

14 November 2018

Subject: Management Discussion and Analysis for the Nine-Month Period Ended September 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 nine-month period ended September 30, 2018 with the following details:

unit: THB million	2018	2017	Change (THB million)	Change (%)
Revenue from Sales and Service	831.63	749.13	82.50	11.01%
Total Revenue	840.17	757.67	82.49	10.89%
Net Profit for the Period	167.41	150.18	17.24	11.48%
Net Profit for Shareholders of the Company	137.32	121.50	15.82	13.02%

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

unit: THB million	2018	2017	Change (THB million)	Change (%)
Revenue from Sales and Service	377.21	351.69	25.52	7.26%
Total Revenue	415.46	384.24	31.22	8.12%
Net Profit for the Period	115.27	101.95	13.32	13.06%

In Q3/2018, the Company and its subsidiaries had a total revenue of THB 749.13 million, increasing THB 82.50 million, or 11.01%, from the same nine-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 75.58 million, accounted for 91.67% of the total increase in revenue; while the revenue from the Company increased THB 35.72 million (related transactions eliminated), accounted for 42.11% of the total increase in revenue.

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 28.08% from THB 111.08 million to THB 142.39 million in the nine-month period in Q3/2018 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 33.83% from THB 28.80 million to THB 38.54 million in the nine-month period in Q3/2018 compared to previous year.

The total revenue from overseas subsidiaries in Q3/2018 increased THB 10.81 million in the nine-month period in Q3/2018 compared to previous year mainly from the establishment of the manufacturing factory in Vietnam, resulting in the 41.74% increase in sales revenue of Halcyon Technology Vietnam Co., Ltd. From THB 15.00 million to THB 21.25 million in the nine-month period in Q3/2018. Also, subsidiaries in Singapore and Malaysia are showing signs of recovery in Q3/2018 after the sluggish economy in the first half-year resulting in the drop in orders in Q1-2/2018.

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 Q3/2017 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 377.21 million in the nine-month period in

Q3/2018, increasing THB 25.52 million, or 7.26% from the previous year. The Company had a total revenue of THB 415.46 million, increasing THB 31.22 million, or 8.12% from the previous year

The consolidated financial statements show a net profit for the nine-month period in Q3/2018 of THB 167.41 million; while the net profit attributable to the shareholders of the Company in Q3/2018 is THB 137.32 million. The net profit margin is 19.93% and 16.34% of the total revenue, respectively (compared to 19.82% and 16.04% 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 29.34 million from THB 49.13 million in the previous year to THB 78.47 million.

Furthermore, the Company had an increase in financial cost of THB 7.12 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 13.19 million from the previous year. Therefore, the separate financial statements show a net profit for the nine-month period in Q3/2018 of THB 115.27 million, or 27.74% of the total revenue (compared to 26.53% of the same period of previous year).

Please be informed accordingly.

Sincerely Yours,



(Mr. Pete Rimchala)
Managing Director