

Subject: Management Discussion and Analysis for the 3-Month Period Ended March 31, 2018

To: Directors and Managers
The Stock Exchange of Thailand

Halcyon Technology Public Company Limited and its subsidiaries had the operation results for the three-month period ended March 31, 2018 with the following details:

unit: THB million	2018	2017	Change (THB million)	Change (%)
Revenue from Sales and Service	266.17	237.65	28.52	11.98%
Total Revenue	269.91	238.32	31.59	13.25%
Net Profit for the Period	53.50	47.07	6.43	13.66%
Net Profit for Shareholders of the Company	42.13	38.17	3.96	10.38%

For the separate financial statements, the Company shows operation results for the three-month period ended March 31, 2018 with the following details:

unit: THB million	2018	2017	Change (THB million)	Change (%)
Revenue from Sales and Service	118.69	106.33	12.36	11.94%
Total Revenue	120.52	107.14	13.38	12.50%
Net Profit for the Period	22.89	22.93	- 0.04	- 0.17%

In Q1/2018, the Company and its subsidiaries had a total revenue of THB 269.91 million, increasing THB 31.59 million, or 13.25%, from the same three-month period in 2017. The increase in revenue is mainly due to the growth in revenue from the Company and subsidiaries in Thailand, which increased THB 29.16 million, accounting for 92.33% of the total change. The Company had an increase in revenue of THB 18.44 million (related transactions eliminated), while the three subsidiaries in Thailand had a total increase of THB 10.72 million (related transactions eliminated). The local subsidiaries gained advantage from the recovery of the automotive industry in Thailand, resulting in high growth in sales for FDM Technology Co., Ltd, a subsidiary with its main customers in the automotive industry, with a revenue growth of 17.77% in the three-month period in Q1/2018 compared to previous year. Halcyon Tools and Engineering Co., Ltd. (HENG), a subsidiary distributor in the Eastern Region have been growing continuously since its establishment in Q4/2016 with a revenue growth of 35.64% in the three-month period in Q1/2018 compared to previous year.

Towards the end of the year 2016, the Company invested in a new factory building in response to the increasing demands from the Hard Disk Drive industry in Thailand, in which some of the production base had moved to Thailand and some main customers have been increasing its capacity, results in the installations of new machines throughout the year 2017. So, the Company had an increase in production capacity beginning from Q2/2017 for existing products as well as new high-end products, which enabled the Company to increasingly fulfill customers' orders, resulting in the revenue from sales and service for the Company of THB 118.69 million in the three-month period in Q1/2018, increasing THB 12.36 million, or 11.94% from the previous year. The Company had a total revenue of THB 120.52 million, increasing THB 13.38 million, or 12.50%, respectively.

The consolidated financial statements show a net profit for the three-month period in Q1/2018 of THB 53.50 million; while the net profit attributable to the shareholders of the Company in Q1/2018 is THB 42.13 million. The net profit margin is 19.82% and 15.61% of the total revenue, respectively (compared to 19.75% and 16.02% from the same period of previous year). Overall, the group had an increase in net profit due to the increase in revenue. However, the net profit margin has dropped slightly mainly due to the increase in cost from the Company, which started fully realizing the depreciation from the new factory building in Q1/2018. Depreciation increased THB 9.91 million from

THB 16.24 million in the previous year to THB 26.15 million, while other expenses increased THB 1.71 million following the growth in sales. Furthermore, the Company had an increase in financial cost of THB 2.95 million from previous year due to additional loans to pay for the building constructions and machines. However, because the Company began exercising BOI tax privilege, which exempts the corporate income tax for the revenue from the new factory, the tax expense decreased THB 3.46 million from the previous year. Therefore, the separate financial statements show a net profit for the three-month period in Q1/2018 of THB 22.89 million, or 19.16% of the total revenue (compared to 21.40% of the same period of previous year).

Please be informed accordingly.

Sincerely Yours,



(Mr. Pete Rimchala)
Managing Director