



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

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Subject: Management Discussion and Analysis for the 6-Month Period Ended 30 June 2020

To: Directors and Managers
The Stock Exchange of Thailand

Halcyon Technology Public Company Limited and its subsidiaries had the operation results for the 6-month period ended 30 June 2020 with the following details:

unit: THB million	2020	2019	Change (THB mill.)	Change (%)
Revenue from Sales and Service	433.88	474.93	-41.05	-8.64%
Total Revenue	441.93	475.64	-33.71	-7.09%
Net Profit for the Year	28.53	30.63	-2.10	-6.84%
Net Profit for Shareholders of the Company	23.94	21.94	2.00	9.12%

Operating results for each business segment are shown below:

1. Manufacturing and Selling of Special Cutting Tools

unit: THB million	2020	2019	Change (THB million)	Change (%)
Revenue from External Customers	215.65	236.50	-20.85	-8.82%
Net Profit for the Period	13.75	6.69	7.06	105.54%

2. Importing and Selling of Cutting Tools

unit: THB million	2020	2019	Change (THB million)	Change (%)
Revenue from External Customers	176.32	206.94	-30.62	-14.80%
Net Profit for the Period	10.89	18.44	-7.55	-40.94%

3. Manufacturing and Selling of Tooling and Metal Fabrication

unit: THB million	2020	2019	Change (THB million)	Change (%)
Revenue from External Customers	41.90	31.49	10.41	33.06%
Net Profit for the Period	3.90	5.50	-1.60	-29.07%

For the 6-month period ended 30 June 2020, the Company and its subsidiaries had a total revenue of 441.93 million baht, decreasing 33.71 million baht, or 7.09% from the same period in 2019. Revenue from sales and service was 433.88 million baht, decreasing 41.05 million baht, or 8.64% 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, in the US, which was consolidated for the first time in this quarter. Revenues from the Importing and Selling of Cutting Tools segment include sales from 5 trading

subsidiaries in Thailand and overseas. After eliminating related transactions, these two segments 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 in Q2/2020. Customers' orders also decreased, and shipments were postponed.

However, the Manufacturing and Selling of Toolings and Metal Fabrications segment, which is solely from Halcyon Metal Co., Ltd. or "HM" in 6-month period ended 30 June 2020 had a revenue to external customers of 41.90 million baht, increasing 10.41 million baht, or 33.06% from the same period in 2019. Since HM partly manufactures its products to support the Company, when the Company's production dropped in the first half of the 2019, HM has more free production capacity to support external customers. In second half of 2019, HM received more orders from the products that passed main overseas customer' testing and was able to delivered more goods to customers, resulting in the increasing revenue through Q1-2/2020.

Overall, the Company and its subsidiaries had a net profit for the 6-month period ended 30 June 2020 of 28.53 million baht and net profit for the shareholders of the Company of 23.94 million baht. Net profit margins were 6.46% and 5.42% of the total revenue respectively (compared to 6.43% and 4.61% 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	6.28%	2.82%
Importing and Selling of Cutting Tools Segment	6.17%	8.90%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	9.27%	17.34%
Total	6.46%	6.43%

The overall net profit margin for the 6-month period ended 30 June 2020 was at an approximately the same rate as the previous year, but there were differences in each business segment. The Company and subsidiaries had a gain from foreign exchange in the 6-month period ended 30 June 2020 of 4.65 million baht, while the previous year resulted in a loss of 5.02 million baht, which was mainly from the Special Cutting Tools segment from the Company and subsidiary in the Philippines. This causes the significant change in the net profit margin for this segment from 2.82% to 6.28% of the total revenue.

The Importing and Selling of Cutting Tools segment had a decreased net profit margin of 6.28%, compared to 8.90% of the total revenue from the previous year. This is due to the significant drop in sales as a results of the COVID-19, while expenses increase slightly between the years. Also, there was a loss from foreign exchange of 1.00 million baht, compared to 0.16 million baht in the previous year. However, 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, which is expected to continue through the year 2020.

In the Tooling and Metal Fabrications segment, net profit margin decreased from 17.34% to 9.27% of the total revenue, even though the revenue in this segment increased in the past year. This is due to the expiration of corporate income tax exemption privilege from BOI since April 2019, resulting in 0.20 million baht increase in tax expenses in the 6-month period ended 30 June 2020 compared to the same period last year.

Please be informed accordingly.

Sincerely Yours,

Mr. Pete Rimchala
Managing Director