

Subject: Management Discussion and Analysis for the 9-Month Period Ended September 30, 2019

To: Directors and Managers
The Stock Exchange of Thailand

Halcyon Technology Public Company Limited and its subsidiaries had the operation results for the nine-month period ended September 30, 2019 with the following details:

unit: THB million	2019	2018	Change (THB million)	Change (%)
Revenue from Sales and Service	726.29	831.63	-105.34	-12.67%
Total Revenue	729.12	840.17	-111.05	-13.22%
Net Profit for the Period	58.12	167.41	-109.29	-65.28%
Net Profit for Shareholders of the Company	45.00	137.32	-92.32	-67.23%

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	358.48	442.43	-83.95	-18.98%
Total Revenue	359.63	448.89	-89.26	-19.88%
Net Profit for the Period	19.02	122.85	-103.83	-84.52%

2. Importing and Selling of Cutting Tools

unit: THB million	2019	2018	Change (THB million)	Change (%)
Revenue from External Customers	315.74	342.33	-26.59	-7.77%
Total Revenue	317.11	343.75	-26.63	-7.75%
Net Profit for the Period	29.74	35.01	-5.28	-15.07%

3. Manufacturing and Selling of Tooling and Metal Fabrication

unit: THB million	2019	2018	Change (THB million)	Change (%)
Revenue from External Customers	52.07	46.87	5.20	11.09%
Total Revenue	52.37	47.53	4.84	10.19%
Net Profit for the Period	9.36	9.55	-0.19	-1.97%

In the nine-month period of Q3/2019, the Company and its subsidiaries had a total revenue of 726.29 million baht, decreasing 105.34 million baht, or 12.67% 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 89.26 million baht, mainly resulting from less production in the Philippines.

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. 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. 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. However, we have seen recovery signal for the HDD industry in the country so the Company had received increasing purchase orders and production had increased as well.

The Importing and Selling of Cutting Tools segment in the nine-month period of Q3/2019 had a total revenue of 317.11 million baht, decreasing 26.63 million baht, or 7.75% 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, which had a drop in sales from one of its main customer in the HDD industry; and Indonesia, which is in the process of management structure change and relocation of its office in the past year. Both companies have shown improving trends in Q3/2019. However, 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 nine-month period of Q3/2019 had a total revenue of 52.37 million baht, increasing 4.84 million baht, or 10.19% 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 Q3/2019, HM received more orders from the products that passed customers' testing from Q1-2 and also delivered a big lot to one of its main customers overseas, resulting in the increased revenue in Q3/2019

Overall, the Company and its subsidiaries had a net profit for the nine-month period in Q3/2019 of 58.12 million baht and net profit for the shareholders of the Company of 45.00 million baht. Net profit margins were 7.97% and 6.17% of the total revenue respectively (compared to 19.93% and 16.34% 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	5.29%	27.37%
Importing and Selling of Cutting Tools Segment	9.38%	10.19%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	17.87%	20.09%
Total	7.97%	19.93%

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's in the first half of the year. 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 1.80 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, which slightly affect the overall net profit margins of all segments especially for the overseas subsidiaries.

Halcyon Technology Public Company Limited and its subsidiaries had the operation results for the three-month period ended September 30, 2019 with the following details:

unit: THB million	Q3/2019	Q2/2019	Change (THB million)	Change (%)
Revenue from Sales and Service	251.36	234.62	16.74	7.14%
Total Revenue	253.07	235.22	17.85	7.59%
Net Profit for the Period	27.49	12.11	15.38	127.06%
Net Profit for Shareholders of the Company	23.06	8.63	14.43	167.14%

In the three-month period of Q3/2019, the Company and its subsidiaries had a total revenue of 253.07 million baht, increasing 17.85 million baht, or 7.59% from the Q2/2019. The increase is due to the recovery of HDD industry in Thailand with orders from main customers beginning increase since June onwards. The Company's revenue grew from the previous year and is expected to maintain in Q4.

The subsidiary in Vietnam, HV, has continuously improving operation results after installations of new machines in the past year and the increase in working hours from 1 shift to 2 shifts, resulting in

more production output. The Company has also sent personnel from Thailand, including Assistant Branch Manager and Assistant Production Manager, to help improve production capabilities as well as training employees and troubleshooting for customers.

The subsidiary in the Philippines, HP, has a drop in revenue from previous quarter, while other overseas subsidiaries have slightly increased revenue. Thus, the overall operating results for the three-month period in Q3/2019 the Company and its subsidiaries have improving net profit of 27.49 million baht, or net profit margin of 10.86% of the total revenue; and the net profit for the shareholders of the Company of 23.06 million baht, or net margin of 9.11% of the total revenue.

Please be informed accordingly.

Sincerely Yours,

A handwritten signature in black ink, appearing to be 'Pete Rimchala', written in a cursive style.

(Mr. Pete Rimchala)
Managing Director