

# ANNUAL REPORT 2016

HOT POT PUBLIC COMPANY LIMITED





## Vision

To be one of the leader in restaurant business, and the top of mind of customers, employees and society



## Mission

- Provide service to our customers as important persons and benefactors to build customer satisfaction
- Focus on selling points of product development and differentiation of service
- Create returns to shareholders at appropriate level with continuity and sustainability
- Promote good relationship with community, society, and government
- Preserve good quality of work life to the Company's employees at all level



## Values

Customer Focus • • **C** • • Focus on customer

Unity • • **U** • • Be one, be united

Standard • • **S** • • Consider the standard of service

Trust • • **T** • • Work with trust

Ownership • • **O** • • Think as an owner

Mentor • • **M** • • Have view point of mentoring

Ethics • • **E** • • Perform duties with ethic and integrity

Result Oriented • • **R** • • Recognize a good performer

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Investors can study additional details of the issuer from the Company's Annual Information Disclosure Form (Form 56-1) on the SEC's website at [www.sec.or.th](http://www.sec.or.th) or the Company's website at [www.hotpot.co.th](http://www.hotpot.co.th).



# Message from Chairman and Chief Executive Officer

**Dear Shareholders,**

In the preceding 2016, Hot Pot Public Company Limited, reported revenue from sales of Baht 2,054.34 million, showing a decline of Baht 78.37 million or 3.67% from 2015. The factors attributed to the decrease in sales was remaining slowdown of consumers' purchasing power and awareness of their spending due to gradual recovery of economic condition, and high level of household debt. Meanwhile competition was more intense arising from the increasing number of both existing and new restaurant operators, from both local and abroad. As a consequence, the Company arranged marketing activities, especially discount promotion, to stimulate customer spending, resulting in the Company's revenues from sales not declining in significant amount. Meanwhile, proportion of cost of goods sold to net revenues from sales rose from 47.22% to 48.69% due to higher price discount as well as increasing prices of goods and raw materials. Gross Profit Margin, therefore, dropped from 52.78% to 51.31% y-o-y. However, the Company has implemented cost management, resulting lower sales and administrative expenses in amount of Baht 70.92 million or 5.78%. In addition, in 2016, the Company recorded loss on impairment of fixed assets totaling Baht 11.19 million, which was the allowance for impairment of assets relating to building improvement under lease agreement of branches having loss from their operations and having tendency to be closed. The Company also recorded tax expenses amounting to Baht 23.36 million, resulting from writing off deferred tax assets for unused tax losses, and the Company shall consider to reverse such transaction whenever the Company's operating result shows the explicit trend in order to evaluate likelihood and probability to utilize such tax benefits. As a result, the Company reported net loss of Baht 148.23 million and comprehensive expense of Baht 129.01 million, compared to net loss of Baht 94.99 million in 2015.





The Company's operation in 2016 could be summarized as follows.

- The Company remained selectively opening new stores by considering only stores, located in only potential shopping centers. Additionally, the Company reduced capital expenditure of new store expansion without affecting service quality by reusing assets of closed branches and some stores were partly invested by shopping centers. In 2016, the Company opened 8 new stores, compared to 11 stores in 2015. New stores opened in 2016 consisted of 2 stores of Hot Pot Inter Buffet, which one of them serving both boiling and grill, 5 stores of Signature and one store of Daidomon. Average investment amount per store of such newly opened stores was approximately Baht 2 million. Furthermore, the Company rebranded 7 stores of Hot Pot Inter Buffet which 4 of them were rebranded to Signature, and each 1 store was rebranded to Shabu Suki, Daidomon, and Pot Jung.
- The Company closed 10 stores, compared to 12 stores in 2015. Stores closed in 2016 comprised 7 stores which had operating loss, 2 stores which the shopping centers did not renew the rental contracts, and 1 store which was closed for renovation by the shopping center. As a result, as at December 31, 2016, the company operated 141 stores, decreased from 143 outlets at the ending of the previous year. The active stores consisted of 113 stores of "Hot Pot", 11 stores of "Daidomon" and 17 stores of "Signature", located in department stores, modern trades, and shopping malls in Bangkok Metropolitan Region and up-countries in the percentage proportion of 41:59.
- The Company continually improved and developed food menus to meet customers' demand such as Tom Yum Mun Goong soup which has been received good feedback from customers, Tom Yum Yentafo soup, and seafood sauce etc., including new food menus for several food festivals such as European food menus for Euro Football Festival and prosperity food menus for Vegetarian Festival.
- The Company has firstly expanded its business abroad by selling its franchise of Hot Pot Inter Buffet brand to a restaurant operator in the Lao People's Democratic Republic, which has been operated since June 6, 2016.
- The Company has added new distribution channels for Suki sauce thru more than 600 outlets of Tesco Lotus Express since June 2016.

In 2017, economic situation is forecasted to be improved supported by ongoing government's spending and investment, together with gradual increase in household purchasing power and private investment. Meanwhile, internal as well as external risk factors will affect economic overview resulting in lessen household spending and finally affect the Company's operating results. More intense competition, together with the continuous increase in raw material costs will also have impact on the Company's performance. Therefore, the Company will closely monitor and evaluate the situations so that the business strategies and policies will be established properly and prudently for the optimum interests of the Company. Additionally, since the beginning of the year 2017, our new major shareholder as strategic partner, who has experience in operating restaurant business, have become our directors and executive. Our new business plan will emphasis on improvement of our restaurant outlets by developing or rebranding our existing brands to be more premium, and creating distinction and identity of each brand. New brands will be developed, and local and offshore brands will be acquired. Such new brands will be restaurant styles fulfilling consumers' satisfaction, focusing mainly on location around the heart of the city, which will create opportunities to enhance the Company's revenues.

Finally, on the behalf of the representative of the Board of Directors, we would like to express our sincere gratitude to shareholders, customers, financial institutions, business partners, business alliances, and all our stakeholders to continuously cooperate and support operation of the Company and hope that we will always receive your strong support in the future. We also thank to all directors, executives and staffs who have exceedingly dedicated and collaborated to perform their duties. The Company assures to all of you that our operations shall be aimed to improve our operating results to be turnaround, together with compliance with the principles for good corporate governance, adherence to business code of conduct and focus on corporate social responsibilities for maximum benefits of all stakeholders with fairness henceforth.

.....  
Chairman of the Board of Directors  
(Mr. Metta Charuchinda)

.....  
Chief Executive Officer  
(Mr. Sompon Roekwibunsi)

## Report of Chairman of the Audit Committee

### Dear shareholders.

The Audit Committee has performed duties under scope and responsibilities assigned by the Board of Directors to oversee the operations of the Company in order to ensure that the management has performed its duties toward shareholders with integrity, responsibility, and complied with the Company's policy.

In 2016, the Audit Committee conducted 4 meetings with executives, external auditor and internal auditor as usual. The main activities could be summarized as follows:

1. Considered quarterly and annually financial statements of the Company prior to submitting to the meeting of the Board of Directors for further consideration. The Audit Committee was summarized from the external auditor on the accuracy of the financial statements, the adequacy on disclosure of information, the adjustment of accounting which significantly affected the financial statements and details specified in notes to financial statements, to ensure that the financial statements were prepared in accordance with the requirements of the laws and the generally accepted accounting principles, accurately and reliably and the information of the financial statements were disclosed sufficiently and timely.
2. Considered the evaluation of internal control system and risk management. The Audit Committee considered the report of the audit for 2016 which the internal auditor reported on the results from auditing the internal control system in various transactions consisting of transactions of Business Development Department, Research and Development Department, and Operation Department, purchasing, procurement and payment of general list purchasing type, and operations of branches as well as the measures of risk management in various categories. The Audit Committee expressed opinions that the Company's internal control system was adequate and appropriate in a certain level. However, some transactions had weakness which the management should consider the observations of the internal auditor to improve and remedy such weakness to minimize or eliminate the remaining weakness in the future to ensure that the Company's management will be more effective and ongoing stable.
3. Reviewed connected transactions or transactions which might have conflicts of interest in 2016 and gave opinion that transactions connected with related persons and related business were reasonable, pursuant to normal business operations and beneficial to the Company. Such related transactions were the agreements of production of marketing media advertisement with the entity related to directors and shareholders, commercial banks' loan guaranteed by directors and shareholders, and short-term loan from directors and shareholders.



4. Considered the nomination, appointment and remuneration of the external auditor for the year 2017 before submitting to the Board of Directors for further consideration and requested for approval from the Annual General Shareholders' Meeting in 2017. The Audit Committee had considered on its performance, independence and appropriation of proposed auditing fee. As a result, it is proposed to appoint Mr. Thanawut Piboonsawat, CPA no. 6699, or Mr. Pojana Asawasontichai, CPA no. 4891, or Miss Sulalit Ardsawang CPA no. 7517 or Miss Wannisa Ngambuathong CPA no. 6838, to be the Company's external auditor in 2017.
5. The Audit Committee arranged the meeting to discuss with the external auditor without the Company's executives in order to provide a chance to the external auditor to independently give opinion about auditing the Company's accounting.
6. The Audit Committee carried out its duties completely in compliance with the laws on securities and exchange, and regulations prescribed by the Securities and Exchange Commission and the Stock Exchange of Thailand.

In summary, the Audit Committee had opinion that financial reports were accurate, complete and reliable under the auditing in accordance with generally accepted accounting principles. The Company's operation on the fiscal years during 1 January -31 December 2016, was complied with laws, rules and regulations related to the Company's operation. Moreover, the information was adequately and transparently disclosed to the regulatory agencies and the stakeholders for their further use.



.....  
(Mr. Metta Charuchinda)  
Chairman of the Audit Committee



## General Information

Company	: Hot Pot Public Company Limited
Nature of Business	: Operates restaurant business, mostly are International Buffet Restaurants and Suki and Shabu under “Hot Pot” brand and Japanese style Grill and Shabu buffet restaurant under “Daidomon” brand. In addition, casual dining restaurants under “Signature” brand serve steak and fusion food in A La Carte type.
Office Location	: Head Office is located on 350 Ramintra Road, Tha Raeng, Bangkhen, Bangkok 10230
Registration Number	: 0107554000160
Registered Capital	: 446,600,000 ordinary shares at par value of Baht 0.25, total in amount of Baht 111,650,000
Paid-up Capital	: 406,000,000 ordinary shares at par value of Baht 0.25 total in amount of Baht 101,500,000
Accounting period	: January 1 to December 31
Website	: <a href="http://www.hotpot.co.th">http://www.hotpot.co.th</a>
Telephone	: (66-2) 943-8448
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Investor Relations	: Mrs. Paleerat Numnonda (66-2) 943-8448 ext.1114 <a href="mailto:ir@hotpot.co.th">ir@hotpot.co.th</a>

## References

Certified Public Accountant :	Internal Audit :	Registrar of Securities :
Mr. Thanawut Piboonsawat	Miss Ratchaneeporn Thongsunsara	Thailand Securities Depository Co., Ltd.
Authorized Auditor Registration	Quantum Point Consulting Co., Ltd.	93 Ratchadaphisek Road, Dindaeng,
No. 6699	256/194 Moo 4 Watchapol Soi 3	Bangkok 10400
Dharmniti Auditing Co., Ltd.	Yak 1, Klongtanon, Saimai, Bangkok	Telephone (66-2) 009-9000,
178 Dharmniti Building, 6th-7th Floor,	10220	Facsimile: (66-2) 009-9991
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## Business Overview

Hot Pot Public Company Limited operates business in restaurants, mainly emphasizing on buffet restaurants under “All You Can Eat” concept, consisting of international buffet restaurants serving Suki Shabu, under the brand of “Hot Pot”, and buffet restaurants, serving grill and Shabu in Japanese style under the brand of “Daidomon.” In addition, a casual dining restaurant under “Signature” serves steak and fusion food in A La Carte type.

In 2016, the company categorized all restaurants into 5 brands as follows.



Hot Pot Inter Buffet



Daidomon



Pot Jung



Hot Pot Suki Shabu



Signature





## Hot Pot Inter Buffet



International buffet restaurants serve Ski Shabu and more than 100 items of various styles of international food, including desserts, ice cream, and beverages at Baht 379 per person (inclusive drinks) and eating time limit for 1 hour and 30 minutes. In some branches, customers can add a roaster for 2 in 1 type of eating, both boiling and grilling, with additional charge of Baht 40 per person.





Suki Shabu restaurants in A La Carte type (ordering available foods in menu), roast duck and “specialty formula” delicious sauce in Hot Pot’s original style before changing almost all of restaurants to buffet style.





## Daidomon



Japanese Grilled buffet restaurants serve various additional food menus. The price is Baht 379 per person (inclusive drinks) and eating time limit for 1 hour and 30 minutes, beverage).





## Signature



Casual dining restaurants in A La Carte type serve variety of menus of steak, fusion food, salad, spaghetti, appetizer, drink and desserts at medium prices.





Pot Jung



Korean Shabu restaurants in A La Carte type, was a new brand, which was trial opening in June 2016 by rebranding a restaurant under Hot Pot Inter Buffet brand, located in Viteetep Department Store, Nakhon Sawan having loss from its operation. However, it was closed on September 2016, since its sales could not meet the Company's target.

In addition, the Company entitled (Franchise) the use for service mark of Hot Pot Inter Buffet to a restaurant entrepreneur whose store is located in The Lao People's Democratic Republic. The store has been opened since June 6, 2016.

As of December 31, 2016, the total of 141 stores of the Company comprising 113 stores of Hot Pot (categorized into 77 Hot Pot Inter Buffet stores, 34 Hot Pot Inter Buffet with Grill stores and 2 Hot Pot Suki Shabu stores), 11 stores of Daidomon and 17 stores of Signature had been operated. There were 2 stores which their last operating day was December 31, 2016.

Almost of branches have been on food bar serving buffet type restaurants, located in Bangkok, vicinity and up-countries, extensively to all national regions by classifying into Bangkok and its vicinity for 58 branches, the central region for 5 branches, the northern region for 21 branches, the eastern region for 22 branches, the northeastern region for 22 branches, the west region for 5 branches and the southern region for 8 branches. Those branches are located in the department stores, modern trades, and shopping centers in order to facilitate the access of target customer groups.

Most of our target customer groups are the group of teenagers, students, working persons and family whose life styles are preferring rapidity, freedom and eating in groups as well as focusing on worthiness. Customers can freely choose the desired foods on food bars, with food variety by themselves.

The factory or central kitchen of the Company, located at Lumlukka District, Pathumthani Province on the area of 13-0-96 rai, has been inspected and certified for production quality standards in food industry, which are GMP (Good Manufacturing Practice) and HACCP (Hazard Analysis and Critical Control Point) issued by Intertek Industry and Certification Services (Thailand) Ltd. The function of the factory is raw material procurement, semi-finished food production e.g. different types of meat balls, stuffed squid, and seasoned pork, etc., and sauce production, which is the major seasoning of Suki Shabu, and delivery to all branch restaurants. The quality of foods, raw materials and food flavors and sauces has been controlled to have the same standard in all branches. New types as well as flavor of food have been developed. Furthermore, several semi-finished food has been developed in order to be prepared easily and have the same standard quality.

The Company's logistic system of raw materials and foods from central factory or central kitchen to restaurant branches across the country by its own transport vehicles can effectively control the quality, freshness, time and cost.

In addition, the factory or central kitchen supplies utensils, equipment and kitchen wares to all branch restaurants for our standardization and identity. The factory or central kitchen is also the storage facility for preserving both fresh and dried raw materials, semi-finished foods, ingredient, kitchen appliances and utensils in restaurant, etc. with adequate preparation and reservation plan to meet the requirement of each branch.

The Company controls quality and standard of service in every branch restaurant. The restaurant staffs are on-going trained since they are considered to be essence to produce successful service to satisfy customers' need and retain good relationship with customers to keep them coming back to the restaurants.



## Business Goal in next 3 – 5 years

Since 2014, the Company has changed its goal from maintaining its leading position in the buffet restaurants to being the leader in restaurant business because the Company has found opportunity to expand additional restaurant brands other than buffet restaurant brands. The new goal will create variety and differentiation to more widely respond our customers' needs, penetrate market gap, and offer new alternatives for our customers or consumers. As a result, the Company can expand our customers' base and new target groups.

The Company has changed its target to expand its restaurant branches up to 200 stores, spreading over in the country within 2017, due to unfavorable economic situation. Consequently, the Company has slowed down branch expansion of Hot Pot brand. In addition, the Company's new major shareholder, who is also Company's strategic partner and has experience in restaurant business, jointly operates business. The new policy is renovating existing stores by developing/rebranding such stores to become more premium and emphasizing on improvement of distinction and identity of each brand. Additionally, new brands will be developed, and/or acquired locally or abroad in order to enhance the Company's revenues. Branch expansion will be more selectively considered, focusing on the area in the heart of the city. The Company also plans to expand its business by selling franchise as well as opening new stores abroad, and seeks opportunities to additionally generate other revenues. The Company has set 2017 target that its performance will be turnaround and will generate appropriate returns to shareholder in the future.

## Nature of Business

### Background, Important Changes and Development

Hot Pot Public Company Limited was incorporated on January 28, 2004, under the name of Hot Pot Co., Ltd. with initial capital of Baht 16 million to operate Suki Shabu restaurant under the management of Miss Sakuna Baicharoen, the major shareholder and the Executive, as a business founder and pioneer since 1995. Its business started from Suki Shabu restaurant cooked to order or A La Carte and its first branch was named “Coca Fresh Suki”, located at East Complex Shopping Mall in Chachoengsao Province. Its customer target has been family groups. The restaurant with area of about 300 square meters became very popular and a sole famous Suki restaurant in Chachoengsao Province. Later, the Company expanded its branches in the shopping malls in upcountry such as Saraburi, Surin, Buriram, Kamphaengphet, and Phitsanulok, etc. At that time, branch expansion was operated by founding other companies to control branch restaurants in each region.

**2001** The Company changed its restaurant brand from “Coca Fresh Suki” to “Hot Pot Suki Shabu Restaurant”.

**2004** The Company changed to new management style by establishing Hot Pot Co., Ltd. to be the administration and management center of all branch restaurants. In October 2004, the Company increased its registered capital by Baht 40 million to Baht 56 million in order to transfer assets of other branches of former companies to the Company.

**2005** The Company altered its strategy by penetrating into Suki restaurant in large department store through opening international food buffet restaurant mainly emphasizing on Suki Shabu at Central Plaza Rama II which is the first branch in May 2005. The “Hot Pot Inter Buffet” consists of Suki Shabu and international food more than 100 items. At that time, none of any entrepreneurs operated this style of restaurant. As a result, the Company's business was successful, boosting its sales and gaining more customer acceptance and recognition on Hot Pot Brand. It became the good starting point of our roll-out in big department stores. The Company also significantly changed its strategy on the concept that not only delicious foods and good service but also “worthiness” of consumption should be presented to customers. The Company, hence, decided to expand its business into “Buffet” or “All You Can Eat” by stepping adjusted almost of the A la carte restaurants to be buffet ones. At present, there are only two branches, remaining on A La Carte style to serve customers, which are branches in Surin Province and Buriram Province. After modifying to the international buffet restaurants which are different from other competitors, as well as commitment thoroughly ongoing to improve food quality and services, restaurant style, and a variety of food, the Company gained good response from customers.

**2006** Aureos South East Asia Fund (“Aureos Fund”) and Private Fund of Government Savings Bank managed by ING Asset Management (Thailand) Co., Ltd. (since June 17, 2011 onwards, it has been changed to be Private Fund of Government Savings Bank managed by One Asset Management Limited) entered into joint venture with the Company for financial support.

**2007** In February, the Company invested in constructing the factory in total area of 13-0-96 rais, located at 11/1 Bueng Kham Phroi Sub-District, Lamlukka District, Pathumthani Province as the food production factory and central kitchen for all branches of the Company.

**2011** On July 6, the Company was converted from Company Limited to be Public Company Limited as well as reduced par value from Baht 10 per share to Baht 0.25 baht per share and increased its registered capital by Baht 15,346,160 from Baht 86,153,840 to Baht 101,500,000 by issuing new ordinary shares of 61,384,640 shares at par value of Baht 0.25 per share.

On December 15, 2011, the Company bought and transferred rights on the restaurant business of Daidomon Group Plc. (“Daidomon”) , which is the buffet Japanese style grill restaurant, including the transfer of assets involved in all operations and other assets such as food formulas and sauces, customer bases, members, business partners, employees of Daidomon as well as its trademarks and trade names related to food and restaurant business such as Daidomon, Umami, Yasuki and Mitake to be continuously operated and managed by the Company.

**2012** On September, the Company’s increased ordinary shares of 61,384,640 shares were initial public offering (IPO) at par value of Baht 0.25 per share with the objective to use the fund for new branch expansion, branch renovation, loan repayment and working capital. At this time, Aureos Fund also offered to sell its existing ordinary shares of the Company in amount of 40,600,260 shares or 10% of paid-up capital. All ordinary shares of the Company have been listed in Market for Alternative Investment (MAI) on September 18, 2012 onwards.

**2013** The Company continually expanded new branches. As of December 31, 2013, there were 153 active branches, compared with 138 branches in 2012. The 24 newly opened branches consisted of 23 branches under “Hot Pot” brand and 4 branches under “Daidomon” brand. In 2013, the Company launched new strategy which was additional serving roasters in some Hot Pot branches (extra service charge of Baht 30 per person for serving both boiling pots and roasters). The new strategy was successfully received good feedback from customers and more than 70% of customers order both boiling pots and roasters. As of December 31, 2013, the Company additionally opened 14 branches of Hot Pot with Grill, comprising 9 newly opening branches and 5 rebranding branches.

For Daidomon branches bought from Daidomon Group Plc. (“Daidomon”), the Company renovated almost all of the remaining branches which have not been renovated yet, totaling 10 out of 12 outlets. There were 6 renovated branches which have been additionally served Shuki Shabu and 4 branches which have rebranded to Hot Pot with Grill.

**2014** The Company opened 18 new stores, consisting of 16 stores of Hot Pot Inter Buffet which 15 out of 16 stores served both boiling and grilling styles, and 2 stores of small size Suki Shabu. The Company also closed 27 stores which most of them had loss from operating results so that the Company’s overall performance will be regained in the future. Therefore, as of December 31, 2014, the Company had totally 144 active stores.

In order to decrease the confusion in its brands and bring much greater clarity of its brands, the Company renovated all stores of Hot Pot Buffet Value to be modern and then rebranded to Hot Pot Inter Buffet, which were completed in 3rd quarter. Along with that, the Company renovated the only one store of Hot Pot Ramen Buffet at Central Plaza Rama 2 and then rebranded to a new brand created by the Company under the name of Signature, opening on December 25, 2014.

