



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

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Subject: Management Discussion and Analysis for the Year Ended 31 December 2021

To: Directors and Managers
The Stock Exchange of Thailand

Halcyon Technology PLC. ("the Company") and its subsidiaries had the operation results for the year ended 31 December 2021 with the following details:

unit: THB million	2021	2020	Change (THB mill.)	Change (%)
Revenue from Sales and Service	1,116.32	948.73	167.59	17.66%
Total Revenue	1,146.77	959.28	187.49	19.54%
Net Profit for the Year	157.50	64.50	93.00	144.18%
Net Profit for Shareholders of the Company	135.28	52.99	82.29	155.29%

Operating results for each business segment are shown below:

1. Manufacturing and Selling of Special Cutting Tools

unit: THB million	2021	2020	Change (THB million)	Change (%)
Revenue from External Customers	598.45	543.41	55.04	10.13%
Net Profit for the Period	111.82	41.34	70.49	170.51%

2. Importing and Selling of Cutting Tools

unit: THB million	2021	2020	Change (THB million)	Change (%)
Revenue from External Customers	473.65	348.52	125.14	35.91%
Net Profit for the Period	38.59	20.76	17.83	85.86%

3. Manufacturing and Selling of Tooling and Metal Fabrication

unit: THB million	2021	2020	Change (THB million)	Change (%)
Revenue from External Customers	44.21	56.80	-12.59	-22.16%
Net Profit for the Period	7.09	2.40	4.68	195.15%

For the year ended 31 December 2021, the Company and its subsidiaries had a total revenue of 1,146,77 million baht, increasing 187.49 million baht, or 19.54% from the year 2020. Revenue from sales and service was 1,116.32 million baht, increasing 167.59 million baht, or 17.66% from 2020. Most of the companies in the Group had significantly increasing revenue from the previous year due to the recovery from the COVID-19 situation; except for subsidiary HM, which has major customer in the aerospace industry; HP, which had closed its manufacturing factory; and HY, which was heavily affected by the COVID lockdown in Malaysia.

The Manufacturing and Selling of Special Cutting Tools segment had revenue from external customers of 598.45 million baht in 2021, increasing 55.04 million baht, or 10.13%, from the previous year. This segment includes sales from manufacturing companies of the Company, subsidiary in Vietnam, Halcyon Technology Vietnam Co., Ltd. or "HV"; and the new subsidiary in the US, Mastertech Diamond Products Company or "MDP", which was consolidated for the first time in Q2/2020. In 2021, MDP had revenue from external customers of 177.17 million baht, compared to 83.91 million baht in the previous year, increasing 93.26 million baht, which is the main reason for the growth in revenue in this segment from the previous year. Furthermore, MDP is in the process of expanding its production capacity, so there is continuous growth trend for this year.

The revenue from the Company and subsidiary HV also increased from last year, where there was less production in the industrial sector, especially in the country, as a result of the first outbreak of COVID-19. The Company had revenue from external customers in 2021 of 367.27 million baht, increasing 19.69 million baht from the previous year. This is due to the recovery of the Hard Disk Drive sector in the country, which is the Company's main target customers, after the COVID-19 situation was starting to resolve as well as the relocation of production base back to Thailand in the recent years. Customers in the HDD sector had increased orders beginning from Q3-4 of last year and continuing through 2021. While in Q3/2021, the new outbreak of COVID-19 caused the revenue in July-August to drop slightly, before bouncing back to normal in September in Q4/2021. The subsidiary in Vietnam, HV, had a revenue from external customers of 54.01 million baht in 2021, increasing 10.05 million baht from the same period last year. HV has been continuously increasing its capacity and production capabilities and expect continuous growth this year as well.

The Importing and Selling of Cutting Tools segment had revenue from external customer of 437.65 million baht in 2021, increasing 125.14 million baht, or 35.91%, from the previous year. Revenue in this segment includes sales from 7 trading subsidiaries in Thailand and overseas, including the subsidiary in the Philippines, Halcyon Technology Philippines Inc. ("HP"), which had closed its factory and fully converted to a trading company. HP has been moved from the Special Cutting Tools segment into this segment in Q2/2021. Most of the customers for this segment are those in the automotive sector, which was starting to recover from the economic effects of COVID-19 in Q1/2021. Therefore, we see continuous growth in revenue in Q2-4/2021.

The Manufacturing and Selling of Toolings and Metal Fabrications segment, which is solely from Halcyon Metal Co., Ltd. or "HM", in 2021 had a revenue to external customers of 44.21 million baht, decreasing 12.59 million baht, or 22.16% from the previous year. 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 COVID-19. However, the company had seen signs of partial recovery since March 2021, so the revenue from external customers had increased throughout the year. The company expects to see continuous growth in the future, even though the sales may not reach the normal level as the aerospace industry still requires time to recover.

Overall, in 2021, the Company and its subsidiaries had a net profit of 157.50 million baht and net profit for the shareholders of the Company of 135.28 million baht. Net profit margins were 13.73% and 11.80% of the total revenue respectively (compared to 6.72% and 5.52% in the previous year). Net profit margins for each business segment are shown below:

Net Profit Margin (to Total Revenue)	2021	2020
Manufacturing and Selling of Special Cutting Tools Segment	18.09%	7.52%
Importing and Selling of Cutting Tools Segment	7.99%	5.90%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	15.63%	4.17%
Total	13.73%	6.72%

The Company and subsidiaries in the Special Cutting Tools segment has shown significant growth in net profit margin from 5.90% to 18.09% of the total revenue. This is mainly due to increase in revenue and the consolidation of MDP. MDP also had a special one-time income of 8.2 million baht from government as compensation for the effects of COVID-19 in Q1/2021. The Company also implemented cost reduction policy during the first outbreak of COVID-19 in the

previous year, which resulted in reduction in the proportion of production costs and expenses. These includes laying off some employees and less working hours, resulting in lower labor costs and overtime paid. This segment had an increase in gain from foreign exchange of 3.42 million baht; a decrease in financial costs of 8.82 million baht; and an increase in tax expenses of 6.56 million baht compared the previous year.

The Importing and Selling of Cutting Tools segment had an improved net profit margin of 7.99%, compared to 5.90% of the total revenue from the previous year. This is due to the increase in sales from the previous year as a result of improving economy both locally and overseas. However, there is an increase in total expenses of 25.40 million baht, mainly from the move of HP from the Special Cutting Tools into this segment. Furthermore, this segment had an increase in foreign exchange of 2.03 million baht and an increase in tax expense of 1.13 million baht.

In the Tooling and Metal Fabrications segment, net profit margin also improved significantly from 4.17% to 15.63% of the total revenue. This is also mainly due to the cost reduction policy during COVID-19, similar to the Company's; while this segment had an increase in gain from foreign exchange of 0.27 million baht and an increase in tax expenses of 1.15 million baht.

For 2022, the Company sets a target for revenue growth at approximately 10% from the previous year, by focusing on the growth from subsidiaries' manufacturing companies in the US and Vietnam, which are in the process of expanding their production capacities continuously from last year. The Company also needs to monitor the Ukraine-Russia conflict situation to assess the affects to the Company. However, overall, the Company expects to see a growth trend after the COVID-19 situation is starting to show trend to resolve, resulting in improving economy in the target countries of its customers both in Thailand and overseas.

Please be informed accordingly.

Sincerely Yours,

Mr. Pete Rimchala
Managing Director