

15 November 2017

Subject: Management Discussion and Analysis for the 9-Month Period Ended September 30, 2017

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, 2017 with the following details:

unit: THB million	2017	2016	Change (THB million)	Change (%)
Revenue from Sales and Service	749.13	585.27	163.86	28.00%
Total Revenue	757.67	588.79	168.88	28.68%
Net Profit for the Period	150.18	95.19	54.98	57.76%
Net Profit for Shareholders of the Company	121.50	80.32	41.18	51.27%

For the separate financial statements, the Company shows operation results for the nine-month period ended September, 2017 with the following details:

unit: THB million	2017	2016	Change (THB million)	Change (%)
Revenue from Sales and Service	351.69	254.39	97.30	38.25%
Total Revenue	384.24	274.62	109.62	39.92%
Net Profit for the Period	101.95	65.51	36.44	55.63%

In Q3/2017, the Company and its subsidiaries had a total revenue of THB 757.67 million, increasing THB 168.88 million, or 28.00%, from the same nine-month period in 2016. The increase in revenue is mainly due to the recovery in the Hard Disk Drive industry, which supported the revenue of the Company and subsidiary in the Philippines (HP) to grow substantially as a result of increasing demands from customers since the end of 2016. Also, in Q4/2016, the Company set up another subsidiary namely Halcyon Tools and Engineering Co., Ltd. (HENG) as a distributor in the Eastern region. The new subsidiary has part of its customers transferred from existing Company's customer base as well as new customers, which resulted in additional revenue for the group. The increases in revenue from the Company and subsidiaries, HP and HENG, are accounted for 70% of the total increase from the same period of last year; while the other 30% is from the growth of revenue from other subsidiaries.

For the Company, the installation of new machines throughout the year 2016 increased production capacity for existing products as well as new high-end products, which the Company started to produce commercially towards the end of 2016. The increased capacity enabled the Company to increasingly fulfill customers' orders, resulting in the revenue from sales and service for the Company of THB 351.69 million, increasing THB 97.30 million, or 38.25%, from the same nine-month period in 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 Q3/2017 at THB 384.24 million, increasing THB 109.62 million from the same nine-month period of the previous year, or increasing 39.92%.

The consolidated financial statements show a net profit for the nine-month period in Q3/2017 of THB 150.18 million; while the net profit attributable to the shareholders of the Company in Q3/2017 is THB 121.50 million. The net profit margin is 19.82% and 16.047% of the total revenue, respectively (compared to 16.17% and 13.64% from the same period of previous year). The separate financial statements show a net profit for the nine-month period in Q3/2017 of THB 101.95 million, or 26.53% of the total revenue (compared to 23.85% 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 in the nine-month period of THB 28.49 million, compared to THB 9.44 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