



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 2022

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 2022 with the following details:

unit: THB million	2022	2021	Change (THB mill.)	Change (%)
Revenue from Sales and Service	1,195.52	1,116.32	79.21	7.10%
Total Revenue	1,202.18	1,146.77	55.41	4.83%
Net Profit for the Year	120.34	157.50	-37.15	-23.59%
Net Profit for Shareholders of the Company	100.48	135.28	-34.80	-25.73%

Operating results for each business segment are shown below:

1. Manufacturing and Selling of Special Cutting Tools

unit: THB million	2022	2021	Change (THB million)	Change (%)
Revenue from External Customers	625.15	598.45	26.70	4.46%
Net Profit for the Period	81.53	111.82	-30.30	-27.09%

2. Importing and Selling of Cutting Tools

unit: THB million	2022	2021	Change (THB million)	Change (%)
Revenue from External Customers	518.47	473.65	44.82	9.46%
Net Profit for the Period	35.38	38.59	-3.21	-8.32%

3. Manufacturing and Selling of Toolings and Metal Fabrications

unit: THB million	2022	2021	Change (THB million)	Change (%)
Revenue from External Customers	51.89	44.21	7.69	17.39%
Net Profit for the Period	3.44	7.09	-3.65	-51.51%

For the year ended 31 December 2022, the Company and its subsidiaries had a total revenue of 1,202.18 million baht, increasing 55.41 million baht, or 4.83% from the same period in 2021. Revenue from sales and service was 1,195.52 million baht, increasing 79.21 million baht, or 7.10% from the same period in 2021.

The Manufacturing and Selling of Special Cutting Tools segment had revenue from external customers of 625.15 million baht in the year 2022, increasing 26.70 million baht, or increasing 4.46%, from the previous year. This segment includes revenues from manufacturing companies of the Company, Halcyon Technology PLC. (mother company); the subsidiary in Vietnam, Halcyon

Technology Vietnam Co., Ltd. or "HV"; and the subsidiary in the US, Mastertech Diamond Products Company or "MDP". The revenue growth in this segment came from the revenues of subsidiaries HV and MDP, which had sales revenue increasing 37.30% and 27.06% from the previous year, respectively. Both of these manufacturing plants had have continuous expansion of its production capacity in the past year. While, HV invested in additional machine capacity and is in the process of negotiation for the construction of a new factory, MDP had completed moving to the new factory in early December last year and had been growing its sales capacity in new regions to gain new customers. On the other hand, the sales revenue from the mother company decreased 13.81% due to less production in the Hard Disk Drive (HDD) industry, which is its main target customer group in the country.

However, for the year 2023, the Company expects to see growth mainly from this segment as a result of the capacity increase in the subsidiaries, as well as the new product project from the mother company. HV has plans to finish the construction for its new factory in the second half of the year, while MDP will push to full capacity in the new factory. Also, the Company will be sending technicians from the mother company to help improve production capabilities and start working 2 shifts in early Q2/2023. As for the mother company, there had been investment to buy machines for the production of SCD tools (Single Crystal Diamond Tools). These are suitable for applications in the production that needs high precision as well as critical smooth surface such as manufacturers of camera lens, watches, jewelry, and other parts. Target customers are manufacturers in Thailand, as well as exporting to the UK and other countries. The mother company had hired a specialist from the manufacturer in the UK to oversees production and transfer knowledge; and is expecting to start seeing sales from this project from Q2/2023 onwards after all the machines have arrived in Thailand and full production can begin.

The Importing and Selling of Cutting Tools segment had revenue from external customer of 518.47 million baht in the year 2022, increasing 44.82 million baht, or 9.46%, from the previous year. Revenue in this segment includes sales from 7 trading subsidiaries in Thailand and overseas, which had continuous growth due to the general recovery from the effects of COVID-19 where customers in the manufacturing sectors are increasing production. Sales persons are also able to travel to see customers, as well as participate in more marketing activities in the past year.

The Manufacturing and Selling of Toolings and Metal Fabrications segment, which is solely from Halcyon Metal Co., Ltd. or "HM", had revenue to external customers of 51.89 million baht in the year 2022, increasing 7.69 million baht, or 17.39% from the previous year. This segment has its main customer in the aerospace sector in the US, which was heavily affected by the COVID-19 pandemic and production as reduced significantly. However, the company had continuously been recovering since early 2021, resulting in an increasing revenue in the past year.

Overall, in the year 2022, the Company and its subsidiaries had a net profit of 120.34 million baht and net profit for the shareholders of the Company of 100.48 million baht. Net profit margins were 10.01% and 8.36% of the total revenue, respectively (compared to 13.73% and 11.80% in the previous year). Net profit margins for each business segment are shown below:

Net Profit Margin (to Total Revenue)	2022	2021
Manufacturing and Selling of Special Cutting Tools Segment	12.96%	18.09%
Importing and Selling of Cutting Tools Segment	6.80%	7.99%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	6.49%	15.63%
Total	10.01%	13.73%

In 2022, the Company and subsidiaries in the Special Cutting Tools segment has shown a decline in net profit from 111.82 million baht to 81.53 million baht; and the net profit margin from 18.09% to 12.96% of the total revenue. However, MDP had a one-time income in 2021 from US government support for the relief of the effects of COVID-19 of approximately 9 million baht, which did not occur in 2022. The cost of goods sold also increased due to higher raw material prices; and total expenses increased 14.12 million baht from the previous year due to increasing marketing activities. Furthermore, there was less gain from foreign exchange of 8.10 million baht due to the

fluctuations of the currencies in the past year. As a result, the net profit margin decreased compared to last year. However, in 2023, the Company expects the net profit margin for this segment to improve from various factors including the growth of revenue from increased production capacities, the mother company's new project as mentioned above, as well as more stable expenses from subsidiary MDP.

The Importing and Selling of Cutting Tools segment had a decrease in the net profit from 38.59 million baht to 35.38 million baht; and the net profit margin from 7.99% to 6.80% of the total revenue in 2022. This is mainly due to the increase in total selling and administrative expenses of 16.93 million baht from increased marketing activities, and the expenses from the subsidiary in Singapore (Halcyon Technology Singapore Pte. Ltd. or "HS") that had a new office expansion and new hiring of sales persons in the past year. Furthermore, there was less gain from exchange rate of 1.49 million baht and less other income of 6.56 million baht (mainly from less government grant income from Singapore), while tax expenses increased 3.50 million baht resulting from the increased revenue.

The Tooling and Metal Fabrications segment had a decrease in the net profit from 7.09 to 3.44 million baht in 2022; and the net profit margin from 15.63% to 6.49% of the total revenue in 2022. This is mainly due to the increased cost of goods sold; partly from the increased raw material prices and partly from increasing production volume and outsourcing works after the company reduced its working hours in 2020 to early 2021. Also, there was a transfer of employees from the mother company to support the increased production and help reduce the mother's company costs.

For 2023, the Company sets a target revenue growth of not less than 5% from the previous year, by focusing on the growth from subsidiaries in the US and Vietnam (MDP and HV), as well as the new Single Crystal Diamond Tools project from the mother company. Performance of other subsidiaries are expected to be similar to this past year or see small growth depending on the overall economy and the growth of the manufacturing sectors. Lastly, there should be no internal factors that will affect the Company's expenses significantly, and there was no significant one-time occurrence of any special income in the past year as the year 2021, so the Company expects to maintain or slightly improve its net profit margin compare to last year.

Please be informed accordingly.

Sincerely Yours,

Mr. Soraj Sutanadhan
CEO