

14 August 2018

Subject: Management Discussion and Analysis for the Six-Month Period Ended June 30, 2018

To: Directors and Managers
The Stock Exchange of Thailand

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

unit: THB million	2018	2017	Change (THB million)	Change (%)
Revenue from Sales and Service	539.16	494.92	44.24	8.94%
Total Revenue	548.48	497.71	50.78	10.20%
Net Profit for the Period	105.84	98.53	7.31	7.42%
Net Profit for Shareholders of the Company	86.79	80.46	6.34	7.88%

For the separate financial statements, the Company shows operation results for the six-month period ended June 30, 2018 with the following details:

unit: THB million	2018	2017	Change (THB million)	Change (%)
Revenue from Sales and Service	244.00	229.21	14.79	6.45%
Total Revenue	262.84	246.90	15.94	6.46%
Net Profit for the Period	65.90	63.92	1.97	3.09%

In Q2/2018, the Company and its subsidiaries had a total revenue of THB 548.48 million, increasing THB 50.78 million, or 10.20%, from the same six-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 51.97 million, with the Company accounting for THB 25.48 million, or 50.17% of the total increase in revenue (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 24.19% from THB 72.73 million to THB 90.33 million in the six-month period in Q2/2018 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 35.80% from THB 18.34 million to THB 24.91 million in the six-month period in Q2/2018 compared to previous year. Furthermore, Halcyon Metal Co., Ltd. (HM) has one of its main customers restructuring its business operations and transferring its overseas end customer to HM directly, resulting in the growth in sales revenue of 7.08% from THB 47.79 million to THB 51.17 million in the six-month period in Q2/2018 compared to previous year.

However, the total revenue from overseas subsidiaries in Q2/2018 decreased THB 1.19 million in total in the six-month period in Q2/2018 compared to previous year from the adjustment in customer base in Singapore and the Philippines, resulting in the drop in orders in the first half year, which is expected to recover in Q3/2018.

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 244.00 million in the six-month period in

Q2/2018, increasing THB 14.79 million, or 6.45% from the previous year. The Company had a total revenue of THB 262.84 million, increasing THB 15.94 million, or 6.46% from the previous year

The consolidated financial statements show a net profit for the six-month period in Q2/2018 of THB 105.84 million; while the net profit attributable to the shareholders of the Company in Q2/2018 is THB 86.79 million. The net profit margin is 19.30% and 15.82% of the total revenue, respectively (compared to 19.84% and 16.30% 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 20.15 million from THB 32.67 million in the previous year to THB 52.82 million, while other expenses increased in the similar proportions to sales. Furthermore, the Company had an increase in financial cost of THB 5.30 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 5.92 million from the previous year. Therefore, the separate financial statements show a net profit for the six-month period in Q2/2018 of THB 65.90 million, or 25.07% of the total revenue (compared to 25.89% of the same period of previous year).

Please be informed accordingly.

Sincerely Yours,



(Mr. Pete Rimchala)
Managing Director