In addition, the Company has increased distribution channels of Suki sauce in Tesco Lotus starting on November 2014, onwards.

**2015** The Company established expansion plan on cautious basis, focusing only on outlets located in potential area. The Company has opened 11 new stores, including a store located in Star Plaza, Sa Kaeo Province, which is totally invested by the shopping center. New stores consist of 5 stores of Hot Pot Inter Buffet which 3 of them serve both boiling and grilling styles and 6 stores of Signature, which 4 stores are newly opened and 2 stores are Hot Pot stores having large area and splitting area into 2 stores under Hot Pot and Signature brands.

The Company closed 12 stores comprising 10 stores due to their loss from operating results and 2 stores which their rental contracts were expired and the Company did not want to renew the contracts. As of December 31, 2015, the Company, hence, had totally 143 active stores.

**2016** The Company remained careful opening new stores by primary consideration in potential of shopping center. Capital expenditure for new stores was reduced and assets of closed stores were reused. In addition, some stores were partly invested by the shopping centers. The Company opened totally 8 stores consisting of 2 stores of Hot Pot Inter Buffet (one store serving both boiling and grilling styles), 5 stores of Signature, and 1 store of Daidomon. The Company rebranded 7 stores of Hot Pot Inter Buffet which 4 of them were rebranded to Signature, and each 1 store was rebranded to Shabu Suki, Daidomon, and Pot Jung. Meanwhile, the Company closed 10 stores comprising 7 stores which had loss from operating results, 2 stores which the shopping centers did not renew the rental contracts, and 1 store which was closed for renovation by the shopping center. Consequently, as of December 31, 2016, the Company had totally 141 active stores.

The Company has expanded its business to the Lao People's Democratic Republic by selling franchise of Hot Pot Inter Buffet to a Lao entrepreneur. The franchise store has operated since June 6, 2016. Furthermore, the Company has added new distribution channels for Suki sauce thru more than 600 outlets of Tesco Lotus Express since June 2016.

The Company's structure of shareholding has been changed since Miss Sakuna Baicharoen, Director, Executive and major shareholders of the Company sold her shares in main board (Big lot) to Mr. Apichai Taechaubol amounted to 65,900,000 shares (16.23% of total number of shares sold), and Thai Factory Development Plc. amounted to 9,100,000 shares (2.24% of total number of shares sold). As a result, as at December 30, 2016, shareholding by Miss Sakuna Baicharoen reduced from 102,022,000 shares as at November 19, 2015 (25.13% of total number of shares sold) to 27,022,000 shares (6.66% of total number of shares sold).



## Revenue Structure

Type of Revenue	2014		2015		2016	
	Baht (million)	%	Baht (million)	%	Baht (million)	%
1. Revenues from sales of goods						
(A) From branches						
1) Hot Pot Inter Buffet	1,257.18	54.14%	1,308.94	60.44%	1,177.13	56.91%
2) Hot Pot Inter Buffet with Grill	444.45	19.14%	536.80	24.79%	569.88	27.55%
3) Hot Port Buffet Value <sup>1/</sup>	279.07	12.02%	0.00	0.00%	0.00	0.00%
4) Hot Pot Prestige <sup>2/</sup>	22.30	0.96%	9.81	0.45%	0.00	0.00%
5) Hot Pot Shabu Suki	28.14	1.21%	24.28	1.12%	18.85	0.91%
6) Hot Pot Ramen Buffet <sup>3/</sup>	8.51	0.37%	0.00	0.00%	0.00	0.00%
7) Daidomon	248.28	10.69%	199.38	9.21%	183.12	8.85%
8) Signature <sup>3/</sup>	0.57	0.00%	46.41	2.41%	94.25	4.56%
9) Pot Jung <sup>4/</sup>	0.00	0.00%	0.00	0.00%	0.51	0.02%
<b>Total Revenues from Branches</b>	<b>2,288.50</b>	<b>98.56%</b>	<b>2,156.61</b>	<b>98.15%</b>	<b>2,043.75</b>	<b>98.80%</b>
(B) From other sales	6.21	0.27%	7.10	0.33%	10.59	0.51%
<b>Total Revenues from sales of goods</b>	<b>2,294.72</b>	<b>98.83%</b>	<b>2,132.71</b>	<b>98.48%</b>	<b>2,054.34</b>	<b>99.31%</b>
2. Other Incomes <sup>5/</sup>	27.28	1.17%	33.00	1.52%	14.17	0.69%
<b>Total Revenues</b>	<b>2,322.00</b>	<b>100.00%</b>	<b>2,165.71</b>	<b>100.00%</b>	<b>2,068.51</b>	<b>100.00%</b>

Remarks : <sup>1/</sup> The Company renovated all stores of Hot Pot Buffet Value and then rebranded to Hot Pot Inter Buffet completely in 3Q2014.

<sup>2/</sup> Only one store of Hot Pot Prestige, located in Central Plaza Bangna, was rebranded to Hot Pot Inter Buffet on August 1, 2015.

<sup>3/</sup> Only one store of Hot Pot Ramen Buffet, located in Central Plaza Rama 2, was rebranded to Signature on December 25, 2014.

<sup>4/</sup> The Company trial opened the first store of Pot Jung at Vitheethep Nakhon Sawan, which previously were store of Hot Pot Inter Buffet, on June 16, 2016. The store was closed on September 1, 2016.

<sup>5/</sup> Other Incomes mostly came from sales promotion from suppliers and sales of member cards

# Industry Outlook and Future Competition

## 1. Industrial competition over the past year

Restaurant business has experienced ongoing growth, supported by the change of consumer behavior which customers prefer eating out in line with an increase of national income resulting from economic expansion. In addition, the development and expansion of urban community or Urbanization has impact on changing the way of living of people in society. The spread of shopping centers, community malls and hyper marts provides an important opportunity in expansion of restaurant business, leading to enable to service customers thoroughly and to reach more new groups of customers. Considering the number of new registered restaurants during last 10 years, from 2007 to 2016, the establishment of restaurant business continued to increase steady. In spite of slowdown growth rate of the registration of restaurant business in 2016, restaurant business was still ranked in top 5 of business with highest number of new registration, showing the interest in the restaurant operation in Thailand. The statistics of restaurant business registration with the Department of Business Development, the Ministry of Commerce are as follows:

### The statistics for restaurant business registration per year

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Quantity	970	925	831	917	993	1,166	1,339	1,444	1,503	1,537

Source: Department of Business Development

According to Kasikorn Research Center's estimation, value of restaurants in Thailand including chain restaurants and general restaurants in 2016 will be Baht 382,000 - 385,000 million, increasing approximately 1.90 - 2.78% from 2015 which was Baht 375,000 million. The growth rate in 2016 decelerated from the growth rate of 4% in 2015. General restaurants will have market share of approximately 70% with estimated market value of Baht 268,000 - 269,000 million, up 1.1 - 1.5% from market value of Bath 265,000 million in 2015. Whereas, the market value of chain restaurants is expected to reach Baht 114,000 - 116,000 million with growth rate of 3.6 - 5.5% from Baht 110,000 million in 2015. These figures show that chain restaurants remain in restaurant business group with higher outstanding growth than the growth of market value of overall restaurant business. The growth of market value of chain restaurants was contributed by continuous business expansion of existing entrepreneurs, especially purchasing successful overseas restaurant brands to penetrate the domestic market and market entry of new entrepreneurs of chain restaurants.

Thailand economic expansion in 2016 was estimated to grow at rate of 3.2 - 3.3%, increasing from growth rate of 2.8% in 2015. Economic situation gradually recovered, boosted by on-going growth of the government's investment and expenditure, and tourism. Although battle against zero dollar-tour affected tourism, in long run it will has favorable impact to tourism. As a result of periodical government's economic stimulus measures, consumer spending gradually increased, but it was not spread over every region. In addition, household income in agricultural sector has been increased due to recovery of drought and rising farm prices. Although private investment remained low, its growth was shown, compared to last year. Conversely, economic growth was dragged by ongoing contraction of export resulting from economic slowdown of China, Asian countries and partner countries, and



Thai business still confronted its limit of competitive capabilities. Meanwhile, the growth rate of household debt was slowdown, but still increasing in line with recovery of domestic spending and economic overview. Household debt remained at high level exceeding 80% of GDP, dampening household consumption.

Consumers were reluctant to spend as mentioned above, affecting eating out behavior of consumers, by choosing eating out only for essential meals in daily life and special occasion or festival, and focusing on the worth of restaurant selection. Meanwhile, the number of restaurants continually extended from branch expansion of existing restaurant operators as well as new comers from local and aboard since they found out the opportunities of restaurant business growths. Furthermore, large-sized enterprises in business group related to restaurants such as manufactures of drink and beverages, finished food products, seasons, raw materials, etc. have enter into restaurant business in order to diversify their risk of business operation. Such enterprises could take advantage from their brand reputation, existing customer base as well as knowledge in business operations. Moreover, granting restaurant franchises from local and foreign franchisors has been popular, resulting easy and quick entering into restaurant business. Consequently, consumers have various choices to select using services at restaurants. These resulted in ongoing tense competition in the restaurant business. Restaurant operators inevitably implemented promotions, especially price discount promotion to motivate customers to frequently use their service. At the same time, restaurant operators gave importance to quality of food and service, and variety of menus to response to customers' requirement. Various strategies were modified, such as improving the image of restaurant brand, etc. Restaurant operators also expanded their business in forms of franchise locally and aboard, including invested in foreign countries, especially Asean countries.

At present, the Company operates restaurant business which main restaurants are international buffet restaurants serving Suki Shabu under the brand of Hot Pot as well as Japanese grill buffet restaurants under the brand of Diadomon. Moreover, A La Carte restaurant under Signature brand serves steak and fusion food. There are some competitors in industry which are similar types and styles of restaurant as the company although they are not completely the same as the company. Competitors that offer similar style and type of food as the company's restaurant are as follows:

- • A La Carte Suki restaurant such as MK Restaurant, Coca Suki, and Texas Suki
- Shuki Shabu buffet restaurant such as Sabushi and Sukishi Buffet
- BBQ restaurant such as BBQ Plaza, Seoul Grill (BBQ & Grill Sukishi), and Miyabi
- Steak restaurant such as Santa Fe' Steak, Jeffer Steak

## 2. Industry trend and future competition

According to Kasikorn Research Center's estimation, total value of restaurants in Thailand in 2017 will be Baht 390,000 million, slightly increasing approximately 2 - 4% from 2016 in line with the economic growth, at expected rate of 3 - 4%. The key drivers of economic expansion will be continuous growth of public spending and investment, and government's policy attempting to continually boost economy. Household purchasing power has increased according to economic growth. Farm income shows improving signs from rising prices of agricultural products. The number of tourists is expected to grow continuously. Private investment trends to improve due to continuity and explicitness of government investment and domestic economic growth. Export sector slightly improves. Meanwhile, unfavorable factors will increase production cost and inflation rate, which will affect business operation such as higher oil prices and commodity prices, an increase in minimum wage of Baht 5 - 10 per day. Additional external

risk factors will have impact on Thailand economic growth comprising uncertainty of global trading and investment direction from U.S. economic policy, BREXIT, political situation in Europe, below expected economic recovery of Europe, Japan and China, volatility of money and capital market from differentiation of monetary and fiscal policies of global economic leaders, and tendency of increasing interest rate of Federal Reserve Bank.

In 2016, limited household consumption spending will continue to be pressured by high level of household debt, insufficiently increasing in household income, and higher trend of inflation rate. Meanwhile, there are a lot of restaurant entrepreneurs, both new comers and existing entrepreneurs. As a result, competition in restaurant business is continually fierce. Additionally, according to Kasikorn Research Center, online food delivery will foster competitive capabilities of general restaurants with chain restaurants. Online food delivery is forecasted to grow at 11 - 15% y-o-y, with value of Baht 26,000 - 27,000 million. In addition to promotion implementation to stimulate consumption, the operators in restaurant business must implement strategies attracting customers in order to gain market share, and readjust their strategies to response to customer behavior. Restaurant business expansion will be filled to the gap of market, make differentiation, add new menus, increase variety of food, and create new styles of food in order to provide more alternatives to consumers and respond to the satisfaction of customers whose needs are different and various, and consumption behaviors can be changed at any time. Consequently, there will be more variety in Thailand restaurant business.

### 3. Marketing Strategy

Whereas competition in restaurant business trends to be more intense, purchasing power remains limited. Consequently, the Company inevitably implemented discount promotion to retain existing customer base. However, according to more than 20 years of experience and expertise in running restaurant business, the Company has developed a business under the concept of creating consumer's recognition by making differentiation from other competitors, offering worthiness, variety and deliciousness toward consumers, and renovating stores to present modern image, in addition to discount promotion. The Company also gives importance to new marketing research relating to deep study and analyze of customer behaviors and needs in order to improve and develop product and service responding to customer needs effectively. The research includes customers' attitude toward the brand of Hot Pot resulting acknowledgement of brand's strength and weakness. Consequently, the Company can establish efficient strategies for brand management in order to maintain existing customer base, widely expand to new customer bases, attract customers to come back to use the Company's service again, and create sustainable business growth. The Company's marketing strategies are as follows:

#### 1. Offering variety of food menus with great taste and service at reasonable prices.

The quality of food is our main focus. The company offers over 100 varieties of food menus with excellent taste, particularly the special Hot Pot's Suki sauce and Daidomon's original recipe sauce. The Company implements process of selection and quality control of raw materials, products and production to ensure standardized product with fresh, clean and hygienic quality. Thus, the Company established its own food processing factory and central kitchen to control the standardization of raw materials and food quality before delivering to several branches. The Company also implements its own logistics system to distribute raw material and food from the factory or central kitchen to various branches nationwide so that the Company can control quality, freshness, timeliness and cost efficiently.

Moreover, the Company places its importance in providing good service to customers in terms of convenience and safety in the Company restaurants, taking good care of customers, continuous developing branch staffs' quality and skill regarding customer service to ensure highest customer satisfaction at valued price.

## 2. Creating restaurant segmentation for every consumer group

The company has developed its business under the concept of creating new market segment by developing different styles of restaurant under different brands. This also includes offering a variety dining styles, consisting of Suki-Shabu or Grill or Suki-Shabu and Grill within the same restaurant. During the ending of the year 2014, the Company has opened a new restaurant under brand of Signature. This is to respond the demand of different customer groups in terms of purchasing power, lifestyle and preference. In addition, this is to provide new choices to customers and fill in the gap of the market.

## 3. Continuously branches expansion to cover different target areas

As at December 31, 2016, there are totaling 141 active branches operated under the brands of “Hot Pot”, “Daidomon” and “Signature”, located in large leading department stores, modern trade, community malls or community trade center within Bangkok and Metropolitan Areas and large local department stores in major provinces in order to access customers easily and widely. As a result, sale volume will be increased and customer base will be expanded.

In 2016, the Company opened new outlet with careful consideration due to unfavorable economic situation. Thus the Company opened 8 new outlets in several sites to allow more service coverage. Having more than 100 stores leads to Economic Scale or an increase in production size for cost reduction.

## 4. Producing signature dishes and continuously offering new menu

Despite the fact that there is a variety of menu offered, the Company continues to develop and invent new recipes under the unique styles of “Hot Pot” and “Daidomon”. The Company has produced several semi-finished food to serve on food bar with the Company's special recipes such as green pork balls, Taiwan pork balls, and hot pot spring pork, etc. Furthermore, special sauces created by research and development department are customers' favorite, for example spicy sauce, Chinese steamed dumpling sauce, Saba sauce, and soy sauce for steamed fish. In part of Signature, the Company has developed various menu of steak, fusion foods, appetizers, desserts and beverages. Meanwhile, the Company continually improves existing products to be more qualified such as clear soup to be more delicious, and better smelling, suki sauce to be more viscous, etc.

In addition, new or special menu has been continuously developed to serve customers at different timings or during special occasions. New menu are introduced at least every three months in average to offer new and different dining experiences to customers. In 2016, the Company developed new products such as Tom Yum Mun Goong soup, Tom Yum Yentafo soup, seafood sauce, etc. The Company also served special menus for several festivals consisting of European foods for Euro football festival, and prosperity foods for Vegetarian festival.

Furthermore, the Company has improved food menu to be more appropriate and to satisfy more customers' need. Food presentation has also been improved such as food bar in order to be more beautiful, more appetizing, as well as better food quality maintenance.



#### 5. Focusing on buffet serving or providing food on food bar

The company serves or place variety of food on bar and allow customer to select types and quantity of food as they like. Customers also does not waste their time to wait for a waiter/waitress or food conveyor to serve food, which is in line with the Company's marketing strategy focusing on the new generation such as students, office workers, and families who prefers quick and free lifestyle and usually comes in large group. Buffet restaurant is, therefore, suitable for those who prefers self-service.

#### 6. Focusing on marketing activities to access to the target customer group

The Company has created integrated marketing communication strategies including offline such as film advertisement, billboards and online thru social media such as facebook and websites in order to access to the target group of customers quickly and extensively. These channels are also used to publicize the Company's in order to build brand recognition and remembering as well as good relationship with customers.

#### 7. Creating opportunity to increase sales through ongoing promotion

Different marketing activities were arranged to attract customers into the restaurants and continuously increase sales such as 20% discount on Wednesday, special privilege and discount for members, discount promotion for general customers and target customers, arrangement of activities via social media and activities during various festivals, and co-promotion with business allies including corporations, stores or credit cards so that customers or credit cardholders may have special privilege or discounts, etc.







# Risk Factors

## 1. Risks from economic situation and competition

The changes in economic situation are affecting to consumer behavior. During a recession or economic down-trend, consumer's purchasing power as well as consumer spending will be reduced, affecting restaurant business's revenues, since the consumers reduce the frequency of eating out, or choose lower price restaurants, by focusing on worthiness in order to cut meal expenses per time. The Company, therefore, has prepared to handle economy crisis that may occur any time. The Company usually plans and modify business strategies suitable for each situation in line with economic change, such as closing the stores having operating loss and having no chance to regain profit. Additionally, the Company cuts unnecessary costs and expenses.

The competition in restaurant business is quite intense due to an increase in the number of new restaurants, consisting of existing entrepreneurs as well as new comers. In addition, economic condition slowly recovered, affecting consumers' spending. As a result, the Company inevitably offered price discount promotions to motivate customers to more often dine at the Company's restaurants, lessening the Company's profit per unit. However, the Company has the policy to compete on the food quality, variety of food, eating style, types of restaurants or brands, ongoing menu improvement and development to meet consumers' need, and store renovation to be modern. Ongoing advertisement and marketing activities are also implemented to expedite brand recognition.

## 2. Financial Risk

The company financial risk has been derived from the reliance on long term loans from financial institutions for investments in accordance with renovation and expansion plans of branch restaurants which are opening of new branch restaurants and renovation of the existing stores to be modern and ready for providing service to customers effectively. Furthermore, short term borrowing in forms of overdraft, promissory notes, and bills of exchange were used as working capital.

In 2016, the Company's cash flow from operating activities was Baht 60.54 million, compared with Baht 89.89 million in 2015, declining Baht 29.35 million or 32.65%, due to a decrease in operating results. Consequently, the Company had revised expansion plans by considering to open and renovate outlets with carefulness in line with gradual recovery of economic situation and consumers' purchasing power. Investment in 2016 amounted to Baht 35.66 million, decreasing from 2015 in amount of Baht 10.60 million or 22.91% in order to provide liquidity and sufficient working capital for the Company's core business operations.

As of December 31, 2016, the Company had total liabilities of Baht 572.14 million, total equity of Baht 123.34 million. The Company had Debt to Equity Ratio, pursuant to financial statements of 4.64 times. The Company's Debt Service Coverage Ratio (DSCR Ratio), calculating by using EBITDA, EBITDA adding back non-cash items of loss from branch closing and loss on impairment of assets, and cash flow from operating activities, were 0.54, 0.93, and 1.23 times, respectively. Such financial ratios were not in accordance with the covenants specified in loan agreements of two domestic financial institutions, which required the Company to maintain Debt to Equity Ratio not exceeding 2.0 times, and DSCR Ratio not lower than 1.2 and 1.5 times (calculating by profit before Interest, taxes, depreciation and amortization or EBITDA divided by principal of loan and Interest). However, the Company was permitted by two commercial banks for not maintaining those two financial ratios for the year 2016.



To manage financial risks, the Company will consider to find additional sources of fund to be sufficient for utilizing as working capital, future business expansion, repayment of loans from other creditors by increase in registered capital and/or issuance of debenture/bills of exchange, which will be further considered as appropriate.

### 3. Risks of opening new stores

Increase in the number of the Company's outlets is a strategy to build the Company's growth in order to provide inclusive services and to expand new customer base. The Company has set a goal to open new branches each year, depending on the market conditions, needs and purchasing power of consumers. Capital expenditure for new store investment is approximately Baht 7 - 9 million per store for Hot Pot and approximately Baht 6 - 7 million per store for Signature, consisted of investment in renovation, decoration, cookware and equipments, rent guarantee, etc. The amount of investment budget for each branch mainly depends on location, area size and decoration. The Company has risks in opening new stores, if the sale volume cannot reach the target, effecting to the Company's overall performance. In this case the Company has to close that store and write off assets such as renovation cost, decoration cost, removal and restoration of location expenses according to the conditions specified in rental agreement. In some case that branches are closed before the expired date of rental agreement, the Company will not regain rent guarantee. As a result of those expenses, the Company has loss occurred from branch closing.

The more population move from rural to urban areas or urbanization, the more large shopping centers continue to expand to upcountry area. Therefore, to expanding service area as well as retain market shares, the Company opens new stores adhered to the new shopping complexes. The Company is sometimes necessary to open new outlets in the same area as the existing outlets, since the new shopping complexes can attract more customers to use the Company's service, lessening the existing outlet's revenues or slowing down its growth.

The Company is aware of the risks on investment of opening new branches, therefore the Company carefully undertakes feasibility study of the branch expansion. The Company has analyzed relevant factors which may have impact to the investment, for example, economic situations, location, density and purchasing power of population in that area. The selection of types or brands of restaurants must be in line with prospective customers' life style in each area. The Company focuses on the worth from investment under acceptable risk level. The source of fund, management and operation of branches, staffing, quality and sufficiency of food and raw material, marketing and promotion plans for attracting new customers and expanding customer base are well-prepared. Beside this, the Company has to monitor and follow-up the operating results of each new branch on monthly basis to acknowledge problems, obstacles in order to resolve such issues on time as well as set up expansion plans and directions of the Company.

