

Subject: Management Discussion and Analysis for the Year Ended December 31, 2017

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, 2017 with the following details:

unit: THB million	2017	2016	Change (THB mill.)	Change (%)
Revenue from Sales and Service	996.70	819.10	117.61	21.68%
Total Revenue	1,004.22	826.20	178.01	21.55%
Net Profit for the Year	181.47	142.40	39.07	27.44%
Net Profit for Shareholders of the Company	148.30	117.89	30.41	25.80%

For the separate financial statements, the Company shows operation results for the year 2017 with the following details:

unit: THB million	2017	2016	Change (THB mill.)	Change (%)
Revenue from Sales and Service	464.26	352.53	111.74	31.70%
Total Revenue	510.27	375.53	134.74	35.88%
Net Profit for the Year	126.52	85.07	41.45	48.73%

For the year ended 31 December 2017, the Company and its subsidiaries had a total revenue of THB 1,004.22 million, increasing THB 178.01 million, or 21.55% from 2016. The increase in revenue is mainly due to the growth in revenue from the Company and subsidiaries in Thailand, which increased THB 130.75 million, accounting for 73.45% of the total change. The Company had an increase in revenue of THB 65.70 million (related transactions eliminated), while the three subsidiaries in Thailand had a total increase of THB 65.05 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 Halcyon Tools and Engineering Co., Ltd. (HENG), a subsidiary distributor in the Eastern Region established in Q4/2016. HENG had a total revenue of THB 2.47 million in 2016, and THB 39.70 million in 2017. Also, FDM Technology, another subsidiary with its main customers in the automotive industry also had similar growth.

For the Company, the investment 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 464.26 million, increasing THB 111.74 million, or 31.70%, from the year 2016. Furthermore, the Company received more dividend from subsidiaries from THB 14.85 million in the previous year to THB 27.71 million this year, or increasing THB 12.86 million. This results in the total revenue for the separate financial statements in the year 2017 at THB 510.27 million, increasing THB 134.74 million from the previous year, or increasing 35.88%.

The consolidated financial statements show a net profit for the year 2017 of THB 181.47 million; while the net profit attributable to the shareholders of the Company is THB 148.30 million. The net profit margin is 18.07% and 14.77% of the total revenue, respectively (compared to 17.24% and 14.27% from the same period of previous year). The separate financial statements show a net profit for the year 2017 of THB 126.52 million, or 24.80% of the total revenue (compared to 22.65% of the same period of previous year).

The profit margin increased from the same period of previous year mainly because the significant growth in revenue. The Company had lower proportion of cost due to economy of scale by producing in larger quantities, and the more skill acquired from the new machines to produce high-end products, which have higher profit margin than existing products; resulting in higher gross margin for Company. Although, in 2017, the group has an income tax expense of THB 38.32 million, compared to THB 17.49 million in the previous year due to the ending of the Company's tax privileges

granted by BOI; other expenses did not increase in proportion as much as the revenue. Overall, it resulted in the improvement of net profit margin for the group as mentioned.

Please be informed accordingly.

Sincerely Yours,

A handwritten signature in black ink, appearing to read 'Pete Rimchala', with a stylized flourish at the end.

(Mr. Pete Rimchala)
Managing Director