

Subject: Management Discussion and Analysis for the Year Ended December 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 year ended December 31, 2018 with the following details:

unit: THB million	2018	2017	Change (THB mill.)	Change (%)
Revenue from Sales and Service	1,113.20	996.70	116.50	11.69%
Total Revenue	1,117.55	1,004.22	113.33	11.29%
Net Profit for the Year	208.53	181.47	27.06	14.91%
Net Profit for Shareholders of the Company	174.29	148.30	25.99	17.53%

For the separate financial statements, the Company shows operation results for the year 2018 with the following details:

unit: THB million	2018	2017	Change (THB mill.)	Change (%)
Revenue from Sales and Service	506.87	464.26	42.61	9.18%
Total Revenue	546.45	510.27	36.17	7.09%
Net Profit for the Year	139.03	126.52	12.51	9.88%

For the year ended 31 December 2018, the Company and its subsidiaries had a total revenue of THB 1,117.55 million, increasing THB 113.33 million, or 11.29% from 2017. The increase in revenue is mainly due to the growth in revenue from the Company and subsidiaries in Thailand, which increased THB 104.51 million, accounting for 89.71% of the total change. The Company had an increase in revenue of THB 57.55 million (related transactions eliminated), while the three subsidiaries in Thailand had a total increase of THB 46.96 million (related transactions eliminated).

The local subsidiaries gained advantage from the recovery of the automotive industry in Thailand, resulting in continuous growth in sales for Halcyon Tools and Engineering Co., Ltd. (HENG), our new subsidiary distributor in the Eastern Region established in Q4/2017. HENG had a total revenue of THB 39.70 million in 2017, and THB 50.78 million in 2018 (increasing 27.92%). Also, FDM Technology, another subsidiary with its main customer base in the automotive industry also had similar growth from THB 144.92 million to THB 176.18 million (increasing 21.57%).

The total revenue from overseas subsidiaries in year 2018 increased THB 11.99 million mainly from the establishment of the manufacturing factory in Vietnam, resulting in the 32.38% increase in sales revenue of Halcyon Technology Vietnam Co., Ltd. from THB 21.43 million to THB 28.36 million. However, the strengthening of Thai Baht in 2018 comparing to other currencies in the region and USD causes the growth in revenue from overseas subsidiaries to be less than actual when converting to Thai Baht, especially for the subsidiaries in the Philippines, Indonesia, and Vietnam. The difference in the exchange rate as mentioned affects the growth approximately 5-10%.

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 506.87 million 2018, increasing THB 42.61 million, or 9.18% from the same period in 2017. The Company had a total revenue of THB 546.45 million, increasing THB 36.17 million, or 7.09% from the previous year, while dividend received from subsidiaries increased from THB 27.71 million to THB 31.94 million, or increasing THB 4.22 million.

The consolidated financial statements show a net profit for the year 2018 of THB 208.53 million; while the net profit attributable to the shareholders of the Company is THB 174.29 million. The net profit margin is 18.66% and 15.60% of the total revenue, respectively (compared to 18.07% and 14.77% from the same period of previous year). The separate financial statements show a net

profit for the year 2018 of THB 139.03 million, or 25.44% of the total revenue (compared to 24.80% in the previous year). Overall, the group had an increase in net profit due to the increase in revenue. However, the gross profit margin has dropped from the previous year mainly due to the increase in cost from the Company, which started fully realizing the depreciation from the new factory building in 2018. The proportion of expenses to revenue decreased slightly. Even though the Company had an increase in financial cost of THB 7.04 million from previous year due to additional loans to pay for the building constructions and machines; 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 13.15 million from the previous year. Therefore, overall net profit improved slightly from the previous year.

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