In 2016, the Company carefully considered and selected newly opened stores, totaling 8 stores, declining 3 stores from 2015. The new stores consisted of 5 stores partly invested by the shopping centers. Additionally, capital expenditure for new store investment was reduced without any impact to service quality, and assets from closing branches were reused for the new sites. As a result, average capital expenditure for new stores was Bath 2 million per store.

#### 4. Risk from quality of food and standard service

For restaurant business, the main factors contributing for attracting customers to use service are quality of food, tasty food, clean place and standard service. The Company manages more 100 stores and has over 3,000 operation staff, the Company, hence, may face operational risk.

The Company focuses on the risk arising from quality of food and standard service. As a result, the Company has established several measures to protect or minimize such risks. These measures include regular training and development of personnel potential of branch staff, preparation of work manuals, normal monitoring quality of food and standard service by quality control unit as well as following up and evaluating operation of branches. In addition, semi finished foods are developed by the Company's center kitchen in order to facilitate, reduce food preparation of staff at branches and achieve standard of taste. With respect to cleanliness of branches, 5S activity is implemented as usual, big cleaning is conducted monthly, and suppliers are arranged to eliminate pest once a month. The Company also provides channels for customers to complain or comment.

#### 5. Risk from fluctuation of raw material prices

Most of the Company's raw materials are agricultural products such as meat, fruits, vegetables, seafood, and spices, etc. Prices and quantity of such raw materials are fluctuated depending on season, variability of weather conditions, natural disasters, disease outbreaks of plants and animals, as well as the demand of these materials delivering to the market and its demand in the specific time, etc. These external factors are beyond company's control and impact on the procurement of raw materials at certain times, including raw material cost and the Company's operations.

The Company gives priority to control and manage cost efficiently and tries to reduce any potential impacts arising from the price fluctuations of raw materials. As a result, the purchasing department places orders to several suppliers, together with find new suppliers, to prevent monopoly and goods shortage. Annual purchasing agreements are made to order raw material in advance or buy in large quantity with specified exact delivery time in order to have power of negotiate the prices, get more discounts and ensure that the Company will not confront lacking of raw material. In case of no annual agreement, short-term contracts are made in term of 1 month, 3 months or 6 months, depending on negotiation. The valid prices will be evaluated from both current situation and statistic of such raw material's prices, so that the valid prices will be appropriate and best prices. In addition, market situation as well as prices trend and supply of raw material in each period of times or each season are monitored closely in order to evaluate the potential risk of shortages or price fluctuations of raw materials and prepare to resolve and cope with such risk situation which may occur timely.

Due to various lists of food served in the restaurants and regular changes in food menus suitable for market conditions in each period, the impact of the shortage of raw materials or the volatility of raw material prices in certain time periods can be reduced. The Company has not experienced on shortage of raw materials or increment of raw material prices that significantly affect its operations. The Company will not suddenly increase the prices of food as raw material prices rise because almost of raw materials are agricultural products, which their prices fluctuate almost every day. The Company will consider increasing the prices of food only when the prices of raw material trend to be increased steadily so that the Company will not bear the high cost of product, affecting its performance. However, it must compare prices with that of the market or competitors so that the price increase will not affect sales or customer base of the Company.

## 6. Risks of dependence on only the management

Mr. Sompon Roekwibunsi, Chief Executive Officer, and Ms. Sakuna Baicharoen, Deputy Chief Executive Officer, are the executives and major shareholders of the Company. They are co-founders of the Company and have high experiences in this business. They have major role to operate the Company, which make the Company be strong reputation, reliable financial position, and operations continuously growing. They also build the Hot Pot brand to be known and acceptance in the market. If the Company losses these persons, it may affect to the administration and performance of the Company in the future.

However, the Company is aware of risks of dependence on only the management and formulates the system on working less dependently on the management by distributing duties, responsibilities, decentralizing the power of management to the other managements based on skills, knowledge, experience and the competence of each individual as appropriate. Moreover, the Company has policy to support and develop of knowledge, skills, and leadership skills to management and staff continuously, as well as policy on recruitment and dates having knowledge and capabilities to work with the Company according to its expansion plans to create sustainable growth.

During the end of year 2016 to the beginning of January 2017, Ms. Sakuna Baicharoen sold most of her shares to Mr. Apichai Taechaubol's Group and resigned from the position s of director and executive of the Company. The new shareholders group are appointed as directors and executive, effective from January 26, 2017 onwards. Consequently, the risks of dependence on only the management has been reduced.



# Structure of Shareholders and Dividend Policy

## Structure of Shareholders

List of top 10 shareholders as of December 27, 2016, the latest share register book closing date

Shareholders' Names	Number of shares	%
1. The Group of Mr. Sompon Roekwibunsi	162,400,000 <sup>1/</sup>	34.46 <sup>1/</sup>
- Mr. Sompon Roekwibunsi	110,782,000	27.29
- Miss Sakuna Baicharoen	27,022,000 <sup>1/, 2/</sup>	6.66 <sup>1/, 2/</sup>
- Miss Unthika Roekwibunsi	2,096,000	0.52
2. The Group of Mr. Apichai Taechaubol	78,971,500 <sup>1/</sup>	19.45 <sup>1/</sup>
- Mr. Apichai Taechaubol	69,871,500 <sup>1/, 2/, 3/</sup>	17.21 <sup>1/, 2/, 3/</sup>
- Thai Factory Development Plc.	9,100,000 <sup>3/</sup>	2.24 <sup>3/</sup>
3. Mr. Thaveechat Jurangkool		
4. Mr. Prasong Udompakayakul	69,734,400	17.18
5. Mr. Todsapol Panichamnuisuk	4,380,000	1.08
6. Mrs. Jarunee Chinwongvorakul	4,282,700	1.05
7. Mr. Nakorn Luksanakarn	3,553,000	0.88
8. Thai NVDR Co., Ltd.	2,992,200	0.74
9. Mrs. Siriwan Yotsakda	2,710,300	0.67
10. Mr. Chanachai Leenabunjong	2,625,000	0.65
11. Other Shareholders	2,543,200	0.63
	94,307,300	23.22
<b>Total</b>	<b>406,000,000</b>	<b>100.00</b>

**Remark :** <sup>1/</sup> Number of shares after adjusting Big Board transaction (Big Lot) of Miss Sakuna Baicharoen by selling shares to Mr. Apichai Taechaubol in amount of 22.5 million shares or 5.54% on December 30, 2017.

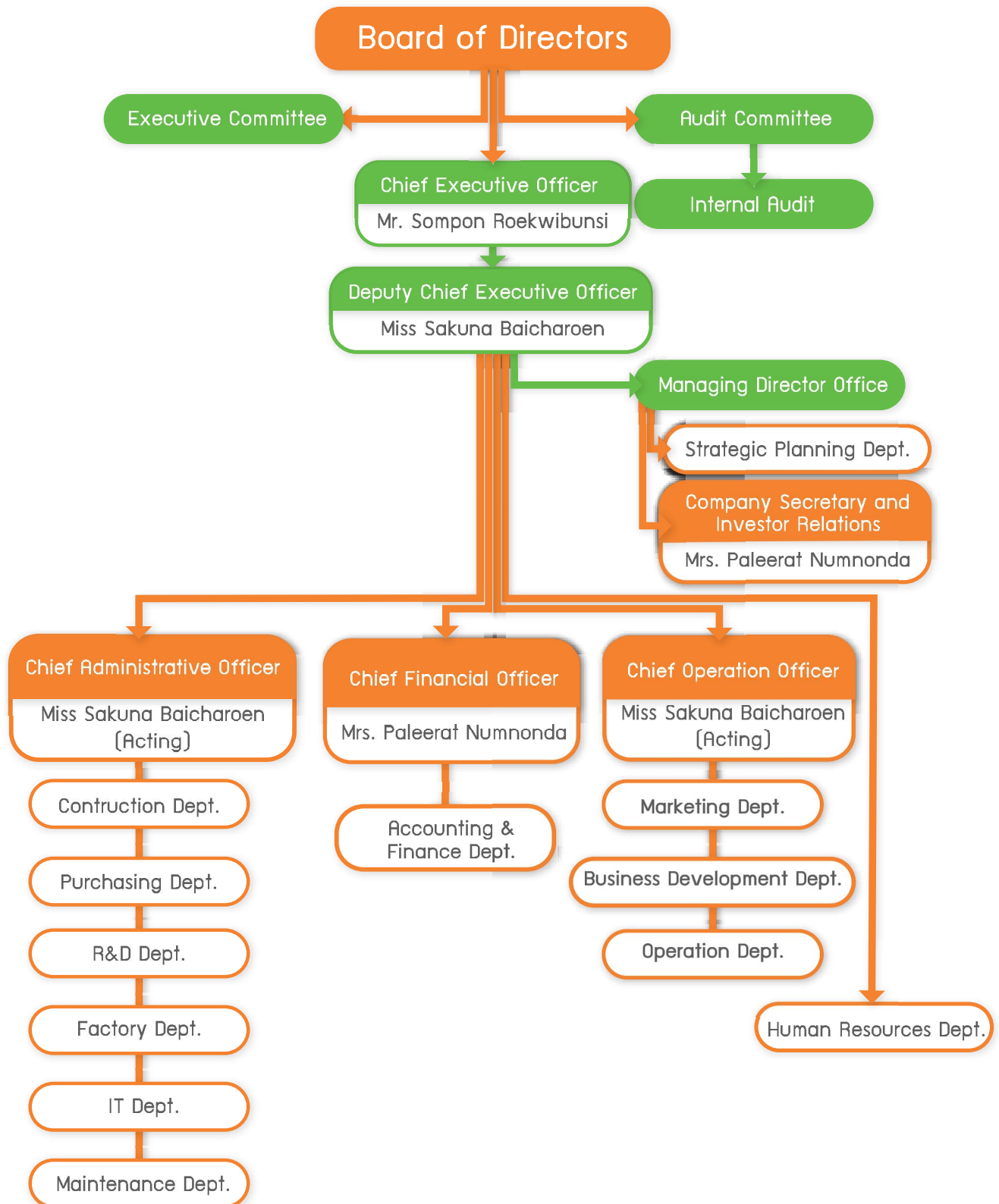
<sup>2/</sup> Miss Sakuna Baicharoen sold her shares on Big Board (Big Lot) to Mr. Apichai Taechaubol amounted to 20.50 million shares or 5.05% on January 11, 2017. Consequently, the number of shareholding by Miss Sakauna Baichareon decreased to 6,522,000 shares or 1.61% (Mr. Sompon Roekwibunsi's Group held 119,400,000 shares or 29.41%) and the number of shareholding by Mr. Apichai Taechaubol increased to 90,371,500 shares or 22.26% (Mr. Apichai Taechaubol's Group held 99,471,500 shares or 24.50%).

<sup>3/</sup> Mr. Apichai Taechaubol bought all shareholding by Thai Factory Development Plc. in amount of 9,100,000 shares on March 7, 2017. As a result, Mr. Apichai Taechaubol held 99,471,500 shares or 24.50%

## Dividend Policy

The Company has dividend policy to pay to shareholders at the rate at least 40% of the net profit after deduction of corporate income tax and reserve fund amounts as stipulated by law. Notwithstanding, the dividend payment is subject to change depending on the investment plans, liquidity, necessities and other factors of suitability in the future. The resolution of the Board of Directors to pay dividend shall be proposed to the shareholders' Meeting for approval. For interim dividend, the Board of Directors may resolve to pay interim dividend without shareholders' approval but must notify the shareholders at the next meeting.

# Management Structure



# Board and Executives

## The Board of Directors

As of December 31, 2016, the Board of Directors consists of 6 members as follows:

No.	Name	Position	Board of Directors' Meeting	
			No. of Meeting	No. of Meeting Attendance
1.	Mr. Metta Charuchinda <sup>1/</sup>	Chairman, Chairman of the Audit Committee and Independent Director	6	6
2.	Mr. Sompon Roekwibunsi	Director	6	6
3.	Miss Sakuna Baicharoen <sup>2/</sup>	Director	6	6
4.	Mr. Amornsakdi Ketcharoon	Member of the Audit Committee and Independent Director	6	6
5.	Mr. Sutee Ratananakin <sup>3/</sup>	Member of the Audit Committee and Independent Director	6	5
6.	Mr. Kan Suthirat <sup>4/</sup>	Director	3	3

**Remark:** <sup>1/</sup> Mr. Metta Charuchinda resigned from the positions of Chairman, Chairman of the Audit Committee and Independent Director, effective from February 20, 2016, and the Board of Directors' Meeting no. 2/2017, held on February 21, 2017, passed resolution to appoint Mr. Apichai Taechaubol to replace the position of Chairman, effective from February 21, 2017 onwards. In this regard, Mr. Apichai Taechaubol has been appointed as Director according to the resolution of the Board of Directors' Meeting no. 1/2017, held on January 16, 2017, effective from January 16, 2017 onwards, replacing the position of Mr. Somchai Roekwibunsi who resigned from the position of Director since August 10, 2016. The Company is in process of recruiting a suitable person to replace the vacant position of Member of the Audit Committee and Independent Director.

<sup>2/</sup> Miss Sakuna Baicharoen resigned from the position of Director, effective from February 20, 2017 and the Board of Directors' Meeting no. 2/2017, held on February 21, 2017, resolved the appointment of Miss Unthika Roekwibunsi to replace the vacant position, effective from February 21, 2017 onwards.

<sup>3/</sup> Mr. Sutee Ratananakin resigned from the position of member of the Audit Committee and Independent Director, effective from January 13, 2017 and the Board of Directors' Meeting no. 1/2017, held on January 16, 2017, resolved to appoint Mr. Prasong Vara-ratanakul to replace the vacant position, effective from January 16, 2017 onwards.

<sup>4/</sup> Mr. Kan Suthirat was elected as Director in accordance with the resolution of 2016 Annual General Meeting of Shareholders, held on April 21, 2016, and resigned from the position, effective from January 13, 2017, and the Board of Directors' Meeting no. 1/2017, held on January 16, 2017, resolved the appointment of Mr. Chotiwiit Taechaubol to replace the vacant position, effective from January 16, 2017 onwards.

Mrs. Paleerat Numnonda is the secretary of the Board of Directors.

### Directors Authorized to Sign on Behalf of the Company

Mr. Sompon Roekwibunsi and Miss Sakuna Baicharoen, two directors jointly sign and affix the Company's seal.



## Tenure of the Board of Directors

At the Annual General Meeting each year, at least of one-third of the directors must retire from office. If the number of the directors retiring from office does not amount to exactly one-third, the nearest whole number of one-third shall be used. The directors with the longest tenure in office shall be required to retire. The retiring directors are eligible for re-appointment.

## Authorities and Scope of Duties of the Board of Directors

- 1) Carry out duties in accordance with laws, the objectives, the Articles of Association of the Company as well as the resolution of the Board of Directors and shareholders with responsibilities, carefulness and honesty while preserving the Company's interests.
- 2) Formulate vision, policies, business strategies, and good governance policy, including implement them in efficient manner.
- 3) Set up business plan, organization and management structure, authorization, annual budget and annual operating budget as well as supervise operation and performance of management team or any person who is assigned to perform such tasks, to ensure compliance with prescribed policies and plans.
- 4) Consider and approve on bank accounts opening, loan acquisition from financial institutes, payment or spending for general business transactions of the Company, such as expenditure for investment, branch expansion, and other operations, etc.
- 5) Consider, appoint and assign roles and responsibilities of the Audit Committee, the Executive Committee and/or other committees to oversee specific business, the Company's benefits, and administrative system to coincide with the Company's policies.
- 6) Evaluate the Management's performance consistently, appoint and dismiss the Company's executives, i.e. the Chairman of the Executives Committee, Chief Executive Officer, Deputy Chief Executive Officer, and other executive as well as control payment mechanism of remuneration for management and employees suitably.
- 7) Appoint the Company's secretary to assist the Board of Directors to conduct business in accordance with related laws and regulations.
- 8) Arrange the Company to have reliable accounting system, financial reports and auditing, oversee the Company to have effective and efficient internal control system and internal audit as well as govern the Company to carry out the business in line with the principle of good corporate governance.
- 9) Govern the Company to have risk management system with efficient process of risk management, reporting and monitoring.
- 10) Report responsibilities of the Board of Directors in preparing the financial report together with auditor's report in the annual report of the Company.
- 11) Treat interest of shareholders consisted of major as well as minor shareholders equally and report important information of operation result and financial reports to all shareholders and stakeholders correctly and compliance with applicable law. In the event that there is any engagement in the Company's agreement or increment or reduction in the Company's or its subsidiary's shares (if any), the directors must inform the Company without any delay. In addition, if any directors involve in any conflicts of interests or conflicts of transactions with the Company or its subsidiary (if any), such directors are prohibited to vote in approval for such transactions.
- 12) Manage to have clear and transparent process and management of connected transactions between the Company and associates, to avoid conflicts of interest as well as disclose correct and sufficient information and regular report to the Board of Directors.
- 13) Consider, approve and/or give opinion in any items related to acquire or sell of securities, investment, and any operation of the Company and its subsidiary (if any) in accordance with related law, announcement, and regulations; except the topic required by law to get approval from the Shareholders' Meeting.

## Approval Authorities of the Board of Directors

- 1) Approve business plans, corporate structure, and management authority.
- 2) Approve annual budget and annual operating budget.
- 3) Approve bank accounts opening and loan acquisition from financial institutes in amount over approval authority of Executive Committee.
- 4) Approve to hire, appoint, and dismiss Chief Executive Officer and Deputy Chief Executive Officer, appoint Chief Officers, and evaluate performance of Chief Executive Officer.
- 5) Approve salary structure, welfare and other benefits.
- 6) Approve policy regarding fixed assets.

## Authorities and Scope of Duties of the Chairman of the Board

- 1) Act as the leader and take important role in making a decision of the Company's policy which the Board of Directors' meeting and the management jointly consider and set business goal. The Chairman of the Board also regularly supports and advises on the management's business operation thru the Chief Executive Officer.
- 2) Lead the Board of Directors' meeting with efficient and effective manner and encourage all directors to participate the meeting and to give their opinion independently. The Chairman of the Board and the Chief Executive Officer jointly establish the agendas of the meeting as well as give opportunity to each director to propose any agendas to be considered as the agendas of the meeting. The Chairman of the Board will have a casting vote in case the Board of Directors' meeting has a tie vote.
- 3) Act as the Chairman of the Shareholders' meeting and control the meeting to comply with the Company's regulation and specified agendas of the meeting.

## The Audit Committee

As of December 31, 2016, the Audit committee consists of 3 members as follows:

No.	Name	Position
1.	Mr. Metta Charuchinda <sup>1/</sup>	Chairman of the Audit Committee
2.	Mr. Amornsakdi Ketcharoon	Member of the Audit committee
3.	Mr. Sutee Ratananakin <sup>2/</sup>	Member of the Audit committee

**Remark :** <sup>1/</sup> Mr. Metta Charuchinda resigned from the positions of Chairman, Chairman of the Audit Committee and Independent Director, effective from February 20, 2016.

<sup>2/</sup> Mr. Sutee Ratananakin resigned from the position of member of the Audit Committee and Independent Director, effective from January 13, 2017 and the Board of Directors' Meeting no. 1/2017, held on January 16, 2017, resolved to appoint Mr. Prasong Vara-ratanakul to replace the vacant position, effective from January 16, 2017 onwards.

Mrs. Paleerat Numnonda is a secretary of the Audit Committee.

Mr. Amornsakdi Ketcharoon has knowledge and competent to review the reliability of the financial statements.

## Tenure of Audit Committee

Tenure of Audit Committee is three years except for the case of retirement by rotation according to the company's regulation and they may be re-elected.

## Authority of the Audit Committee

- 1) Perform according to scope of duties and responsibilities, the Audit Committee shall have authority to invite members of the management, executives or staff to report, make comments, attend meetings or provide any documents as deemed relevant and necessary.
- 2) Have authority to hire independent external consultants to provide advice or opinion as deem necessary, at the Company's expenses and in line with the Company's regulation.

## Scope of Duties of the Audit Committee

The Audit Committee directly reports to the Board of Directors and their role and responsibility are assigned by the Board of Directors as follows:

- 1) Review the Company's financial reporting to ensure that it is accurate and disclosure of information is adequate by coordinating with external auditor and executives who are responsible for preparing both annually and quarterly financial reports.
- 2) Review the Company's internal control system, internal audit system and risk management system to ensuring their appropriateness and effectiveness.
- 3) Review the Company's operation in compliance with laws on securities and exchange, regulation of the Stock Exchange of Thailand, policies, rule, regulation and other laws applicable to the Company's business.
- 4) Consider the independence of internal audit unit as well as to approve the appointment, transfer and dismissal of the chief of internal audit unit or any other units in charge of internal audit.
- 5) Consider, select, nominate and dismiss an independent person to be the Company's auditor and to propose remuneration of the auditor to the Board of Directors for consideration and approval by the Shareholders' Meeting as well as to attend the non-management meeting with the auditor at least once a year.
- 6) Consider the related transactions or transactions that may lead to any conflict of interest in compliance with the law and regulation of the Stock Exchange of Thailand and Capital Market Supervisory Board so as to ensure that such items are reasonable and for the highest benefit of the Company.
- 7) During performing its duties, if the Audit Committee detects or suspects any doubtful transaction or activities as shown below that may significantly affect the Company's financial status or operating results, it should report to the Board of Directors in order to resolve such transactions or activities promptly.
  - Conflict of interest transactions
  - Corruption or abnormal transactions, or fault which are significant in the internal control system of the Company
  - Violation or infringement of Securities and Exchange Laws, Regulations and Proclamations of Stock Exchange of Thailand, the Office of the Securities and Exchange Commission, and Capital Market Supervisory Board as well as laws applicable to the Company's business

If the Board of Directors or the executives cannot promptly resolve such transactions or activities, members of the Audit Committee may report the findings to The Office of The Securities and Exchange Commission or Stock Exchange of Thailand.

- 8) If the Company's auditor detects any doubtful events related to a director, manager or any person in charge of the Company's operation that might violate the law and reports such events to the Audit Committee, the Audit Committee shall promptly inspect and report the outcome of preliminary audit result to The Office of The Securities and Exchange Commission and the auditor within 30 days after receiving the report from the auditor.



