



บริษัท แฮลเซียน เทคโนโลยี จำกัด (มหาชน)
HALCYON TECHNOLOGY PUBLIC CO., LTD.

41 Moo 14 Bangchan Industrial Estate Soi 6, Serithai Road, Minburi, Bangkok 10510

Tel. (66)2-9063242-50 e-mail: info@halcyon.co.th

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Subject: Management Discussion and Analysis for the Year Ended December 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 year ended December 31, 2019 with the following details:

unit: THB million	2019	2018	Change (THB mill.)	Change (%)
Revenue from Sales and Service	962.18	1,113.20	-151.02	-13.57%
Total Revenue	965.81	1,117.55	-151.74	-13.58%
Net Profit for the Year	64.54	208.53	-143.99	-69.05%
Net Profit for Shareholders of the Company	51.03	174.29	-123.26	-70.72%

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	465.37	591.03	-125.67	-21.26%
Total Revenue	467.03	594.71	-127.69	-21.47%
Net Profit for the Period	17.50	156.58	-139.08	-88.82%

2. Importing and Selling of Cutting Tools

unit: THB million	2019	2018	Change (THB million)	Change (%)
Revenue from External Customers	423.39	457.48	-34.09	-7.45%
Total Revenue	424.98	457.24	-32.26	-7.05%
Net Profit for the Period	33.92	39.03	-5.12	-13.11%

3. Manufacturing and Selling of Tooling and Metal Fabrication

unit: THB million	2019	2018	Change (THB million)	Change (%)
Revenue from External Customers	73.42	64.69	8.73	13.50%
Total Revenue	73.81	65.60	8.21	12.51%
Net Profit for the Period	13.12	12.91	0.21	1.62%

In the year ending 31 December 2019, the Company and its subsidiaries had a total revenue of 965.81 million baht, decreasing 151.74 million baht, or 13.58% 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 125.69 million baht, mainly resulting from less production in the Philippines and the slowdown in business in Thailand.

Main target customers for the Manufacturing and Selling of Special Cutting Tools segment are in the Hard Disk Drive (HDD) industry, with production bases in Thailand and the Philippines. Since the latter part of 2018, the HDD industry was impacted by the global economy as well as the pressure from the US and China, resulting in main customers decreasing purchase orders and postponing investment plans for additional capacity in the country temporarily in Q1-2/2019. The Automotive industry also slowed down. However, we have seen recovery signal for the HDD industry in the country in Q3/2019, so the Company had received increasing purchase orders and production had increased as well. But production stumbled again by the end of the year, and we are now just seeing signs for recovery in end of February 2020, for which production is expected to increase in the coming Q2-3/2020. The subsidiary in the Philippines is affected by the relocation of production base of its main customer back to Thailand, resulting in a huge reduction in revenue. By the end of the year 2019, the company had reduced its working hours, and focused on marketing to acquire new customers to compensate for loss sales. HV has an increasing trend due to its production starting to settle with increasing orders from customers. 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.

The Importing and Selling of Cutting Tools segment in the year 2019 had a total revenue of 424.98 million baht, decreasing 32.26 million baht, or 7.05% from the same period of 2018. This segment includes revenues from five trading subsidiaries in Thailand and overseas. Two of the subsidiaries in Thailand had steady and increasing performance in the past year, but the subsidiaries overseas had decrease revenues. This was a result of the subsidiary in Indonesia, which is in the process of major management structure change and relocation of its office in the past year; and the subsidiaries in Singapore and Malaysia had a drop in sales from its main customers in the HDD industry. The subsidiaries overseas were also affected by the strengthening of Thai Baht, which resulted in a 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 year 2019 had a total revenue of 73.81 million baht, increasing 8.21 million baht, or 12.51% from the same period in 2018. Since HM partly manufactures its products to support the Company, when the Company's production dropped in the first half of the year, HM has more free production capacity to support external customers. In Q3-4/2019, HM received more orders from the products that passed main overseas customer' testing from Q1-2 and also delivered a big lot of items, resulting in the increased revenue in second half of 2019.

Overall, the Company and its subsidiaries had a net profit for the year 2019 of 64.54 million baht and net profit for the shareholders of the Company of 51.03 million baht. Net profit margins were 6.68% and 5.28% of the total revenue respectively (compared to 18.66% and 15.60% in the previous year). Net profit margins for each business segment are shown below:

Net Profit Margin (to Total Revenue)	2019	2018
Manufacturing and Selling of Special Cutting Tools Segment	3.75%	26.33%
Importing and Selling of Cutting Tools Segment	7.98%	8.54%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	17.78%	19.68%
Total	6.68%	18.66%

The decrease in net profit margins is a result of the decline in revenue from the Special Cutting Tools segment compared to last year from the drop in production in the subsidiary in the Philippines, as well as the Company. Both factories have high proportion of fixed cost so they have a great impact on the net profit for the whole group. However, since the company in the Philippines still do not have enough order to optimize production, the company had continuously reduce working time and production hours to reduce costs respective too the decline in production.

In the Tooling and Metal Fabrications segment, net profit margin decreased due to the expiration of corporate income tax exemption privilege from BOI since April 2019, resulting in 2.58 million baht increase in tax expenses from the same period last year. Furthermore, the strengthening of Thai Baht currency had resulted in the loss from exchange rate of 7.59 million baht for the group, which also affect the overall net profit margins of all segments, especially for the overseas subsidiaries.

Please be informed accordingly.

Sincerely Yours,

Mr. Pete Rimchala
Managing Director