other expenses.

Please be informed accordingly.

Sincerely Yours,



(Mr. Pete Rimchala)
Managing Director