- 9) Prepare reports of the Audit Committee by disclosing in the Company's annual report in which shall be signed by the Chairman of the Audit Committee and consist of at least the following information:
  - (a) Opinion on accuracy, completeness, and reliability of the Company's financial statement report
  - (b) Opinion on adequacy of the Company's internal control system
  - (c) Opinion on the Company's operation compliance with laws on securities and exchange, regulation of the Stock Exchange of Thailand or laws applicable to the Company's business
  - (d) Opinion on suitability of an auditor
  - (e) Opinion on transactions that may lead to conflicts of interests
  - (f) Number of the meetings of the Audit Committee and meeting attendance of each member of the Audit Committee
  - (g) Comment or overview observation which the Audit Committee has obtained from its performance of duties pursuant to the Charter
  - (h) Any transactions considered appropriate for informing shareholders and general investors under the scope of duties and responsibilities as assigned by the Board of Directors
- 10) Review the Charter of Audit Committee annually and propose to the Board of Directors for approval.
- 11) Evaluate the Audit Committee's performance annually and report to the Board of Directors.
- 12) Perform any other act as assigned by the Board of Directors.

## The Executive Committee

As of December 31, 2016, the Executive Committee consisted of 3 members as follows:

No.	Name	Position
1.	Mr. Sompon Roekwibunsi	Chairman of the Executive Committee
2.	Miss Sakuna Baicharoen <sup>1/</sup>	Executive Director
3.	Mrs. Paleerat Numnonda <sup>2/</sup>	Executive Director

**Remark :** <sup>1/</sup> Miss Sakuna Baicharoen resigned from the position of Executive Director, effective from January 26, 2017 and the Board of Directors' Meeting no. 1/2017, held on January 16, 2017, resolved the appointment of Mr. Chotiwit Taechaubol to replace the vacant position, effective from January 26, 2017 onwards.

<sup>2/</sup> Mrs. Paleerat Numnonda was appointed as Executive Director in accordance with the resolution of the Board of Directors no. 2/2016, held on February 25, 2016, effective from March 7, 2016 onwards, replacing the position of Mr. Wisit Wachiral-abpaitoon who resigned from the Company, effective from March 7, 2016.

Mr. Somchai Roekwibunsi, resigned from the position of Executive Director, effective from July 15, 2016 and the Board of Directors' Meeting no. 1/2017, held on January 16, 2017, resolved the appointment of Miss. Untika Roekwibunsi to replace the vacant position, effective from January 26, 2017 onwards.

## Tenure of the Executive Committee

Tenure of Executive Committee is three years and they may be re-elected to hold the position.

## Authorities and Scope of Duties of the Executive Committee

The Executive Committee directly reports to the Board of Directors and possess authority, duties and responsibilities as assigned by the Board of Directors as follows:

- 1) Control and manage the company according to the assignment from the Board of Directors.
- 2) Determine the Company's policies, strategies, business plans, budget and annual operating budget and submit them to the Board of Directors for approval.
- 3) Consider and determine the Company's organization chart, management authority, remuneration of directors and executives as well as salary structure, employees' welfare and benefits, prior to propose them to the Board of Directors for approval.
- 4) Consider and approve on capital expenditure not specified in annual budget or over annual budget with total amount not exceeding Baht 20 million per year and approve on extra expenses from annual operating budget not over 10 million and report to the Board of Directors when such transactions are approved.
- 5) Consider and approve on the Company's borrowing or credit line not over than Baht 30 million per annum. In the event of the excess of determined limit, the Executive Board should propose it to the Board of Directors for further consideration and approval.
- 6) Consider and approve on operation plans such as production and goods procurement policy, goods selling policy, price structure and branch opening/closing, etc.
- 7) Manage the risk of the Company's operating activities by establishing risk management policy as well as risk evaluation and monitoring in order to propose to the Board of Directors.
- 8) Has authority, duties and responsibilities to make a decision and direct under the authority extent assigned by the Board of Directors so as to be pursuant to authority rule for approval and operation as approved by the Meeting of the Board of Directors.
- 9) Examine and follow up the Company's operating result compliance with policy, business plans and management guideline, approved by the Board of Directors to ensure that it is efficiently and effectively.
- 10) Occasionally carry out other duties, assigned by the Board of Directors.

## The Management Team

At December 31, 2016, the Management Team consisted of 3 members as follows:

No.	Name	Position
1.	Mr. Sompon Roekwibunsi	Chief Executive Officer
2.	Miss Sakuna Baicharoen <sup>1/</sup>	Deputy Chief Executive Officer
3.	Mrs. Paleerat Numnonda <sup>2/</sup>	Chief Financial Officer

**Remark :** <sup>1/</sup> Miss Sakuna Baicharoen resigned from the position of Deputy Chief Executive Officer, effective from January 26, 2017 and the Board of Directors' Meeting no. 1/2017, held on January 16, 2017, resolved the appointment of Mr. Chotiwit Taechaubol to replace the vacant position, effective from January 26, 2017 onwards.

<sup>2/</sup> Mrs. Paleerat Numnonda was appointed as Chief Financial Officer in accordance with the resolution of the Board of Directors no. 2/2016, held on February 25, 2016, effective from March 7, 2016 onwards, replacing the position of Mr. Wisit Wachiralabpaitoon who resigned from the Company, effective from March 7, 2016.

Mr. Somchai Roekwibunsi, resigned from the position of Chief Administrative Officer, effective from July 15, 2016 and the Board of Directors' Meeting no. 1/2017, held on January 16, 2017, resolved the appointment of Miss. Untika Roekwibunsi to replace the vacant position, effective from January 26, 2017 onwards.

## Authorities and Scope of Duties of the Chief Executive Officer

Roles and responsibilities of the Chief Executive Officer (“CEO”) assigned by the Board of Director are to directing the Company’s operation which will cover the following roles:

- 1) Supervise and approve the overall operation and/or daily administration according to objectives, rules, regulations, direction and the resolution of the meetings of the Board of Directors and shareholders.
- 2) Prepare and present policy, business plan, budgets, management structure and administrative power to the Executives Committee for consideration before proposing to the Board of Directors for approval.
- 3) Perform duties according to approved policy, plan and budget.
- 4) Have authority to recruit, assign, rotate, promote, suspension, dismiss and determine salary rate and other remunerations, including commission, increment of salary, remuneration, and bonus payment of the employees.
- 5) Have authority to issue, amend, add and modify command, regulations, records, and work regulations of the Company to make all employees work in accordance with its policy, benefits and work disciplines.
- 6) Have authority to approve purchase orders, employment contract, rental/hire purchase agreement of fixed assets with the amount not more than 5 million baht, sales of fixed with the amount not more than Baht 2 million, including making approval for fixed asset transferring among departments or subsidiaries.
- 7) Have authority to approve purchase request/purchase order of fresh food, dried food, consumable, equipment in amount more than Baht 1 million, including increase product’s categories, product’s price, improve product sales standard (e.g. weight, shape, etc.).
- 8) Develop organization and human resource continuously for higher quality and performance, including control and keep good image of the Company.
- 9) Perform any other duties as assigned by the Board of Directors and/or the Audit Committee.

## Company’s Secretary

According to the Board of Directors’ Meeting no. 5/2013 held on November 12, 2013, the Meeting passed the resolution to appoint Mrs. Paleerat Numnonda as a Company’s Secretary.

## Authorities and Scope of Duties of Company’s Secretary

1. Provide advice to the Board and executives regarding laws and the Company’s regulations and Articles of Association and monitor the accuracy of execution as well as report any significant changes to the Board.
2. Facilitate the Board’s activities.
3. Organize the meetings of the Board of Directors and Shareholders in accordance with applicable laws and regulations and record the related minutes as well as monitor execution of such resolutions.
4. Prepare and keep important documents of the Company consisted of directors’ registration, notice to the meetings, minutes of meetings, annual reports, notice to shareholders’ meeting and reports on directors’ and executives’ interest.
5. Oversee disclosure of all public information in accordance with laws and the SET’s and SEC’s regulations.
6. Perform any other duties and responsibilities in compliance with laws on securities and exchange.



## Remuneration for Directors and Managements

### 1. Directors

- Monetary Remuneration

According to the resolution of Annual General Meeting of Shareholders 2016, held on April 21, 2016, the monetary remuneration for the Board of Directors and the Board of Audit Committee, was meeting allowance, at the same rate of the year 2015, as follows:

Position	Meeting Allowance (Baht per Meeting Attendance)
Chairman of the Board of Directors	15,000
Directors	10,000
Chairman of the Audit Committee	10,000
Members of the Audit Committee	5,000

Only non-executive directors were entitled to receive such remuneration and executive directors in position of the Board of Directors and/or other specialized committees were not entitled to receive such remuneration.

The Company paid monetary remuneration, which was meeting allowance, to the directors as follows:

Remuneration	Meeting Allowance 2015		Meeting Allowance 2016	
	Director	Member of the Audit Committee	Director	Member of the Audit Committee
1. Mr. Sompon Roekwibunsi	-		-	
2. Ms. Sakuna Baicharoen	-		-	
3. Mr. Somchai Roekwibunsi	-		-	
4. Mr. Metta Charuchinda	75,000	40,000	90,000	40,000
5. Mr. Amornsakdi Ketcharoon	50,000	20,000	60,000	20,000
6. Mr. Sutee Ratananakin	50,000	20,000	50,000	15,000
7. Mr. Kan Suthirat <sup>1/</sup>	-		30,000	
<b>Total</b>	<b>175,000</b>	<b>80,000</b>	<b>230,000</b>	<b>75,000</b>

**Remark :** <sup>1/</sup> Mr. Kan Suthirat was appointed in accordance with the resolution of Annual General Meeting of Shareholders, held on April 21, 2015.

- Other Remuneration

-none-

## 2. Executives

- Monetary Remuneration

The Company paid monetary remuneration, which is salary, to executives as follows:

Remuneration	2015		2016	
	Number of Executives (Person)	Amount (Baht)	Number of Executives (Person)	Amount (Baht)
Salary	4	12,720,000	3	11,491,379

- Other Remuneration

Remuneration	2015		2016	
	Number of Executives (Person)	Amount (Baht)	Number of Executives (Person)	Amount (Baht)
Provident fund contribution, social security contribution and benefits after resignation	4	378,587	3	318,631

## Details of the Board of Directors and Executives

### Mr. Metta Charuchinda

Chairman of the Board of Director,  
Chairman of the Audit Committee and Independent Director <sup>1/</sup>

Age 61 years

#### Education

- Doctoral Degree of Political Science (Public Administration) Ramkhamhaeng University
- Master Degree of Management Science University of Connecticut, USA
- Master Degree of Political Science (Public Administration) Ramkhamhaeng University
- Bachelor Degree of Faculty of Science (Statistics), Ramkhamhaeng University



#### Director Training Program

- Director Certificate Program (DCP35/2003)
- Company Secretary Program No. 5/2004
- Director Certificate Program Refresher (DCP Refresher 4 /2007)

**Starting Date of Directorship** February 28, 2011

**Work Experience** (Past 5 years)

Period	Position	Company
February 28, 2011 - Present	Chairman of the Board of Directors, Chairman of the Audit Committee and Independent Director	Hot Pot Plc.
2010 - 2013	Advisor of President	Advance Information Technology Plc.
1999 - 2010	Senior Vice President, President office	Advance Information Technology Plc.
2003 - 2009	Company Secretary, and Secretary of the Audit Committee	Advance Information Technology Plc.

#### Position in other companies

**Other listed companies** - None -

**Other non-listed companies** - None -

#### Shareholding in the Company (as of December 27, 2016)

Personally: - None -

Spouse and minor children: - None -

#### Family Relation with Director/Management - None -

**Remark:** <sup>1/</sup> Mr. Metta Charuchinda resigned from his positions, effective from February 20, 2017.



# Mr. Sompon Roekwibunsi

Director, Chairman of the Executive Committee,  
Chief Executive Officer and Authorized Director

Age 58 years



## Education

- Certificate Ordinary National Diploma, Engineering, Colchester Institute, England

## Director Training Program

- Director Accreditation Program (DAP86/2010)

**Starting Date of Directorship** January 28, 2004

## Work Experience (Past 5 years)

Period	Position	Company
January 28, 2004- Present	Director and Chief Executive Officer	Hot Pot Plc.
2011 - Present	Chairman of the Executive Committee	Hot Pot Plc.

## Position in other companies

**Other listed companies** - None -

**Other non-listed companies** - None -

## Shareholding in the Company (as of December 27, 2016)

Personally: 110,782,000 shares (27.29%)

Spouse and minor children: 27,022,000 shares (6.66%) <sup>1/, 2/</sup>

## Family Relation with Director/Management

Husband of Miss Sakuna Baicharoen, Director, Executive Director  
and Deputy Chief Executive Officer

**Remark:** <sup>1/</sup> Number of shares after adjusting Big Board transaction (Big Lot) of Miss Sakuna Baicharoen by selling shares to Mr. Apichai Taechaubol in amount of 22.5 million shares or 5.54% on December 30, 2017.

<sup>2/</sup> Miss Sakuna Baicharoen sold her shares on Big Board (Big Lot) to Mr. Apichai Taechaubol amounted to 20.50 million shares or 5.05% on January 11, 2017. Consequently, the number of shareholding by Miss Sakauna Baichareon decreased to 6,522,000 shares or 1.61%.

# Miss Sakuna Baicharoen

Director, Executive Director, Deputy Chief Executive Officer  
and Authorized Director <sup>1/</sup>

Age 49 years



## Education

- Master Degree, Business Administration (Marketing), National Institute of Development Administration
- Bachelor Degree, Faculty of Science (Chemistry), Prince of Songkla University

## Director Training Program

- Director Accreditation Program (DAP86/ 2010)

**Starting Date of Directorship** January 28, 2004

## Work Experience (Past 5 years)

Period	Position	Company
January 28, 2004 - Present	Director and Deputy Chief Executive Officer	Hot Pot Plc.
2011 - Present	Executive Director	Hot Pot Plc.

## Position in other companies

**Other listed companies** - None -

**Other non-listed companies** - None -

## Shareholding in the Company (as of December 27, 2016)

Personally: 27,022,000 shares (6.66%) <sup>2/,3/</sup>

Spouse and minor children: 110,782,000 shares (27.29%)

## Family Relation with Director/Management

Wife of Mr. Sompon Roekwibunsi, Director, Chairman of Executive Committee  
and Chief Executive Officer

**Remark:** <sup>1/</sup> Miss Sakuna Baicharoen resigned from the position of Deputy Chief Executive Officer and Executive Director, effective from January 26, 2017 and resigned from the position of Director, effective from February 20, 2017.

<sup>2/</sup> Number of shares after adjusting Big Board transaction (Big Lot) of Miss Sakuna Baicharoen by selling shares to Mr. Apichai Taechaubol in amount of 22.5 million shares or 5.54% on December 30, 2017.

<sup>3/</sup> Miss Sakuna Baicharoen sold her shares on Big Board (Big Lot) to Mr. Apichai Taechaubol amounted to 20.50 million shares or 5.05% on January 11, 2017. Consequently, the number of shareholding by Miss Sakauna Baichareon decreased to 6,522,000 shares or 1.61%.

# Mr. Amornsakdi Ketcharoon

Independent Director and Member of the Audit Committee

Age 50 years

## Education

- Master Degree, Business Administration (Finance and Marketing), University of Chicago, USA.
- Bachelor Degree, Engineering, (Industrial Engineering, Chulalongkorn University)

## Director Training Program

- Director Accreditation Program (DAP89/2011)

**Starting Date of Directorship** February 28, 2011

**Work Experience** (Past 5 years)

Period	Position	Company
February 28, 2011 - Present	Independent Director, Member of the Audit Committee	Hot Pot Plc.
2015 - Present	Director	Broadway Media Co., Ltd.
2015 - Present	Director	Power Matic Co., Ltd.
2009 - Present	Director	The Brooker Planner Co., Ltd.
2006 - Present	Senior Vice President, Financial Advisory	The Brooker Group Plc.
2009 - 2014	Independent Director, Member of the Audit Committee	Datamat Plc.
2012 - 2013	Independent Director, Member of the Audit Committee	Vejthani Plc.

## Position in other companies

**Other listed companies** - 1 company -

- Senior Vice President, Financial Advisory, The Brooker Group Plc.

**Other non-listed companies** - 3 companies -

- Director, Broadway Media Co., Ltd.
- Director, Power Matic Co., Ltd.
- Director, The Brooker Planner Co., Ltd.

**Shareholding in the Company** (as of December 27, 2016)

Personally: -None-

Spouse and minor children: - None -

**Family Relation with Director/Management** - None -





# Mr. Sutee Ratananakin

Independent Director and Member of the Audit Committee <sup>1/</sup>

Age 68 years



## Education

- Master Degree, Science in Marketing Communications, Roosevelt University, Chicago, USA
- Bachelor Degree, Communication Arts, Chulalongkorn University
- Certificate in Social Welfare, National Social Welfare Institution Training
- Advance Marketing and Strategic Marketing, University of Minnesota, USA
- Merchandising and Strategic Planning, London, UK

## Director Training Program

- Director Certification Program (DCP 35/2003)

**Starting Date of Directorship** August 13, 2014

**Work Experience** (Past 5 years)

Period	Position	Company
August 13, 2014- Present	Independent Director, Member of the Audit Committee	Hot Pot Plc.
2014 - Present	Chairman of the Executive Committee	Supreme Agritech Co., Ltd.
2009 - Present	Specialized Committee Member	Academic Council, Rajamangala University of Technology
2007 - Present	Executive Director	Chulalongkorn University Broadcasting Station
2012 - 2015	Chairman of the Executive Committee	Asia Supreme Co., Ltd.
2010 - 2015	President & CEO	Asia Supreme Co., Ltd.
2008 - 2014	Director, Managing Director	Pharma Cosmet Plc.
2011 - 2012	Managing Director	BD Trading Co., Ltd.
2011 - 2012	Director	VMV (Thailand) Co., Ltd.
2007 - 2012	Managing Director	British Dispensary (L.P) Co., Ltd.

## Position in other companies

**Other listed companies** - None -

**Other non-listed companies** - 3 companies -

- Chairman of the Executive Committee, Supreme Agritech Co., Ltd.
- Specialized Committee Member, Academic Council, Rajamangala University of Technology
- Executive Director, Chulalongkorn University Broadcasting Station

**Shareholding in the Company** (as of December 27, 2016)

Personally: - None -

Spouse and minor children: - None -

**Family Relation with Director/Management** - None -

**Remark:**<sup>1/</sup> Mr. Sutee Ratananakin resigned from his position, effective from January 13, 2017.

# Mr. Kan Suthirat

Director <sup>1/</sup>

Age 56 years



## Education

- Bachelor Degree of Faculty of Education (Art Education),  
Major in Commercial Design, Chulalongkorn University

## Director Training Program

- None -

**Starting Date of Directorship** April 21, 2016

## Work Experience (Past 5 years)

Period	Position	Company
April 21, 2016 - Present	Director	Hot Pot Plc.
1997 - Present	Managing Director / Client Service Director	Identity Advertising Ltd.

## Position in other companies

**Other listed companies** - None -

**Other non-listed companies** - None -

**Shareholding in the Company** (as of December 27, 2016)

Personally: - None -

Spouse and minor children: - None -

**Family Relation with Director/Management** - None -

**Remark:** <sup>1/</sup> Mr. Kan Suthirat resigned from the position, effective from January 13, 2017.

# Mrs. Paleerat Numnonda

**Executive Director, Chief Financial Officer, Investor Relations and Company Secretary**

Age 53 years



## Education

- Master Degree, Business Administration, University of Wisconsin (Madison), USA
- Bachelor Degree, Political Science (Public Finance), Chulalongkorn University

## Company Secretary Training Program

- Fundamentals of Law for Corporate Secretaries, arranged by Thai Listed Companies Association

## Work Experience (Past 5 years)

Period	Position	Company
March 7, 2016 - Present	Executive Director and Chief Financial Officer	Hot Pot Plc.
November 12, 2013 - Present	Investor Relations and Company Secretary	Hot Pot Plc.
2012 - 2013	Senior Vice President	Marketing and Business Development Department Land and Houses Fund
2006 - 2011	Senior Vice President	Operation Department United Securities Plc.

## Shareholding in the Company (as of December 27, 2016)

Personally: - None -

Spouse and minor children: - None -

**Family Relation with Director/Management** - None -



## Shareholdings by the Directors of Directors and Executives

Names	Position	November 19, 2015		December 27, 2016		Changes during the Year
		No. of Shares	Proportion (%)	No. of Shares	Proportion (%)	
1. Mr. Metta Charuchinda	Chairman of the Board of Director, Independent Director and Chairman of the Audit Committee	-	-	-	-	-
Spouse and minor children		-	-	-	-	-
2. Mr. Sompon Roekwibunsi	Director, Chairman of the Executive Committee, Chief Executive Officer, Authorized Director	110,782,000	27.29	110,782,000	27.29	-
Spouse and minor children		102,022,000	25.13	27,022,000 <sup>1/ 2/</sup>	6.66 <sup>1/ 2/</sup>	(75,000,000)
3. Miss Sakuna Baicharoen	Director, Executive Director, Deputy Chief Executive Officer and Authorized Director	102,022,000	25.13	27,022,000 <sup>1/ 2/</sup>	6.66 <sup>1/ 2/</sup>	(75,000,000)
Spouse and minor children		110,782,000	27.29	110,782,000	27.29	-
4. Mr. Amornsakdi Ketcharoon	Independent Director, Member of the Audit Committee	-	-	-	-	-
Spouse and minor children		-	-	-	-	-
5. Mr. Sutee Ratananakin	Independent Director, Member of the Audit Committee	-	-	-	-	-
Spouse and minor children		-	-	-	-	-
6. Mr.Kan Suthirat	Director	-	-	-	-	-
Spouse and minor children		-	-	-	-	-
7. Mrs. Paleerat Numnonda	Executive Director, Chief Financial Officer	-	-	-	-	-
Spouse and minor children		-	-	-	-	-

**Remark :** <sup>1/</sup> Number of shares after adjusting Big Board transaction (Big Lot) of Miss Sakuna Baicharoen by selling shares to Mr. Apichai Taechaubol in amount of 22.5 million shares or 5.54% on December 30, 2016.

<sup>2/</sup> Miss Sakuna Baicharoen sold her shares on Big Board (Big Lot) to Mr. Apichai Taechaubol amounted to 20.50 million shares or 5.05% on January 11, 2017. Consequently, the number of shareholding by Miss Sakauna Baichareon decreased to 6,522,000 shares or 1.61%.

# Good Corporate Governance

## Good Corporate Governance Performance Report

The Company gives precedence to efficient, transparent, and verifiable management system, leading to confidence of all related parties and sustainable growth of the Company's business. To operate ethically and compliance with related laws, the Company has established a good corporate governance policy to enhance the existing operation to be in clear standard and distribute to the employees in all level in order to reinforce a culture of corporate governance.

The Board of Directors' Meeting held in 2016 reviewed and approved the corporate governance policy, which the charter of the Audit Committee was revised by adding annual self-assessing the Audit Committee's performance and reporting to the Board of Directors.

### Corporate Governance Report of Listed Companies 2016

According to the Corporate Governance Report of Thai Listed Companies 2016 evaluated by the Thai Institute of Directors (IOD), the result of the corporate of the Company was improved to the level of excellent or 4 stars with score of 87% and in the Top Quartile of listed companies with market capitalization of Baht 1,000-2,999 Million, compared with the level of excellent or 4 stars with score of 84% in 2015, while the average score of all listed companies under the survey was 78%.

### Quality of Annual General Meeting of Shareholders 2016

According to the evaluation of the quality of Annual General Meetings of Shareholders 2016 of listed companies, carried out by the Thai Investors Association, the result of the quality evaluation the Company was rated superb with score of 97.75%, compared with 99.63% of 2015, while the average score of all listed companies under the survey was 91.62%.

In 2016, the company performed its operation in accordance with good corporate governance, which is in line with 5 sections of the 2006 good corporate governance guidelines promoted by the Stock Exchange of Thailand (SET) as follows:

## Section 1 The Rights of Shareholders

The Company takes the shareholders' fundamental rights into account and recognizes the importance of all shareholders both in terms of investors and owners of the Company, for instance right to buy, sell, and transfer shares held independently; right to share dividends from the Company's retained earnings; right to obtain relevant and sufficient information of the Company; right to participate in the Annual General Meeting of Shareholders; the rights to give their opinions; right to make decisions on the key issues of the company such as dividend payment, the appointment of directors, nomination of auditor, approval for important transactions that affect direction of the business operation, amendment of the Memorandum of Association and/or the Articles of Association, etc.

In addition to the fundamental rights as stated above, the Company also follows the criteria on the rights of shareholders including institute shareholders as follows:

1. As the Company is required to convene an annual general meeting of shareholders within four months from the last day of its fiscal year, the Company held the Annual General Meeting of Shareholders 2016 on April 21, 2016 at 2.00 pm. at Sitarom Room, 2nd Floor, Phranakorn Grand View Hotel, Phranakhon Rajabhat University, 9 Chaengwattana Road, Anusawari, Bangkok, Bangkok 10220. The Company established the notice of Meeting specifying the venue, date, time, agenda, and items with appropriate details to be proposed to the Shareholders' Meeting. The shareholders were informed on the date and agenda of the meeting via SET's communication system 55 days prior to the meeting date. The proposed items, submitted together with the comments of the Board of Directors, in both Thai and English, were identified clearly whether they are for information, approval, or consideration as the case maybe. The Company also disclosed the invitation letter as well as related documents on the Company's website 34 days before meeting date so that the shareholder have sufficient time for consideration. After that, same documents were delivered to the shareholders by TSD, the Company's registrar, within 14 days before the meeting date. Furthermore, the invitation letter was 3 days continually published on the newspaper 22 days prior to the meeting date according to the law.
2. The Company encouraged the Board of Directors, the management, and relevant organizations, including the external auditor to participate the Shareholders' Meeting simultaneously. In the Annual General Meeting of Shareholders 2016, Board of Directors consisted of 6 directors and 5 of them attended the meeting, In addition, the Chief Financial Officer (CFO) and the auditor participated this Meeting.
3. The Company provided the shareholders some chance for delivery any comment, suggestion, and questions to the Company prior to the Shareholders' Meeting date. In the Annual General Meeting of Shareholders 2016, the Company announced on the Company's website to invite shareholders to propose agenda items in advance during October 1 to December 31, 2015.
4. Before starting the Shareholders' Meeting, the Chairman clearly informed all rules to be used in the Meeting and the procedures of voting for each agenda resolution.
5. In the Shareholders' Meeting, before casting the votes in each agenda, the Company provided the shareholders some chance to share their opinions, suggestions, or questions independently and equally. The relevant directors and management attending the Shareholders' Meeting provided the answers for the shareholders. The key issues and comments were recorded in the minute of the Meeting for shareholders' verification.
6. To elect directors in the Shareholders' Meeting, the Company gave opportunity to shareholders to vote director, one by one, which shareholders are entitled to elect a qualified person to be the Company's director.
7. The Company ran the Shareholders' Meeting by following the agenda provided in the notice of the Meeting. The Company did not add any agenda or change priority of them.
8. To be transparent and verifiable, the Company used voting cards for all agendas. In addition, the registration and vote submission of the Shareholders were carried out via computer system for quick and precise process. Additionally, the representative of the auditor was invited to be an inspector in the vote counting.
9. After the Meeting, the Company announced the voting result and the resolutions of the Shareholders' Meeting not later than 9.00 a.m. on the next business day after the Shareholders' Meeting date via the system of the Stock Exchange of Thailand (SET) and the Company's website. The Company also established the minute of the Meeting with correct and complete information within 14 days after the Shareholders' Meeting date and then announced it via the system of the Stock Exchange of Thailand (SET) and the Company's website for the Shareholders' verification.



## Section 2 The Equitable Treatment of Shareholders

### 1. Proposal of agenda and nominated directors

The Company has policy to treat all shareholder groups which are major, minor, management or non-management, with equality. One or several shareholders holding the Company's shares, minimum share in amount of 2,000,000 shares, are allowed to propose additional agendas of the Annual General Meeting of Shareholders and nominated persons who have knowledge, competency, and qualification for election as directors in advance. Thus, the Board of Directors shall consider and select such issue for being an agenda of the Meeting of Shareholders. By this case, the Company has determined clear criteria of entitlement and announced to the shareholders via the Company's website.

In the Annual General Meeting of Shareholders 2016, the Company invited shareholders to propose agenda and to nominate qualified candidates to be elected as directors in advance from October 1, to December 31, 2015. However, no shareholder proposed any additional agenda and nominated directors.

### 2. Appointment of proxies in the Shareholders' Meeting

The Company sent Proxy Form B. determined by Ministry of Commerce, together with the notice of the Meeting so that shareholders can appoint other persons as their proxy to attend the meeting and vote on their behalf in the case that they are unable to attend the meeting. In this regard, in case that shareholders prefer to use Proxy Form A. or Proxy Form C., they can download such Proxy Form from the Company's website. Shareholders independently decide to select any proxy form as they prefer, however the Company encourage shareholders to use Proxy form B. since they can specify the voting for each agenda item by themselves. In addition, the Company proposed an independent director to be appointed as proxy, attached together with the invitation letter.

### 3. Use of inside information

To ensure fairness and equality for all stakeholders, the Company strictly controlled usage of inside information to prevent abusive self-dealing. The Company has established guidelines in written to maintain inside information of the Company and to protect use of internal information for personal benefits. Please see more information in the topic of inside information control.

### 4. Conflict of Interest

The Company has determined guideline to handle conflict of interest issues transparently and verifiably, especially consideration of transaction between the Company and stakeholders or any relevant party. Once there was conflict of interest issue, the person who related to the issue must report the Company immediately without taking any part in consideration or vote in the issue. In addition, the Company has determined guidelines to prevent the relevant directors or management who has gain or loss in such issue take part in consideration of the transaction. Regarding the vote in the Board of Directors' Meeting, the director who has gain or loss in the conflict of interest issue shall not be entitled to vote in such issue.

## Section 3 The Role of Stakeholders

### 1. Treatment of each stakeholder group

The Company takes majority in concerning the rights of all stakeholder groups, include internal stakeholders i.e. shareholders, management, and employees of the Company; or external stakeholders e.g. creditors, clients, suppliers, competitors, public sector, society and community etc. Thus, the Company shall perform in accordance with related laws and regulations to take good care of the stakeholders' rights. In addition, the Company always operates its business by concerning of the rights of all stakeholders according to the following guidelines;

**Shareholders :** The Company has its policy to make equitable treatment of shareholders, keep shareholders' benefits, and avoid performing in infringe or refrain the shareholders' rights, including respect to the shareholders' rights of acknowledgment of the Company's information. Thus, the Company shall disclose information to shareholders equally, consistently, correctly, and completely; including provide the shareholders opportunity in query, providing an opinion, suggestion, include proposing additional agenda and nominated directors in the Shareholders' Meeting. Moreover, the Company shall create sustainable growth in order to continuously increase value-added and appropriate returns to the shareholder, as well as operate business in accordance with the Good Corporate Governance.

**Employees :** The Company always recognizes that employees are one of the key assets for development of the Company's growth. Thus, the Company shall treat all employees equally and fairly. The Company has established clear procedures about remuneration, compensation and benefits of employees, such as performance appraisal by KPI, establishment of provident fund, general purpose loan from Government Housing Bank to facilitate employees with special interest rate as well as monthly loan repayment directly from their salary, accidental insurance, annual physical check, other allowances i.e. funeral allowance etc. In addition, the Company also arranges some activities for building employees relationship such as sport activity, New Year party, merit making ceremony at the Company's head office and factory, birthday party; grant annual rewards to operation staff at branch whose performance are outstanding in specified aspects; grant rewards to factory model employees; develop employees' competency; provides good environment and takes care of employees' health in the workplace for their safety; considers opinion, suggestion, compliant and whistleblowing of employees in all level equally and equitably thru various channels specified by the Company; including strictly performs in accordance with laws and regulation related to employees.

In 2016, the average training hours of employees were equal to 11.90 hours per man.

**Clients :** The Company has policy and procedure to continuously develop quality of goods and service to maximize customers' satisfaction. Thus, the Company shall deliver good, qualified, clean, safe products/ service in fair and reasonable price; build good relationship with customers, be friendly with customers, consistently arrange customer satisfaction survey, including provide some channels to receive customers' complaint and suggestion to resolve or improve some mistake or problems quickly.

- Suppliers** : The Company recognizes in equality, fair, non-exploit, and integrity in business operation, protect mutual benefits with suppliers, and operate business with code of conduct. The Company has determined clear procedures for suppliers' selection, including prohibited for request, receipt, or payment of any dishonest benefits from/to the suppliers. The Company has sent the notification letters to all suppliers regarding the Company anti-corruption policy since January 21, 2014.
- Creditors** : The Company has established approach and procedure not to infringe creditors' rights by strictly perform in accordance with terms and conditions in the loan agreement, make repayment as scheduled, not apply loan in the way that oppose to the objectives agreed in the agreement, not use dishonest approach to conceal information or fact which may cause some damage to the creditors, including not request, not receive, or not pay any dishonest benefits from/to the creditors.
- Competitors** : The Company has policy and procedure to compete with trade competitors based on good competition treaty without obstructing other persons/parties in business competition. The Company shall not find any confidential information or secret of trade competitors by inappropriate or dishonest approach, including not accuse any trade competitors without fact or make any unfair action for competition.
- society, and environment** : The Company takes majority concern in community, society, and environment regarding both safety and quality of life, encourage employees to use resources efficiently and prudently and operate business concerning environment effect. The Company, therefore, strictly follows the applicable laws and regulations related to environment by establishing the measure to avoid draining waste water from the factory to public water source. The waste water from the Company's factory must be treated and returned to use internally only. The Company also participates in some activities for development of community, society, and environment, i.e. the program to support students in doing part-time work, drug-free workplace project, supporting activities of the Children Day in community, etc.

## 2. Whistleblowing Channel

The Company has managed the means for stakeholders enabling to send their suggestions, opinions, queries, and complaints directly to our Chairman at email address : chairman@hotpot.co.th or via the company website or suggestion box at branch restaurant or direct phone call according to telephone number as posted a notice at every branch restaurant.

The Company shall proceed with its investigations pursuant to the procedure and record the outcomes in writing without disclosure of whistle-blower's name including keeping complaint filing confidentially for protection of contingent impact toward that whistleblower.

## Section 4 Disclosure and Transparency

The Board of Directors has strong determination to reveal correct, complete, updated, and reliable information necessary for making decisions of the investors and stakeholders, while adhering to the regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), including other information influence on decisions of the investors and stakeholders. The Company has disclosed the Company's information as follows:



- Prepare financial report and the Management Discussion and Analysis (MD&A) as supplement of financial statements disclosure on quarter basis and disclosed via the Company's website as well as SET's online. The Company's financial statements have never been revised under the order of the Stock Exchange of Thailand and the Securities and Exchange Commission. The financial statements were also disclosed to shareholders and investors within specified timeframe. Furthermore, in 2016, the external auditor gave unqualified opinion with an emphasis of matters on Company's financial report regarding the change in accounting policy about revaluation for the land from using cost to fair market value approach to reflect the current value.
- Disclose shareholding of directors and executives in Annual Report and Annual Disclosure Information. In addition, the Company has a policy requiring directors and executives to report a change in their securities holding within 3 business days from the date the securities have been purchased, sold, transferred or accepted transfer. The Company's secretary shall coordinate on submission of such report to the Stock Exchange of Thailand and the Securities and Exchange Commission. It is also specified that any change of such securities holding of directors and executives shall be reported to the Board of Directors' Meeting quarterly.
- Disclosed connected transactions or transactions which might have conflicts of interest of directors and executives and reported to the Board of Directors for approval or acknowledge quarterly.
- Provided several channels for information disclosure, which were SET's Communication system, Annual Report, Annual Disclosure Information (Form 56-1), the Company's website in 2 languages both Thai and English, research analysts and investors visiting the Company and interviewing the executives, press release i.e. newspaper. Furthermore, the Company assigned the investor relations to answer any questions of investors, securities analysts, news reporters, and people in general all the time, which can be contacted by telephone number 02-943-8448 ext.1114 or e-mail address: ir@hotpot.co.th or on the Company's website.

The Company gives opportunities to institutional investors, retail investors, and securities analysts to attend meetings with the management to ask questions about business operation, performance, and business trend. In 2016, no investors and analysts requested for meeting with the Company's management.

## Section 5 Responsibilities of the Board of Directors

### 1. The Board of Directors' structure

#### 1) Composition of Board of Directors

The Board of Directors composed of the persons with diversity including knowledge, profession, skill, competency, sex and experience that are beneficial to the Company. The Board takes an important role in establishment of the policy and overview of the organization, business plan; overseeing, auditing and assessment of the Company's operating result to comply with the plan and in accordance with laws, regulations, and resolutions of the Shareholders' Meeting. The Board concerns in integrity, code of conduct of business operation; including controlling of the management's administration to meet specified goal and procedure, as well as maximize profits for the Company and shareholders.

As of December 31, 2016, there were 6 directors in the Board, composed of 2 Executive Directors comprising Chief Executive Officer and Deputy Chief Executive Officer, 1 Non-Executive Director, and 3 independent directors, equivalent to one-half of total numbers of directors. The Company's independent directors have knowledge and expertise in management, finance and marketing. Moreover, one of executive director is female.

2) Appointment of the Audit Committee

The Board of Directors has appointed the Audit Committee to support in corporate governance of the Company. The Chairman of the Board of Director and the Chairman of the Audit Committee is the same person because he has qualification and ability to give good advices of any issues of the Company's business. The Company has clearly segregated roles, duties and responsibilities of the Board of Directors, the Audit Committee, and the Executive Committee. The Audit Committee shall make decision independently, conduct its special assignment and propose it to the Board of Directors for consideration or acknowledge. The Chairman of the Board shall not take any other position in other sub-committees, except for the Chairman of the Audit Committee as mentioned above.

3) Segregation of roles and responsibilities of the Chairman and the Chief Executive Director

The Company has determined that the Chairman of the Board of Director and the Chief Executive Officer shall not be the same person in order to clarify responsibilities among policy establishment, supervision, and routine administration by clear segregation of roles, duties and responsibilities between the Board of Directors and the Executives and enhance balance of operating power. The Board of Directors has duties to establish policy and supervise the executives' operations in policy level, whereas the executives have duties to manage operation pursuant to specified policies.

4) Election and Term of Office

The Board of Directors shall hold the position for a certain term in accordance with the determination in the Articles of Association. In every subsequent year of the Annual General Meeting of Shareholders one-third of the directors, who have been longest in office, shall retire. In the case that the number of directors cannot be divided by three, then refer to the closet number. However, the retired directors are eligible to be re-elected for another term by obtaining majority vote. The Company has determined the terms of the Independent Directors that they can serve on the directorship no longer than 9 years.

5) Position of Directors in other listed companies

According to the Company's policy, each director shall take positions in listed companies not more than 3 companies.

6) Position of Executive Directors and the Chairman of Executive Committee in other listed companies

The Company has no policy to allow directors who are also executives and the Chairman of Executive Committee to be in positions in other listed companies (except for subsidiaries and associated companies of the Company), unless they are approved by the Board of Directors.

7) Appointment of the Company's secretary

The Board of Directors shall appoint the Company's Secretary to take roles and responsibilities set by the Securities and Exchange Act.

## 2. Roles, Duties, and Responsibilities of the Board of Directors

1) The Board of Directors shall consider and approve key matters in the Company's operation i.e. vision and mission, strategy, action plan, and budget; as well as supervise the management to comply with the designed policy and plan effectively and efficiently. Vision and Mission shall be reviewed and approved in annual basis. The Board of Directors' Meeting no. 6/2016 held on November 10, 2015 considered to revise and approve vision, mission, strategies, business plans and budget for the year 2017 as well as acknowledged follow-up report on the implementation of 2016 strategy plan.

Additionally, department managers are informed about vision, mission and strategy plans approved by the Board of Directors annually, so that they followed those strategy plans. In the Company's 2016 Annual Meeting, executives presented vision, mission, value, goals, objectives, and strategic plans for the year 2016 to branch managers and department managers for acknowledge and implementation.

2) The Board of Directors has clearly segregated roles and responsibility in formulation of corporate governance policy from daily administration. The Board of Directors shall not appoint same person to attain the position of the Chairman of the Board of Directors and Chief Executive Officer.

3) The Board of Directors shall create, take part in, and approve the Corporate Governance Policy. The Board of Directors' Meeting no. 1/2011, held on July 18, 2011, passed the resolution to approve such policy. The Board shall regularly review the policy and performance in accordance with the policy. In 2015, the Board of Directors' meeting no. 1/2015, held on February 26, 2015, revised the Corporate Governance Policy and communicated to everyone in the organization to understand the policy clearly and correctly and enhance them to comply with the policy.

4) The Board of Director has established the Code of Conduct in written to comply with good conducting standard and to present its intention to operate business with transparency, integrity, morality, and take responsible for all stakeholders. In 2015, the Board of Directors' Meeting no. 4/2015, held on August 13, 2015, approved the revision of the Code of Conduct's manual in order to be suitable for the Company's business operation, circumstance of situation change and compliance with Good Corporate Governance Policy. Additional substance has been prepared to cover more practices of directors, executives and employees, treatment towards all groups of stakeholders and performance of duty. The Code of Conduct Manual shall be guidelines for work operation, and correct business practices, reflecting the Company's vision, mission and core value, and operational frameworks which directors, executives and employee at all levels shall abide and perform themselves and carry out their duties the defined code of conduct as follows:

- (1) Treatment toward all stakeholders comprised shareholders, employees, customers, business partners, creditors, competitors, society, community, and environment
- (2) Performing in compliance with law, relevant rules and regulations, and customs, traditions and good morals
- (3) Respect for human rights
- (4) Avoidance of infringement of intellectual property
- (5) Anti-corruption
- (6) Receiving and offering gifts, properties or other benefits
- (7) Conflicts of interest

- (8) Keeping confidential information, use of internal information and trading of the Company's securities
- (9) Protection of the Company's properties
- (10) Internal control
- (11) Distribution of information and interview with the press and the public
- (12) Ethics of directors and executives
- (13) Ethics of employees

In this regard, the Company has announced and informed directors, executives and, employees at all level to acknowledge and comply strictly with the Code of Conduct Manual as well as sign as evidence. The Code of Conduct is also defined as one topic in orientation for new employees. In addition, the Code of Conduct Manual is publicized on the Company's website.

In the Company's 2016 Annual Meeting, the executives presented the Code of Conduct to managers so that they realized the importance of the Code of Conduct and strictly abided by the Code of Conduct.

- 5) The Board of Directors has formulated the policy regarding conflicts of interest by prohibiting any directors, executives, and employees, include anyone related to such persons to find self-benefit which conflict to the Company's interest. By this case, all relevant persons must inform the Company their relationship or engagement in such transactions without participating in consideration and approval for such transactions.

The Audit Committee shall propose the Board of Directors the related transactions and transactions that may have conflicts of interest to consider appropriation of transactions carefully. The Company shall adhere to the regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) regarding determination of pricing, terms and conditions with the person who may have conflicts of interests similar as making transaction with third party. The Company shall also report such transactions in the financial statement, Annual Report, and Annual Disclosure Information (Form 56-1).

- 6) The Board of Directors is aware of efficient supervision, internal control and risk management of both management level and operational level. The internal control system and risk management are key mechanisms to create confidence of management in reduction of business risks and support in efficient business operation by allocating resources properly and achieving the determined target. It also help to protect assets from leaking out or loss by some fraud; make financial reports correct and reliable; control all personal to comply with related laws and regulations; and protect investment of the shareholders. Thus, general rules and practices have been set for management and staff in written notice, i.e. control for utilization of company's assets; distinguish roles and responsibility of operation, controller, and assessor to make balance and suitable verification among one another.

The Board of Directors assigns the Audit Committee to take responsible for reviewing the appropriation and efficiency of the internal control system and risk management, including establish and review the control system of operation; financial report; compliance to rules, regulations, policies, corporate governance as well as risk management, with high awareness of warning signal and irregular items.



In addition, the Audit Committee considered hiring an external entity, Quantum Point Consulting Co., Ltd., to be the internal auditor who is responsible for auditing to ensure that the internal control system is sufficient and appropriate. The internal auditor shall report directly to the Audit Committee, so that it is independent and can perform its auditing duties and counterbalance extremely. The Chairman of the Board, who is also the Chairman of the Audit Committee, will report the summary of internal auditing result prepared by the internal auditor to the Board of Directors for consideration on quarterly basis, so that inappropriate work process will be corrected and improved. The Company shall assess sufficiency of the internal control system at least once a year to ensure that the system operates efficiently. In this regard, the Company Secretary is delegated to coordinate between the internal auditor and other departments in the Company.

7) The Board of Directors is responsible for the Company's consolidated financial statements by assign the Audit Committee to review financial reports and ensure that they were well prepared in accordance with the general acceptance-accounting standard in Thailand and disclose the important information of the Company based on actual information completely and regularly.

### 3. The Board of Directors' Meeting

1) The meeting dates shall be scheduled annually in advance and informs the directors for acknowledge-ment. The Meeting shall be arranged at least once every 3 months and may hold a special meeting as deemed necessary. The company's secretary shall send the Meeting's notice and all documents pertaining to the agenda of the meeting to all directors not less than 7 days before the Meeting date so that the directors have sufficient time to study the information, except for any necessity and urgency case to preserve the right or benefits to the Company.

2) The Chairman of Board of Directors, together with the Chief Executive Officer shall determine and consider issues to be included in the meeting agenda and each director is freely entitled to propose any matters beneficial to the Company for inclusion in the meeting agenda.

3) The Chairman of Board of Directors who is the Chairman of the meeting will allow directors to express their opinion independently. In some agenda items, senior executives may attend the Meeting to clarify and provide additional information for the proposed agenda as well as directly acknowledge the policy in order to implement with efficiency.

4) To form a quorum at the time of the Board passing a resolution, at least 2/3 of the total number of directors must be presented. The resolution of the Board of Directors' Meeting shall be adopted by the majority votes. Each director shall have one vote. A director who has conflicts of interest on a given matter shall not join the Meeting and has no right to vote for the related agenda. In case of an equality of vote, the Chairman of the meeting shall have a casting vote. In the case that any directors disagree with the resolution, he or she can request the company's secretary record his or her objection in the Minute of Meeting or he or she can submit the objection notice to the Chairman.

5) Every directors have right to investigate supplementary documents of the meeting and other important documents. In case that, independent directors or the member of Audit Committee have any query, other directors as well as management shall provide answers quickly and completely.

- 6) The Company's secretary will take minute of the Meeting and submit to the Chairman for approval and certify true by signature, then make it adopted in the next Meeting. In addition, the Company's secretary will keep information or document related to other meetings for future reference.
- 7) All member of the Board of Directors normally attend the meeting, except for necessary cases which shall be notified in advance before the meeting date.
- 8) The Board of Directors set the policy that non-executive directors shall have opportunity to arrange a meeting among themselves as deemed necessary in order to discuss about any crucial management issues without the presence of the management and then inform the Chief Executive Officer of the meeting result.

In 2016, the Directors attended the meetings as follows:

		No. of Meeting Attendance/No. of Total Meeting (times)			
		2015		2016	
		Board of Directors	Audit Committee	Board of Directors	Audit Committee
1. Mr. Sompon	Roekwibunsi	5/5		6/6	
2. Ms. Sakuna	Baicharoen	5/5		6/6	
3. Mr. Somchai	Roekwibunsi <sup>1/</sup>	5/5		4/4	
4. Mr. Metta	Charuchinda	5/5	4/4	6/6	4/4
5. Mr. Amornsakdi	Ketcharoon	5/5	4/4	6/6	4/4
6. Mr. Sutee	Ratananakin	5/5	1/1	5/6	3/4
7. Mr. Kan	Suthirat <sup>2/</sup>	-		3/3	

**Remark :** <sup>1/</sup> Mr. Somchai Roekwibunsi resigned from the position of Director, effective on August 10, 2016.

<sup>2/</sup> Mr. Kan Suthirat was appointed as an additional Director according to the resolution of 2016 Annual General Meeting of Shareholders, held on April 21, 2016.

#### 4. Self-assessment of the Board of Directors

The Board of Directors shall arrange self-assessment for entire committee, not individual, on annual basis. The Board shall jointly determine criteria by modification from an example of the Stock Exchange of Thailand (SET) to be suitable for the Company. The Company's secretary shall deliver the appraisal form to each director. After conclusion of the assessment result, all directors will jointly determine improvement method by sharing each opinion independently. The self-assessment consisted of 6 main items as follows:

- 1) Structure and qualification of the Board
- 2) Roles, duties and responsibilities of the Board
- 3) Board's meeting
- 4) Performing duties of directors
- 5) Relationship with management
- 6) Self-development of directors and development of executives

Self-assessment of 2016 was completed on December 16, 2016, obtaining the average score of 92.10%, up from 84.84% in 2015, and the scores in every assessment item increased.

Since 2016, Audit Committee has assessed its performance. The 3 items for evaluation are as follows:

- 1) Structure and qualifications of the Audit Committee
- 2) Meeting of the Audit Committee
- 3) Role, duties and responsibility of the Audit Committee

Self-assessment of 2016 was completed on December 16, 2016, obtaining the average score of 94.74%, down from 96.05% in 2015, and the score of assessment item regarding structure and qualification of Audit Committee decreased.

## 5. Remuneration

The Company has policy to determine remuneration of directors and executives in suitable level by considering the Company's performance, in consistent with the firms in similar business or industry and based on duties and responsibilities of each director or executive in term of remuneration and/or salary.

### Remuneration of directors

The Annual General Meeting of Shareholders 2016 on April 21, 2016 passed the resolution to determine remuneration of Directors, comprising members of the Board of Directors and members of the Audit Committee. The details of remuneration and payment conditions are shown in the topic remuneration of directors and executives.

### Remuneration of the Chief Executive Officer and executives

The Company carefully considers paying remuneration to the Company's executives in appropriate level which can be competitive with the same business group in order to retain qualified executives with the Company. The executive who is assigned more duties and responsibilities shall be paid higher remuneration in line with more duties and responsibilities.

## 6. Development of directors and executives

The Board of Director specified that whenever there is a new director, the Company's secretary shall provide documents and useful information which shall be beneficial to the duty operation of the new director. In addition, the Company's secretary shall be coordinator for the orientation arranged by the management about business nature and business operation of the Company. In 2016, there was one new director.

The Board of Directors has policy to support and facilitate directors, executives and the Company's secretary to attend training or seminar courses arranged by the Thai Institute of Directors (IOD), the Stock Exchange of Thailand, the Securities and Exchange Commission or other independent organization in order to increase knowledge and improve their performance.

In 2016, the Company arranged directors, executives and the Company's secretary to attend the following training courses:

Attendant	Position	Courses	Arranged by	Date
Mr. Metta Charuchinda	Chairman, Independent Director, and Chairman of the Audit Committee	Meeting and Exchanging Opinion of Executives for the Good Internal Control System of Listed Companies	The Securities and Exchange Commission and The Stock Exchange of Thailand	February 9, 2016
		Chairman Forum 1/2016: "Corporate Governance vs Corporate Performance: Duty or Choice?"	The Thai Institute of Directors	May 13, 2016
		CG Forum 2/2016 "Honest Careful Shield Directors"	The Stock Exchange of Thailand	May 17, 2016
		Audit Committee Forum "New Auditor's Report: What's in it for you?"	The Thai Institute of Directors	June 29, 2016
Mr. Amornsakdi Ketcharoon	Independent Director and member of the Audit Committee	The UK Experience on Implementing the Enhanced Auditor Reporting	The Securities and Exchange Commission and The Stock Exchange of Thailand	January 15, 2016
Miss Sakuna Baicharoen	Director, Executive Director and Deputy Chief Executive Officer	Professional Inside Management Technique	The Securities and Exchange Commission and The Stock Exchange of Thailand	June 27, 2016
Mrs. Paleerat Numnonda	Chief Financial Officer, Investor Relations and Company Secretary	Tutoring for full score of 100	Thai Investors Association	January 21, 2016
		How to Write an Effective MD&A	The Securities and Exchange Commission and The Stock Exchange of Thailand	January 28, 2016
		Class Action	The Securities and Exchange Commission	May 25, 2016



Attendant	Position	Courses	Arranged by	Date
		Business Strategy for IR	The Stock Exchange of Thailand	June 9, 2016
		Professional Inside Management Technique	The Securities and Exchange Commission and The Stock Exchange of Thailand	June 27, 2016
		CG Forum 3/2016 “Dishonesty in organizations, Preventive and Controllable Risk”	The Stock Exchange of Thailand	August 24, 2016
		Enhancing Good Corporate Governance based on CGR Scored	The Thai Institute of Directors	September 26, 2016
		Know New Securities Law, How to Conduct Correctly?	The Stock Exchange of Thailand	October 17, 2016

## Noncompliance with the Principle of Good Corporate Governance

Noncompliance Topics	Reason
1. Individual evaluation of directors	plan to implement
2. Determination of remuneration policy for CEO	plan to implement
3. Succession plan for CEO and high level executives	plan to implement
4. Appointment of Remuneration Committee, Nomination Committee, Corporate Governance Committee	The Company does not appoint those committees since the Company's Board of Directors shall have authority, duties and responsibilities in such implementation
5. Submission for Certified members of Thailand's Private Sector Collective Action Coalition	The Company failed to submit self-evaluation for countering bribery due to lack of staff responsible for document preparation. Nevertheless, the Company complies with defined Anti-Corruption Policy.

## Nomination of Directors and Executives

The Company has no Nominating Committee. Therefore, to select the Company's directors and executives, the directors will discuss together in order to determine the suitable persons with experience, knowledge and ability useful for the Company to be engaged as the directors or the executives. Especially, in case of recruitment of directors, the Company shall give importance to the variety of directors' structure, including knowledge, professional skills, special skills, sex, competency, and experience that are beneficial to the Company. In addition, they shall be hold qualification as stipulated in Section 68 of Public Limited Company Act B.E. 2535 (A.D. 1992) pursuant to related notifications of Securities and Exchange Commission. The crucial qualifications are as follows:

### 1) The Independent Directors

The Board of Directors or the Shareholders' Meeting (as the case may be) appoints the independent directors to be engaged in the Board of Directors. The Company has the policy to nominate the independent directors not less than 1 of 3 of the entire board and having at least 3 Independent Directors.

The criteria for selection of the Independent Directors are based on Company Director Selection Criteria. The qualification of the person who will be involved in acting as the Independent Director shall be considered from the qualification and incompatibility pursuant to Public Limited Company Act and Securities and Exchange Law as well as relevant proclamations, regulations and/or rules. Nominated Independent Directors who have educational background, special skills, work experience and other appropriateness shall be proposed to the meeting of Shareholders to consider for election as the Company's directors. In case where any independent director resigns from his/her position before his/her expiration of the term of office, the Board of Directors may elect an independent director who is fully qualified as a substitute member. The substitute member shall hold office only for the remaining term of office of the member whom he/she replaces.

The Board of Directors determines the qualifications of Independent Directors as follows:

1. Holding not more than 1 percent of the total number of shares with the voting rights of the Company, parent company, subsidiaries, associated companies, major shareholders, or controlling persons of the Company. In this case, for the purpose of calculation, the number of shares held by the related person of each member of the Audit Committee shall also be included.
2. Neither being a director who takes part or used to take part in management, nor being or used to be an employee, staff, an advisor who receives regular salary, nor the controlling person of the Company, parent company, subsidiaries, associated companies, major shareholders or the controlling person of the Company, unless such director has resigned from such position for at least two years.
3. Not being a blood-related person nor legally related as father, mother, spouse, brother, sister and children, including being the spouse of the children of the executives, major shareholders, controlling persons or the persons who will be nominated as the executive or controlling person of the Company or subsidiaries.

4. Neither having, nor used to have any business relationship with the Company, parent company, subsidiaries, associated companies, major shareholders, or controlling persons of the Company in the manner that may obstruct the exercise of independent judgment as a member of the Audit Committee. Moreover, a member of the Audit Committee must neither being, nor used to be a key shareholder or controlling person of the entities having business relationship with the Company, parent company, subsidiaries, associated companies, major shareholders, or the controlling persons of the Company, unless such director has resigned from such position for at least two years.
5. Neither being, nor used to be the auditor of the Company, parent company, subsidiaries, associated companies, major shareholders, controlling persons of the Company, nor being a key shareholder, controlling person or partner of the audit office having the auditor providing auditing service to the Company, parent company, subsidiaries, associated companies, major shareholders, or the controlling persons of the Company, as a member, unless such director has resigned from such position for at least two years.
6. Neither being, nor used to be a provider of any professional services including the legal advisory or financial advisory services that received fees in the amount of more than Baht 2 million per year from the Company, parent company, subsidiaries, associated companies, major shareholders, or controlling persons of the Company, nor being shareholder, the controlling person, or partner of such professional services provider, unless such director has resigned from such position for at least two years.
7. Not being a director who has been appointed as a representative of the Company, major shareholders or shareholders relating to major shareholders.
8. Neither operating the business having the same nature which significantly competes with the business of Company or its subsidiaries, nor being a significant partner or a director who involves in the management, nor being an employee, staff, a member, and a consultant who receives regular salary, or holds more than 1 percent of the total number of shares with the voting rights of a company that operates the business having the same nature and significantly competes with the businesses of the Company or its subsidiaries.
9. Having no other conditions that may obstruct the independent expression of comment on the Company's operation.

Independent Directors shall verify and certify their own independent qualifications at least once a year and inform such qualifications together with their director profiles as at the year end for preparation of Annual Information Disclosure Form (Form 56-1) and Annual Report of the Company.

## 2) Directors and Chief Executive Officer

1. Hold qualification consistent with Public Limited Company Act, Securities and Exchange Act, Code of Conduct, regulation of The Securities and Exchange Commission, Capital Market Supervisory Board and Stock Exchange of Thailand as well as criteria of good corporate governance.
2. Have knowledge, abilities and experience in various professional fields that will be beneficial and creates value added to the Company.
3. Hold qualification to support and promote the implementation of Corporate Governance for creating sustainable value to the company, and perform the role with accountability, care and loyalty, and fully time devotion.

Director Selection and Nomination is in accordance with the method specified in the Company's regulation and the nominated directors shall be approved by the Shareholders' Meeting. The resolution of the Shareholders' Meeting shall be based on majority vote of the shareholders who attend the meeting and have voting rights.

In this regard, the Company provides an opportunity to shareholders to nominate candidates who have knowledge, capability, and have appropriate qualifications to be elected as directors in advance prior to the Annual General Meeting of Shareholders by announcing via SET's communication system and the Company's website.

The Company has stipulated Director Nomination Criteria as follows:

1. The Company should have a set of the Board comprising at least five directors, and not less than half of all number of the directors shall have their residences in the Kingdom. The Board shall vote among the directors to be the Chairman of the Board, and possibly also the Vice Chairman of the Board and other positions as discretion. The role of the Vice Chairman of the Board is in line with the regulation in the affairs assigned by the Chairman of the Board.
2. The Shareholders' Meeting shall vote the directors pursuant to the following criteria and method:
  - (1) Each shareholder has voting right equivalent to the number of share being held.
  - (2) Each shareholder may use all votes to elect one or more directors, in case of election a number of directors, those votes may not be divided in any proportion for any particular director.
  - (3) The persons who receive the highest respective votes shall be elected as directors according to the positions available at that time. The Chairman of the Board shall cast the deciding vote in the case where a voting ties between two persons competing for one available position at the time.



### 3) The Audit Committee

The Board of Directors or the Shareholders' Meeting (as the case may be) shall appoint at least three persons to be members of Audit Committees. Each member of Audit Committee shall be independent director and shall not be the director assigned by the Board of Directors for decision making in business operations of the Company, parent company, subsidiaries, affiliates, subsidiary in the same sequence, major shareholders or controlling and the director of the Company, parent company, subsidiaries, subsidiaries in the same sequence, only listed companies. The member of Audit Committee shall possess the qualification pursuant to Securities and Exchange Law as well as Proclamation, Regulation and/or Rules of Stock Exchange of Thailand stipulated for qualification and operating extent of the Audit Committee.

Anyhow, at least one member of Audit Committee shall be have sufficient knowledge and experience in accounting or financing for performing duties to verify the credibility of financial report as well as other functions as the member of Audit Committees.

### 4) Executive

The Company has no Nomination Committee. Anyhow, the Company has the policy to recruit the person who have knowledge, competency and experience related to the Company's business.

The Chief Executive Officer is assigned to appoint the persons who are intellectual, talented and experienced in company business to be the employees in several levels. In addition, the nomination of supervisors or persons in charge of audit and internal audit tasks shall be primarily consented by the Audit Committee.

## Inside Information

To be transparent and protect find their own interests by using inside information which the Company has not disclosed to public yet as well as to avoid the appropriation of securities trading of internal persons, the Company has established regulation for directors, executives and staffs of the Company to follow.

- 1) The Company's directors, executives and staffs shall keep secret of inside information of the Company, not disclose or find their own interests or others' interests directly or indirectly as well as not trade or transfer in-out the Company's shares by using secret and/or inside information of the Company and/or enter into legal transactions by using confidential and/or inside information of the Company which may cause damage to the Company whether directly or indirectly.
- 2) The Company's directors, executives and staffs in departments that receive inside information, shall not use such information before disclosing to public. In addition, they shall not trade and transfer in-out the Company's shares within 1 month prior to disclosing quarter and annual financial statements to public and at least 1 working day after such disclosure.

Moreover, all directors and executives have signed to acknowledge their duties to report on the Company's shares owned by them, their spouse and minor children to the Securities and Exchange Commission (SEC) within 30 days after taking the position appointment. They shall also report the change of shareholding to SEC within 3 business days after the date of trading and transferring in-out the Company's shares and inform the Company as well as report in the meeting of Board of Directors on quarter basis.

Such regulation is also applied to spouse and minor children of the Company's directors, executives and staffs. In case that, any persons who infringe the regulation shall be punished by discipline and/or law.

## The Audit Fee

In 2016, the Company paid the audit fee to Dharmniti Auditing Co., Ltd., the auditor of the Company in amount of Baht 1,240,000, an increase of Baht 40,000 or 3.33% from the rate of 2015 due to unchanged audit fee since 2013 and additional workload. In addition, there were no other fees paid to the auditor.

# Corporate Responsibilities (CSR)

## Policy

The Company realizes on the significance of business operations in adhering to the implementation of the principles for good corporate governance, business ethics and concurrently responsibilities toward society, community, environment and all parties of stakeholders with strong belief on carrying the Company toward sustainable growth, building of trustworthiness to shareholders, investors, and all parties of stakeholders. The principle of corporate social responsibilities has also been consistent with the company mission, value and code of conduct.

Therefore, the Company has stipulated the corporate social responsibilities policy as the framework for adherence and compliance by the Board of Directors, the executives and all staffs as per below.

### 1. Corporate Governance

The Company operates the business in accordance with good corporate governance principle resulting in transparent and accountable management, equitable treatment to stakeholders, accurate and complete information disclosure, internal data usage control, risk management and compliance to code of conduct, related laws and regulations as well as cultivation of ethical conscious and awareness in business operations to staffs throughout organization.

### 2. Fair Business Doing

The Company encourages fair competition and avoids any executions that may cause conflict of interest and violation of intellectual property or copyright.

### 3. Respect for Human Rights

The Company respects humanity value and dignity of everybody without human right infringement.

### 4. Fair Labor Treatment

The Company is aware that all staffs are most valuable resource of the Company, then giving the precedence to development of staff's potential, compensation and career path of staffs, fair and equitable treatment to staffs, welfare, safety and health in workplace.

### 5. Consumer Responsibilities

The Company emphasizes on customer service standards to response to customers' demand and aims to develop service and product that are safe, have high quality and harmless to customers.

### 6. Environmental Preservation and Energy Conservation

The Company operates business with concerns on environmental impact, effective resource utilization and energy saving.

### 7. Society or Community Development

The Company supports and encourages the society and community development projects and activities such as belongings or money donation, voluntaries for community aid, etc. including promotes the employee participation in public interest activity doing.

## Policy Execution

### 1. Corporate Governance

The Company has established corporate governance policy including right and equitable treatment toward all groups of stakeholders, use of internal information, information disclosure and transparency. The Company operated business with responsibilities compliance with the principle of corporate governance, ethics and code of conduct in business operations of the Company.

### 2. Fair Business Doing

The company has policy and guideline on non-infringement of intellectual property or copyright. Only software with license permission and lawful copyright can be allowed to use in the Company's IT system.

### 3. Respect for Human Rights

The company has policy and practices toward not involving in human right infringement including equitable treatment to staffs based on humanity dignity, respect for individual right and duty, resistance to use of child labor, available process to considering, selecting and rewarding staffs, subject to knowledge and competency in working, disregarding race, religion, class and gender, etc.

### 4. Fair Labor Treatment

- Determine equitable and fair staff compensation and welfare.
- Promote staffs to develop their knowledge and competency properly to their progress in career, set career path for staff, and provide opportunities for all staff to attend promotion examination.
- Arrange working environment with safety and health and sanitation by setting the policy regarding occupational safety, health and environment in workplace on March 6, 2012. The policy is defined development and creation of management system in safety and environment compliance with lawful requirement by establishing Environmental, Occupational Health and Safety Division for activity arrangement, knowledge training and building conscious of safety, health and environment to all staff as well as setting up occupational health and safety manual. It also includes investigating and controlling staff to perform their duties in compliance with the manual, preparing job safety analysis form (JSA), electing Occupational Safety, Health and Environment Committee, and appointing safety officers registering with Department of Labor Protection and Welfare.
- Have participated in Drug Free Workplace Project of Pathumthani Provincial Labor Protection and Welfare Office since 2010 with the objective of being the workplace free from all types of drugs to ensure that all staff have good health, without illness and occupational safety of workplace. According to the project, the Company manipulates the policy regarding prevention and solving drug problem and communicates to all staff through various channels such as posting a notice and intranet channel etc. Furthermore, working committee has been set up to arrange other activities i.e. making poster and board for anti-drug educating and campaign, training about drug danger, organizing sports competition to encourage staff exercises, slogan contesting etc. Random sampling drug in staff's body is also conducted on annual basis. Each year, Pathumthani Provincial Labor Protection and Welfare Office assess the operating result of this project every year.



## **In 2016, the Company additionally implemented as follows:**

- Provided employees with a yearly health check-up on May 17, 2016.
- Arranged training programs regarding health and occupational safety, comprising personal hygiene, working with electricity, working at height, and in scaffolding, lift.
- Granted certificate for standard on prevention and solution to drug problem in workplace, effective from September 26, 2016 to September 25, 2019, In addition, the result of drug investigation sampling of 426 employees in 2016 was found that no one had drug in his/her body.
- Organized the activity “Safety, Welfare and Anti-Drug Week” which was held at the Company’s factory during 20 – 21 September 2016. Several exhibition booths were arranged to display various helpful information regarding such matters. The officers from Pat Rangsit Hospital also participated in arranging health check booth. Additionally, several activities and recreational activities were organized, as well as various rewards were distributed for participants.
- Arranged basic fire-fighting training and annual fire evacuation at the Company’s factory on November 11, 2016.
- Organized Operation Department’s project seminar under topic “OPN – Happy Work Place” during November 21 – 23, 2016. The objectives of this seminar were building up good relationship among staff in Operation Department and providing opportunities for all attendants to give their opinion, exchange their experience or jointly find problem solving solutions in order to improve their job performance.
- Arranged Hot Pot Service Star Idol Season 1 Project during November 7 – 29, 2016, which was branch staff contest to select Hot Pot Service Star Idol by considering their personality, resourcefulness in question answering, and urgent problem solving. Participants passing the competition attended the training course under topic “Personality Development for Service Providers”. The objectives of this project were fostering operation staff to fully express their competency, practical utilizing their knowledge receiving from this contest, becoming a model staff so that other branch staff would be encouraged to improve their customer service, and having a chance to become a trainer and a public relation representative regarding customer service.
- Disclosed the accidental incidence statistics at the Company’s factory which there were 1 staff who got the accidents and sick from working at the factory in 2016.

## **5. Consumer Responsibility**

The company gives important of responding to consumer’s need, by focusing on quality, deliciousness and variety of food, good service, convenience, safety and worthiness. To achieve consumers’ satisfaction, the operating process starts from selection, control and inspection of the quality of raw material, standard food and raw material storage, as well as production by the Company’s factory or central kitchen. The Company’s factory or central kitchen has passed the inspection and certification of production quality standard in food industry which are GMP (Good Manufacturing Practice) and HACCP Standard (Hazard Analysis and Critical Control Points) from Intertek Industry and Certification Services (Thailand) Ltd. and such certificate has been renewed for another 3 years, from September 24, 2014 to September 23, 2017. As a result, it can be ensure that raw materials and produced foods are standardized and have good quality. The Company also continually creates and develops new types of food and improves taste of food in order to respond to customers’ needs which change over time. Moreover, the products and raw materials are delivered to different branches by the company’s transport vehicles, resulting in rapid and effective delivery and ability to deliver fresh, new and nutritive value preservation to customers.

The Company continually improves and develops its products and service to respond consumers' need which is changeable at all time. In 2015, the Company hire Idea 36 Co., Ltd. to arrange advanced market research study consumers' behavior, attitude and feeling in relation to their selection of restaurants. In 2016, the Company implemented survey with customers using service at Signature stores as well as online survey with both customer group and non-customer group to gather information about real customer needs. The survey result was utilized to improve and develop the Company's products and service in order to response to customer needs pertinently and appropriately, and to determine brand position having brand image distinguished from competitors.

With respect to service, the Company arranges regular staff training on providing standardized service to customers as well as handling customer complaints. The complaint handling manual has been manipulated for various cases including dealing with customer practice and customer reimbursement method. Several channels for customer complaints or suggestion have been provided through suggestion or complaint boxes at the branch restaurants or direct telephone calling at telephone number published at all branch restaurants or company website. In addition, the Company's quality auditing unit and mystery shopping performed by outsiders also monthly performs the inspection of quality of food and operations of each branch.

The company places high importance on the health and well-being of customers and environmental conservation. Since 2014, the Company has used charcoal (Biomass) (Bio-Char) from the Northern Renewable Energy Co., Ltd. for grill and barbeque stoves. The components of this charcoal are coconut shell, mixed with eucalyptus wood and tapioca flour. These natural biomass materials are environment friendly and free from toxins and chemicals. The important characteristics of this charcoal are nontoxic (carcinogenic free), giving a high level of heat, no smoke, no crackles, few ashes, and longer duration of time than normal charcoal. The quality of this charcoal is guaranteed by the Faculty of Science at Chulalongkorn University.

In addition to that, restaurants under the brand of Signature, serving in A La Carte style (Ordering from the menu), uses biodegradable package from Biodegradable Packaging for Environment Public Company Limited for packaging take away meals. These environmental packages are made from natural plant fiber and are free from carcinogenic substances. It's environmental friendly and is biodegradable, dissolving within 45 days.

## 6. Environmental Preservation and Energy Conservation

### Environmental Preservation

The Company recognizes the importance of the environmental preservation. In 2010, the Company participated in Clean Technology Development and Promotion in Industrial Enterprise Project, arranged by the Provincial Industry Office of the group of upper central region provinces 1. In 2015, the Company's environmental policy was approved by the Board of Directors' meeting no. 1/2015 held on February 28, 2015 and was announced for implementation on February 27, 2015. The Company assigns its staffs who perform duties regarding environment as permitted by the Department of Industrial Works to investigate and supervise environment concerns closely, so that any unfavorable effect will be occurred in the communities nearby the factory. Such delegated staffs are consisted of an environmental manager, and an operator responsible for waste water treatment system, which both of them receive certificates, attend training classes and pass relevant examination. In addition, Environmental & Resource Development Co., Ltd. has been hired to be responsible for controlling waste water treatment system.

The Company operates in compliance with environmental laws. The factory or central kitchen has strictly complied with wastewater standard pursuant to the proclamation of Ministry of Industry. The wastewater incurred from production process must be treated and kept at cesspool and then reused within the factory such as watering plant, and so on without emission to public. Previously, the Company has never wrong-conducted regarding the environment and never been complained for environmental and pollution problem.

Additionally, the Company provided knowledge and implanted awareness related to environment thru public relations board.

### Energy Conservation

The Company established policy on energy conservation on May 2, 2013 by determining the implementation and development of energy management system as a part of the operation; ongoing improvement of energy consumption efficiency; setting annual energy saving target and communicating to all staffs for their correct comprehension and practice, and regarding the energy saving as all staffs and executives' duties and responsibilities; and supporting on personnel, budget, training and staff participation in suggestion for energy development.

The Company also set up campaign in economical resource utilization including energy, equipment, tools, office supplies, for example turning-off the light, air-conditioner and computer monitor in lunch break time, decrease in paper usage by sending data by electronic channels instead of printing document, using two pages of paper, going upstairs instead of using an elevator etc.

In addition, the Company regularly participates in government's energy saving projects as follows:

- In 2011, the Company participated in Energy Saving Project for small sized factory, arranged by Department of Industrial Works.
- In 2013, the Company participated Demonstration of Energy Management System Project for medium sized industrial factories, arranged by Bureau of Alternative Energy Development, Ministry of Energy. The objective of this project is to develop and promote roles of personnel of enterprises in participating in energy conservation management in enterprise systematically and sustainably. The period of the project implementation was 2013-2014. An example of the Company's implementation was using Hi Saver energy saving boiler for replacement of LPG energy consumption in production process of the factory, which is helpful for reduction of energy consumption and heat diffusion inside the boiler, resulting in alleviation of air-condition's work and relief of staff's fatigue. The Company also changed all traditional bulbs used in all branches to LED bulbs, resulting in energy saving, long life time and ecologically friendly.
- In December 2015, the Company participated in Reduction of Energy Usage in SME Factory Project, organized by energy conservation consulting center, Department of Industrial Works, to increase efficiency of energy usage and reduction of energy cost. The project will be ended in 2016 with the target 10% energy saving of the factory. In 2016, the Company implemented the project about reducing temperature of cooling chiller, resulting 12% reduction of energy cost, higher than target.

## 7. Social and Community Development

The Company shall consider the community requirement and encourage the participation in community development. The support on foods, beverages and belongings will be annually provided for Children's Day's activities of schools located in the community surrounding the factory. The Company also promotes and encourages staffs to participate in voluntary activities and public interest activities with the community.

In 2016, the Company was involved in the activities of community and social development as follows:

- (1) Donated a variety of items to support for National Children's Day of schools and communities located surrounding the factory in Amphur Lam Lukka, Pathumthani Province, which were Saharatbumrung School, Watphrachumrat School, Sittisup Community.
- (2) Co-signed for educational cooperation with Prachuapkhirikhan Technical College on September 6, 2016 regarding dual vocational education system by collaborating to provide learning and teaching to students major in marketing. The objective of dual vocational education is production and development of manpower pursuant to National Education Act, government policy, and demand of enterprises. Students will receive knowledge, skill and real experience from enterprises.
- (3) Donated money for "the forth Climb to Change a Life" Project, organized by Zy Movement Foundation during November 26 -27, 2016 at Noen Chang Suek, Thong Pha Phum District, Kanchanaburi Province. The activity is arranged for children with movement disabilities and their families to conquer the high mountain with assistance from volunteers. The goal of this project is to provide children with movement disabilities to discover their real abilities to reach difficult work with the support from family and society around them which build up their confidence to live independently by themselves and equally in society.
- (4) Donated money and items to Mirror Foundation on December 14, 2016 in order to distribute to under privileged persons.
- (5) Set up promotions return profit to society consisting of Agong Ama Promotion in Chinese New Year festival during February 8 - 9, 2016 and Family Reunification Promotion in Songkran Festival on April 9, 2016, which senior citizen, aged over 60 years, got free meals in order to promote image of family dining and to strengthen favorable relationship among family members.
- (6) Arranged an activity to offer scholarships to selected students who dined in the Company's restaurants and took photo or video showing idea of eating buffet in their styles under the concept of "Free style eating DIY Buffet", and jointly donates some revenues from this activity with Aesthetic Zecret as scholarship to Wannawit School.

## Anti-Corruption

The Company operates business in compliant with the principle of good corporate governance, business ethics with responsibilities toward society, community, environment and all stakeholders, including anti-corruption to ensure that the Company will be developed with sustainable growth.

The Board of Directors' meeting no. 4/2014, held on November 12, 2014 passed the resolution to approve the Company to participate in the project of "Private Sector Collective Action Coalition against Corruption" in order to express intention and commitment to counter all types of corruption. As a result, the Company signed in the Declaration of Intent on December 22, 2014. To get certification, the Company was required to submit self-evaluation tools for countering bribery within December 2016 but the Company failed to do so due to lack of staff to prepare documents.



In this regard, the Company has abided by anti-corruption policy, reviewed and approved by the Board of Directors' meeting no. 1/2015, held on February 26, 2015, as the explicit guideline of the conduct of business operation. The Company's management team has given importance for such subject. In 2016, Chief Executive Officer reminded department managers regarding anti-corruption in department meeting several times.

The practice guidelines are as follows:

1. Directors, executives and employees at all level must follow with anti-corruption policy, business code of conduct, regulation and relevant work manual of the Company by not involving with all forms of corruption in both direct and indirect manner.

2. To stress the attending on processes which incur a high risk in corruption, the Company determines that directors, executives and employees must conform carefully in the following courses of action:

(1) Giving and Accepting Bribe

Prohibit from giving or accepting any form of bribe for business benefits and prohibit from assigning other persons to give and accept bribe for his/her own benefits.

(2) Gifts, Hospitality and Entertainment and Other Expenses

Offering or receiving gifts, hospitality and entertainment and other expenses is an important part of creating or maintaining business relationship. However, giving or accepting gifts and hospitality and entertainment should be justified in all circumstances according to tradition, custom and normal business and comply with the Company's business ethics and code of conduct and relevant laws. The value of gifts, hospitality and entertainment and other expenses should be appropriate, depending on each situation. In addition, providing and receiving gifts and hospitality and entertainment must not be encouraging to perform or avoid performing which may lead to corrupting problems.

(3) Political Contributions

The Company is impartial in Politics and has no policy to contribute or support in form of financial resources or other properties to political parties, political groups and politicians, whether directly or indirectly.

(4) Charitable Contributions and Sponsorships

1. Charity in form of cash or properties of the Company must be contributed only under the name of the Company to foundations, public charities, temples, hospital, sanatorium and reliable or certificated social organization and must be verifiable. To make charitable contribution, the memorandum shall be prepared by stating name of recipient, objective of donation with supplementary documents and submitted to the authorized persons for approval.
2. Sponsorships in form of cash or property of the Company must be granted only under the Company's name with the purpose of business, good image and reputation of the Company. To make sponsorships, the memorandum shall be prepared by specifying name of recipient and clear objective together with verifiable evidence and supporting documents and submitted to the authorized persons for approval.
3. Granting or receiving charitable contributions or sponsorships must not used as a mean for or leading to bribery.

3. Purchasing and procurement shall be carried out in accordance with the Company's rule and regulation with transparency and accountability. The evaluation to select suppliers strictly pursuant to purchasing regulation. The letters have been sent to all suppliers to notify about anti-corruption policy and measures of the Company as well as channels of whistle blowing and complaints since January 21, 2014. The Company reserves the right to cease doing business with suppliers who commit the corruption.
4. Upon the detection of act within the scope of corruption, the staff shall not neglect or ignore and inform their supervisors or responsible persons or inform via whistle blowing channels as well as collaborate in any investigations. In case of having any suspicion or query, the issues shall be brought to their supervisor or responsible persons through stated channels.
5. Provide channels of whistle blowing and complaints, establish measures for protection for any petitioner or whistle-blower and keeping information of whistle blowing or compliant in confidential and process investigation timely and fairly.
6. A person who is involved with any corruption will be considered for disciplinary actions in accordance with the Company's regulation up to dismissal and/or termination of employment. In addition, conviction on laws may be applied in case such act violates the laws.
7. Conduct corruption risk management by assessing risk arising from other activities of the Company which may have process or procedure probably contributing to corruption, establish measures of risk management and follow up as well as review existing measures of risk management to be suitable so that risk will be controlled in acceptable level.
8. Implement human resource management procedure in line with anti-corruption policy, starting from recruiting or selection, training, performance evaluation, promotion, rewarding and hiring process. Furthermore, organization chart shall be set with appropriate duty segregation, resulting in checking and balancing.
9. Set out proper auditing process and internal control system in order to prevent corruption and misconduct. Process of internal audit spreads over core activities of the Company such as purchasing and procurement, marketing etc. Internal control system includes finance, accounting and data gathering and recording.
10. Communicate anti-corruption policy and notify channels of whistle blowing and complaints to everyone in organization to understand, accept and comply thru various channels of the Company i.e. email, intranet, website, announcement board etc. The company also arranges orientation of all new directors, executives and employees and provide regular training on anti-corruption policy to all relevant existing employees for their understanding and complying with this policy.
11. Communicate anti-corruption policy and notify channels of whistle blowing and complaints to public and stakeholders thru various channels of the Company i.e. website, annual report, Annual Disclosure Information (Form 56-1) etc.
12. Monitor the implementation of anti-corruption policy regularly and revise guideline in line with change in business, rules, regulation and relevant laws in usual.

## Whistle Blowing and Complaint

### 1. Issues for whistle blowing or complaint

- (1) Any course of corruption relevant to organization in direct or indirect manner
- (2) Violation the law, rule, regulation of the Company, business ethics and good corporate governance policy
- (3) Action causing negative impact on the Company's benefits and reputation

### 2. Channels of whistle blowing or complaint

All stakeholders can report suspected wrongful action or make a complaint through the following channels:

- (1) Electronic mail of the Chairman which is also the Chairman of the Audit Committee at [chairman@hotpot.co.th](mailto:chairman@hotpot.co.th)
- (2) Company's website at [www.hotpot.co.th](http://www.hotpot.co.th)
- (3) Suggestion boxes at branches, factory and head office
- (4) Calling at telephone numbers in notices posted at every branches
- (5) Postal mailing to the Chairman  
at Hot Pot Company Limited 350 Ramintra Road, Tha Raeng, Bangkok, Bangkok 10230

### 3. Protection and keeping confidential

- (1) Any whistle-blower or petitioner will be protected, whoever employees or external persons.
- (2) The Company shall provide fairness and safeguard staff who denies or inform corruption cases or report wrongdoing or make a complaint or cooperate in reporting corruption by not change position, job and workplace, suspend from job, punishment or provide negative impact on that staff.
- (3) The Company shall investigate according to procedure and record investigation outcomes in writing by not disclosing information of whistle blower or petitioner. All relevant documents will be keep in confidential and prohibited disclosing to unrelated persons, except only for disclosure in alignment with law.

## Procedure for investigation

1. When receiving whistle blowing or complaint, a receiver shall gather facts and sent them to Company's secretary.
2. Company's secretary will invite the representatives from executives to consider and investigate. The representatives from executives are as follows:
  - (1) Deputy Chief Executive Officer
  - (2) Manager of Human Resource Department
  - (3) Manager of a whistle blower or petitioner (in case of employee)Company's secretary will be observer in the investigation meeting.
3. During investigation, Company's secretary may be assigned to inform the progress of investigation to a whistle blower or petitioner from time to time.
4. In case of the outcomes of investigate is found that there are information or evidence reasonable showing that a suspect actually commits the corruption, the Company will provide the right to the suspect to acknowledge the allegation and right to prove himself/herself. To do so, the suspect can provide additional information or evidence to prove that he/she does not involve with corruption as accused.

## Internal Control and Risk Management

At the Meeting of Audit Committee no. 1/2016, held on February 25, 2016, the Audit Committee considered and selected Quantum Point Consulting Co., Ltd., an external audit company, as the Company's internal auditor for the second year since Quantum is independent and has sufficient and appropriate resources and budget to perform its duties for auditing operations. Miss Ratchaneeporn Thongsunsara is assigned as a leader of internal auditor which the Audit Committee considered that she was suitable to perform her duties due to her education background, experience and training.

The internal auditor's duties are consulting, auditing, and evaluating internal control systems, monitor whether the Company's risk management system and corporate governance are adequate and efficient pursuant to defined objective. Additionally, the internal auditor shall audit the Company's operation, compliance with law and relevant rule and regulation, and finance aspect. The internal auditor reports directly to the Audit Committee. The Company Secretary is delegated to coordinate with the internal auditor and other departments in the Company.

In 2016, the internal auditor implemented auditing internal control system of the Company's various transactions consisting of transactions of Business Development Department, Research and Development Department, and Operation Department, purchasing, procurement and payment of general list purchasing type, and operations of branches. After following up the auditing results, the Audit Committee gave opinions that the Company's internal control system was adequate and appropriate in a certain level but there was only few weaknesses which have already been checked, monitored and rectified by internal audit section of the Company as well as the internal auditor. The Audit Committee expressed opinions that the Company's internal control system is adequate and appropriate. However, some transactions had weakness which the management shall consider the observations of the internal auditor to improve and remedy such weakness to minimize or eliminate the remaining weakness in the future to ensure that the Company's management is more effective and ongoing stable.

In 2016, the Audit Committee arranged 4 meetings with the external auditor and the internal auditor to consider and express opinions on financial statements which were audited or reviewed by the external auditor. The Audit Committee was aware of the ongoing improvement of internal control system to be more sufficient and appropriate. In addition, the Audit Committee held one meeting with the external auditor without the presence of management.

### Internal Control

At the Meeting of Board of Directors no. 2/2017, held on February 21, 2017, two members of the Audit Committee who are independent directors, attended the meeting to consider and approve the evaluation checklist of internal control system for the year 2016 prepared by internal auditor and reviewed by the Audit Committee with the opinions that the Company's internal control system fairly appropriate and efficient. Therefore, it can be ensured that the properties of the Company were suitably protected and maintained, accounting transactions were recorded properly and resources were utilized efficiently. In addition, the Board of Directors gave opinion that the Company had adequate internal control system for connected transactions with major shareholder, directors, executives and connected persons.



The Company's operation and management procedures are in lined with the integrated framework of internal control determined by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), which consists of 5 components and 17 concepts, which the Company adapted them for operation and management as follows:

## 1. Control Environment

- (1) The committee and management determine guideline and performance based on integrity and code of conduct, covering daily operation and treatment to partner, client and third party. The written regulation was established and followed by management and employees in order to perform their duties with honest and ethics. In addition, there are restrictions to prohibit any of management and employees having conflict of interest with the Company's business, including prohibition of corruption which can cause some damage to the Company. Anyone who fails to perform in accordance with the above instructions shall be subjected to reasonable penalty.
- (2) The committee composed of the independent directors who have knowledge, competency, reliability, and independent in performing their duties. Their roles are to govern the internal control which cover establishment of control environment, risk assessment, control activities, information and communication, and monitoring activities.
- (3) Top managements of the Company determine organization structure by considering all appropriation in business and law as well as arranged efficient internal controlling. Duties of core functions are segregated to counterbalance. Internal audit was directly reported to with clear reporting chain.
- (4) The Company has policy and work procedure for recruit, develop and retain employees who have suitable knowledge and competency. The Company also sets the procedure to review such policy and work procedure periodically.
- (5) The committee and management enforce procedure and communication to ensure that everyone has responsibility for the internal control and make some improvement of work procedure if necessary.

## 2. Risk Assessment

- (1) The Company determines objectives of risk management clearly and sufficiently in order to be able to identify and evaluate any risks related to achievement of the Company's objectives.
- (2) The Company sets up procedure regarding risk identification and risk assessment to prioritize the risks by considering likelihood and impact of such risks, which are proceeded before and after managing such risks, both inherent risk and residual risk.
  - Likelihood means frequency or probability of risk occurrence;
  - Impact means severity of damage occurred in correspondence with risk occurrence, which can be assessed by means of qualitative (e.g. product and service quality, company's reputation) and quantitative.
  - Degree of risk means status of risk derived from assessment of likelihood and impact of each risk factor.
- (3) The Company evaluates the opportunity of corruption occurrence by covering all types of corruption and reviewed the goal of operation carefully. In addition, the Company also considers rationale of providing incentives or benefits to any employee to ensure that nothing persuades him/her doing any inappropriate action.

- (4) The Company reviews and evaluates changes of external factors which may affect business operation, internal control, and financial reports. In addition, the Company introduced measures for responding such changes by identify additional risk and control activities.

### 3. Control Activities

- (1) The Company has its measure to reduce risk to acceptable level by establishing risk management manual and work procedure of each system in written. The Company also sets up corporate chain of command, work identification, and clearly assigned responsibility of each position.
- (2) The Company arranges general control activity by using information technology, such as set up password for accessing information of each level and standard to protect leaking out confidential information, etc.
- (3) The Company arranges control activity through the policy by requiring each department to evaluate its operation and internal audit unit to monitor its operation regularly.

### 4. Information & Communication

- (1) The Company has an information system to send varied information such as daily sale volume to process data correctly, completely and on time in order that such information can be analyzed and supported business decision, etc.
- (2) The Company uses video conference for internal communication.
- (3) The Company communicates with third party via several channels such as receive complaints by e-mail or suggestion letter through the Company's branches and P.O. Box, etc.

### 5. Monitoring Activities

- (1) The Company follows up and evaluates internal control continuously. The internal auditor performs auditing and evaluating the internal control system of departments quarterly.
- (2) The Company evaluates and communicates the failure of internal audit timely. Any subordinate reports any failure to his/her supervisor so that the supervisor can find the solution to solve such failure effectively.

## Risk Management

The Company gives precedence to risk management as the key mechanism and tool in business operation, leading to achieve the objective and goal. Therefore, the Company establishes the risk management policy by focusing on development of risk management system to comply with good corporate governance and to have enterprise risk management. The Company manages risk systematically and continuously, covering financial and operation controls, management and governance in accordance with related laws, both internal and external. In addition, the enterprise risk management covers both organization level and operational level, to control the risk in acceptable level and to ensure that the following objectives can be achieved:

1. The strategy and goal are established clearly and practically to conform and support the Company's mission.

2. Operating result effectively achieves the objectives efficiently by managing resource effectively and worthily and having appropriate protection and control of assets.
3. Reports both financial and non-financial data correctly, reliably and timely.
4. Execute and operate according to the Company's policy, rule and regulation, which comply with laws and other regulation related to business operation, both internal and external.
5. Improve quality and operation procedure in terms of personal, assets, equipment and operating systems continuously.
6. Have internal control by performing self-assessment in important function appropriately.

Risk management can help the organization achieve its goal and reduce some trouble or unexpected matters which may occur simultaneously. It also protects some damage to company's resource and creates confidentiality in reporting and performing in accordance with the company's regulations. The Company has established the risk management policy with procedures as follows:

- The Company set up Risk Management Committee at enterprise level consisting of Deputy Chief Executive as the Chairman and Chief Officers as members. The RMC at enterprise level establishes guidelines of risk management and reports risk management result, monitoring and evaluation to Chief Executive Officer. In addition, the Company set up Risk Management Committee at unit level comprising Chief Administrative Officer as the Chairman and heads of departments as members. Its duties are risk factors identification, risk assessment, risk response planning, risk monitoring and review. Reports on the progress of risk management implementation are prepared and submitted to Executive Committee on quarterly basis.
- The Company assigns all employees to have collective roles and responsibilities and determine authority of management and operation levels clearly. Risk management is under responsibilities of all employees in all levels so that they aware of operating risk in their own departments and in the organization and give priority to manage variety categories of risks in acceptable and suitable level.
- The Company creates the process of enterprise risk management by developing a risk management manual to provide knowledge and understanding about concept, process, and procedure of risk management to all managements and employees. Thus, they can set up risk management plan of each department, compliance with the Company's risk management plan, leading to integrated risk management. Risk management system is included as a part of decision making, strategic planning, action plans and business operation. In addition, the Company focuses on achievement of the Company's objectives, goal, vision, mission, and strategy to create operational excellence of the Company and confidentiality of all related parties.
- The Company develops risk management plan by determining the risk of each work system and sets guidelines to prevent and reduce operational risk to avoid damage or loss which may occur. In addition, the Company follows up and assesses risk management continuously.

## Related Party Transactions

The summary of the related party transactions between the Company and persons/entity that may have a conflict of interest in the year 2016.

Person/Entity having a conflict of interest	Relationship
1. Mr. Sompon Roekwibunsi	Director, Chief Executive Officer, Chairman of Executive Committee, a major shareholder of the Company, holding 27.29% of the total issued shares sold (closing registered book on December 27, 2016)
2. Ms. Sakuna Baicharoen	Director, Deputy Chief Executive Officer, Executive Director and a major shareholder of the Company holding 6.66% of the total issued shares sold (closing registered book on December 27, 2016 after adjusting big lot transaction of share selling on December 30, 2016 amounted to 22.50 million shares or 5.54%)
3. Mr. Somchai Roekwibunsi	Chief Administrative Officer and director, resigned from position of executive and director of the Company, effective on July 15, 2016 and August 10, 2016, respectively
4. Octopus Media Solutions Co., Ltd.	Related business to shareholders, directors, and executives

Person/Entity that may have conflicts of interest	Relationship	Type of transaction	Amount (Baht) As of December 31, 2016	Necessity and appropriateness of the related transactions
1. Mr. Sompon Roekwibunsi and Ms. Sakuna Baicharoen	Directors, Executives, and major shareholders	<b>Guarantee :</b> Mr. Sompon Roekwibunsi and Ms. Sakuna Baicharoen jointly guaranteed for the loan amount Baht 150,000,000 from Thanachart Bank Plc., in accordance with the loan agreement dated January 27, 2012 to buy operating assets of Daidomon Group Plc., to acquire long-term leasehold of 8 branches of Daidomon, and to renovate 14 branches of Daidomon. As of December 31, 2016, the outstanding loan was Baht 10,750,000.	10,750,000	Loan guarantee is complied with the conditions set forth on the loan agreement. The Company did not pay any compensation for this guarantee. The Audit Committee considered and gave the opinion that such connected transaction is reasonable and beneficial to the Company.

Person/Entity that may have conflicts of interest	Relationship	Type of transaction	Amount (Baht) As of December 31, 2016	Necessity and appropriateness of the related transactions
2. Mr. Sompon Roekwibunsi	Director, Executive, and a major shareholder	<p><b>Short term loan :</b></p> <p>Mr. Sompon Roekwibunsi lent 1 year loan to the Company, amounted to Baht 20,200,000 for working capital purpose in term of promissory note, at interest rate of 3.50% p.a. (interest rate was yield of 1 year government bond plus spread of BBB rating corporate debenture with tenor less than 3 years), all principal and interest were paid on February 26, 2016 (interest paid in 2016 amounted to Baht 535,862).</p>	0	The objective of short term loan is for working capital of the Company and pursuant to the conditions specified in promissory note. The interest rate is also lower than that of financial institutions. As a result, the Audit Committee considered and gave the opinion that such connected transaction is reasonable and beneficial to the Company.
3. Mr. Somchai Roekwibunsi	Executive and Director (resigned from the position of executive and director on July 15, 2016 and August 10, 2016, respectively)	<p><b>Short term loan :</b></p> <p>Mr. Somchai Roekwibunsi lent 1 year loan to the Company, amounted to Baht 4,720,000 for working capital purpose in term of promissory note, at interest rate of 3.50% p.a. (interest rate was yield of 1 year government bond plus spread of BBB rating corporate debenture with tenor less than 3 years), and all principal, and interest were paid on February 26, 2016 (interest paid in 2016 amounted to Baht 116,949).</p>	0	The objective of short term loan is for working capital of the Company and pursuant to the conditions specified in promissory note. The interest rate is also lower than that of financial institutions. As a result, the Audit Committee considered and gave the opinion that such connected transaction is reasonable and beneficial to the Company.



Person/Entity that may have conflicts of interest	Relationship	Type of transaction	Amount (Baht) As of December 31, 2016	Necessity and appropriateness of the related transactions
4. Octopus Media Solutions Co., Ltd.	Related business to shareholders, directors and executives	<p><b>Service Agreement of advertisement media production :</b></p> <p>In 2016, the Company has entered in to the service agreement of advertisement media production with Octopus Media Solutions Co., Ltd. to produce sticker, poster, standee board, and vinyl board at the prices as agreed in the contract after comparing prices and quality with other Suppliers and then negotiating.</p>	3,332,164.64 (include VAT)	Hiring for production of advertisement media is complied with normal business operation. The prices were agreed as the contract prices which prices and quality were compared with other suppliers prior to price negotiation. The Audit Committee considered and gave the comment that such connected transaction is reasonable and beneficial to the Company.

### Necessity and Rationale of Related Party Transaction

The related party transactions are necessary and reasonable. Loan guarantee with a commercial bank is in accordance with the conditions specified in the loan agreement dated January 27, 2012 to purchase assets and leaseholds as well as renovation of Daidomon's stores, which the Company considered that the investment in Daidomon leading to the Company's expansion to Japanese grilled restaurants in order to the Company's revenue growth in the future. In addition, location and purchasing prices are considered to be appropriate and the risk in procuring new location or renewal rental contract of existing stores is mitigated, beneficial to the Company in the long run.

Short term loans lending from directors, executives and major shareholders of the Company has the objective to provide business liquidity. Moreover, lending period and interest rate are in line with trading practice with faithfulness and the Company is beneficial for the lower interest rate than that of commercial banks. In this regard, the Company still complies with the condition stated in the loan agreement with one commercial bank that such loans are considered as subordinated loan, which the Company will not repay such loans prior to repayment to that commercial bank in full amount, except for receiving written consent from that bank.

Service Agreement of advertisement media production is normal business operation of the Company which must use various forms of advertising media to increase brand recognition as well as conduct advertisement for attracting customers to use service. In 2016, value of hiring Octopus Media Solutions Co., Ltd. to produce advertisement media was Baht 3.33 million (including VAT) or Baht 3.11 million (excluding VAT), accounted for 6.81% of total value of advertisement and public relations expenses, amounted to Baht 45.68 million.

### Approval Measures or Procedures of Related Party Transactions

For related party transactions or transactions which might have conflicts of interest, the Company assigns the Audit Committee to consider and give opinion on necessity and appropriateness of such transaction. In case that the Audit Committee has no expertise in consideration of such related party transactions, the Company will hire independent external consultants or external auditor to give opinion on such transactions to be supplement for making decision of the Board of Directors and/or the Audit Committee and/or shareholders, according to the case. In this regard, any person who may have conflicts of interest of the transactions will have no right to vote for approving such transactions. The Company will disclose related party transactions in the notes to financial statements audited by external auditor of the Company, Annual Report and Annual Disclosure Information (Form 56-1).

### Policy for Future Related Party Transactions

The Company expects that transactions regarding the Company's loan from directors and/or shareholders and loan collateral by properties of directors or shareholders will not arise in the future. In case of arising of related party transactions in the future, such transactions will be necessary and increasing the Company's effectiveness of business operation. The policy regarding explicit determination of the prices of transactions will be established pursuant to proper and fair market prices and conditions, not leading to transfer benefits and giving importance to the best interest of the Company. The Audit Committee will review and comment on related party transactions which are normal business or supporting normal business quarterly.

With respect to related party transactions or transactions which might have conflicts of interest arising in the future, the Board of Directors will comply with rules and regulation of the SET and the SEC regarding disclosure of information of listed companies concerning connected transactions and accounting standards specified by federation of Accounting Professions of Thailand.

## Financial Highlight

### Statement of Financial Position

Unit : Baht

	2014	2015	2016
Total Assets	984,778,998	821,010,256	695,477,264
Total Liabilities	637,440,477	568,664,261	572,140,702
Total Equity	347,338,521	252,345,995	123,336,562

### Statement of Comprehensive Income

Unit : Baht

	2014	2015	2016
Net revenues from sales	2,294,715,766	2,132,710,536	2,054,342,330
Cost of sales	1,054,873,498	1,007,007,226	1,000,240,640
Gross profit	1,239,842,268	1,125,703,310	1,054,101,690
Total revenues	2,321,999,975	2,165,708,688	2,068,511,503
Selling expenses	1,116,035,737	1,075,106,748	1,013,256,979
Administrative expenses	163,019,423	151,368,827	142,303,343
Impairment loss on assets	-	1,442,280	11,194,505
Other Expenses	40,449,028	13,767,444	9,975,915
Finance costs	15,512,136	14,113,443	16,408,097
Total expenses	2,389,889,822	2,262,805,968	2,193,379,479
Net profit (loss)	(54,454,718)	(94,992,526)	(148,226,976)
Comprehensive income (expense)	(54,019,184)	(94,992,526)	(129,009,433)
Basic earnings per share	(0.13)	(0.23)	(0.37)

## Statement of Cash Flows

Unit : Baht

	2014	2015	2016
Cash flows from operating activities	207,990,736	89,891,203	60,539,479
Cash flows from investing activities	(211,079,512)	(45,595,582)	(33,342,396)
Cash flows from financing activities	(28,821,240)	(50,575,374)	(28,054,702)
Cash and cash equivalents at the end of year	23,182,730	16,902,977	16,045,358

## Key Financial Ratio

	2014	2015	2016
Sales growth rate (%)	-1.12	-7.06	-3.67
Gross profit margin (%)	54.03	52.78	51.31
Net profit margin (%)	-2.35	-4.39	-7.17
ROE (%)	-14.39	-31.68	-78.91
ROA (%)	-5.43	-10.52	-19.55
D/E Ratio (times)	1.84	2.25	4.64
D/E Ratio <sup>1/</sup> (times)	1.65	1.96	4.64
Debt Service Coverage Ratio <sup>2/</sup> (times)	0.82	1.25	0.54
Debt Service Coverage Ratio <sup>3/</sup> (times)	1.06	1.39	0.93
Debt Service Coverage Ratio <sup>4/</sup> (times)	1.44	1.25	1.23
Current Ratio (times)	0.24	0.21	0.21
Book Value (Baht)	0.86	0.62	0.30
Dividend per share (Baht)	0.00	0.00	0.00
Dividend payout ratio (%)	0.00	0.00	0.00

<sup>1/</sup> Loan from shareholders is calculated as equity

<sup>2/</sup> Calculated from Earnings before interest, tax, depreciation and amortization (EBITDA)

<sup>3/</sup> Calculated from Earnings before interest, tax, depreciation and amortization (EBITDA) deducting non-cash items of loss from branch closing and loss on impairment of assets

<sup>4/</sup> Calculated from Cash flow from operating activities

# Management's Discussion and Analysis of Financial

## Analysis of Operating Results

### Operating Results

As of December 31, 2016, the number of active branches was 141 stores, declining 2 stores from 143 stores at the end of last year. In 2015 the Company has opened 8 new stores, consisting of 2 stores of Hot Pot Inter Buffet (1 store serving both boiling and grilling styles), 5 stores of Signature and 1 store of Daidomon. Meanwhile, the Company closed 10 stores, which 7 stores had loss from their operations, 2 stores which the shopping centers did not renew the rental contracts, and 1 store which was closed for renovation by the shopping center. In addition, the Company rebranded 7 stores of Hot Pot Inter Buffet which 4 of them were rebranded to Signature, and each 1 store was rebranded to Shabu Suki, Daidomon, and Pot Jung. Pot Jung was a new brand serving Korean Shabu in A La Carte style, which the Company had tested to open this new brand in the store with operating loss. However, its sales could not meet the Company's target since the store was located in local shopping store having less customer traffic. Consequently, such store was closed.

Brand	Number of Stores		
	31-Dec-15	31-Dec-16	Change
Hot Pot Inter Buffet	87	77	-10
Hot Pot Inter Buffet with Grill	36	34	-2
Hot Pot Suki Shabu	2	2	0
Daidomon	10	11	+1
Signature	8	17	+9
<b>Total</b>	<b>143</b>	<b>141</b>	<b>-2</b>

### Revenues

In 2016, the Company's revenue from sales was Baht 2,054.34 million, a decrease of Baht 78.37 million or 3.67% y-o-y. The revenue from sales was below the target mainly due to on-going cautious household spending due to high household debts and slow economic recovery. Furthermore, the number of restaurants continued to increase from both existing operators and new comers resulting in continually intense competition in restaurant business. Hence, the Company continued to arrange several marketing activities, especially price discount promotion, resulting in the Company's revenues from sales not declining in significant amount.



Considering the revenue structure of the Company in 2016, the majority of sales still came from Hot Pot Inter Buffet brand, amounted to Baht 1,177.13 million, contributing to 56.91% of total revenue due to its largest number of stores. However, its portion of revenues from sales dropped from 60.44% in the same period of 2015 resulting from a decrease in number of outlets totaling 10 stores. The second one was followed by the brand of Hot Pot Inter Buffet with Grill, with its sales of Baht 569.88 million or representing 27.55% of total revenue, growing increasingly. Signature branded reported revenue from sale of Baht 94.25 million, rose from Baht 46.41 million in 2015. Its revenues from sales portion was increased from 2.41% to 4.56 due to additional 9 stores, consisting of 5 newly opened stores and 4 rebranded stores, which some of them were invested for construction by the shopping centers. As a result, the investment of each store was not large amount, with average investment value not exceeding Baht 2 million.

Unit : Million Baht	2015		2016	
	Amount	%	Amount	%
1. Revenues from sales				
(A) From the Company' s branches				
1) Hot Pot Inter Buffet	1,308.94	60.44%	1,177.13	56.91%
2) Hot Pot Inter Buffet with Grill	536.80	24.79%	569.88	27.55%
3) Hot Pot Prestige	9.81	0.45%	0.00	0.00%
4) Hot Pot Suki Shabu	24.28	1.12%	18.85	0.91%
5) Daidomon	199.38	9.21%	183.12	8.85%
6) Signature	46.41	2.41%	94.25	4.56%
7) Pot Jung	0.00	0.00%	0.51	0.02%
Subtotal	2,125.61	98.15%	2,043.75	98.80%
(B) From other sales	7.10	0.33%	10.59	0.51%
Total revenues from sales	2,132.71	98.48%	2,054.34	99.31%
2. Other income	33.00	1.52%	14.17	0.69%
Total revenues	2,165.71	100.00%	2,068.51	100.00%

Unit : Million Baht	2015	2016	Change	
			Amount	%
Revenues from sales	2,132.71	2,054.34	-78.37	-3.67%
Other income	33.00	14.17	-18.83	-57.06%
Total Revenues	2,165.71	2,068.51	-97.20	-4.49%
Cost of sales	1,007.01	1,000.24	-6.77	-0.67%
Gross Profit	1,125.70	1,054.10	-71.60	-6.36%
Gross Profit Margin (%)	52.78%	51.31%		-1.47%
Selling and administrative expenses	1,226.48	1,155.56	-70.92	-5.78%
Loss on impairment of fixed assets	1.44	11.19	9.75	676.17%
Other expenses	13.77	9.98	-3.79	-27.54%
Finance costs	14.11	16.41	2.29	16.26%
Tax expenses	-2.10	23.36	25.46	-209.82%
EBITDA	89.78	26.54	-63.24	-70.44%
EBITDA Margin (%)	4.15%	1.28%		-2.86%
Net Profit	-94.99	-148.23	-53.23	56.04%
Net Profit Margin (%)	-4.39%	-7.17%		-2.78%

In 2016, other revenues, which mostly consisted of member card sales and sales promotion from suppliers, were Baht 14.17 million, showing a decline of Baht 18.83 million or 57.06% when compared to 2015 since revenues from member card sales decreased in amount of Baht 16.68 million. Additionally, the Company recorded extraordinary revenues which were compensation revenues from the shopping center for store relocation and store closing as well as refund from overcharge of utility expenses totaling approximately Baht 4 million. As a result, in 2016, the Company's total revenues were Baht 2,068.51 million, dropped Baht 97.20 million, or 4.49% from 2015.

### Cost of Sales

Cost of sales in 2016 totaled Baht 1,000.24 million, slightly dropped Baht 6.77 million or 0.67% y-o-y, mostly due to sales promotion policy by offering higher price discount. In addition, the increasing prices of goods and raw materials resulted in higher proportion of cost of goods sold to net revenues from sales from 47.22% to 48.69%. Gross Profit Margin in 2016, therefore, was Baht 1,054.10 million, declined Baht 71.60 million or 6.36% and gross profit margin dropped from 52.78% to 51.31% y-o-y. Nevertheless, more efficient food cost management resulted in decreasing percentage of food cost relative to gross revenues from sales from 41.27% to 39.75%.

## Sales and Administrative Expenses and Other Expenses

In 2016, the Company recorded sales and administrative expenses of Baht 1,155.56 million, accounting for 55.86% of total revenues, declined from 56.63% in 2015. SG&A expenses decreased Baht 70.92 million or 5.78% y-o-y, and all categories of SG&A expenses dropped. The main reduced expenses were depreciation expenses, down Baht 37.77 million since the Company has revised depreciation estimates in order to more correspondence with the suitable useful of assets, starting from Q1/2016. In addition, personnel expenses decreased Baht 11.99 million due to lower number of staff, and utility expense dropped Baht 8.60 million.

In 2016, the Company recorded the allowance for impairment of assets relating to building improvement under lease agreement of branches having loss from their operation, totaling Baht 11.19 million. The Company also realized the loss from closing branch of 10 outlets, amounted to Baht 11.42 million (including non-cash items of Baht 9.61 million), showing a decline of Baht 2.35 million from 2015 which 12 outlets were closed with loss from closing branches, totaling Baht 13.77 million.

Loss from closing branches comprised costs of system construction and permanent fixtures and fittings of renovated branches such as decorating system work, electrical and utility system works etc., costs of removal, transportation and area restoration according to the conditions specified in rental contracts and nonrefundable security deposit only in case of branches closing prior to the expiry date of rental contract.

Moreover, financing costs in 2016 rose Baht 2.29 million or 16.26% y-o-y to Baht 16.41 million due to the fee paid to commercial banks for refinancing during Q2/2016 as well as discount amount from offering for sales of short term bill of exchange.

## Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

In 2016, the Company reported Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to Baht 26.54 million, declined Baht 63.24 million or by 70.44% from 2015 due to lower revenues from sales, higher prices of goods and raw material, reduced depreciation expenses, and additional allowance for impairment of assets – building improvement under the lease agreement of branch operating at loss. As a result, EBITDA Margin dropped from 4.15% in 2015 to 1.28%. Nevertheless, in case of adding non-cash loss from branch closing and non-cash allowance for impairment of assets back into EBITDA, adjusted EBITDA will be Baht 45.90 million.

## Net Profit

The Company posted net loss of Baht 148.23 million in 2016, compared to net loss of Baht 94.99 million in 2015, showing an increase in net loss of Baht 53.23 million or 56.04% due to lower of total revenues. Additionally, higher sales discount promotion and prices of goods and raw material attributed to the increment in ratio of cost of sales to revenues from sales. The Company also recorded allowance for impairment of assets in amount of Baht 11.19 million, as described above. Finally, the Company wrote off deferred tax assets for unused tax losses, and the Company shall consider to reverse such transaction whenever the Company's operating result shows the explicit trend in order to evaluate likelihood and probability to utilize such tax benefits. As a result, the Company recorded tax expenses in amount of Baht 23.36 million.

Furthermore, since Q1/2016, the Company has changed accounting policy regarding revaluation for the land by using fair market value approach. The surplus from the revaluation of land revaluated by the independent appraiser was Baht 24.04 million. After deducting deferred tax liabilities in amount of Baht 4.81 million, the Company's comprehensive expense dropped Baht 19.23 million to Baht 129.01 million.

## Analysis of Financial Position

### Assets

Unit : Million Baht	31-Dec-15	30-Dec-16	Change	
			Amount	%
Cash and cash equivalents	16.90	16.05	-0.85	-5.03%
Trade accounts receivable and other account receivable	5.50	7.66	2.16	39.27%
Inventories	57.63	53.04	-4.59	-7.96%
Other current assets	21.39	19.45	-1.94	-9.07%
Total Current Assets	101.43	96.20	-5.23	-5.16%
Land, property, plant and equipment	532.31	443.57	-88.74	-16.67%
Leasehold rights	53.50	44.95	-8.55	-15.98%
Fixed deposits pledged as collateral	107.40	102.65	-4.75	-4.42%
Deferred tax assets	17.40	0.00	-17.40	-100.00%
Other non-current assets	8.97	8.11	-0.86	-9.59%
Total Non-current Assets	719.58	599.28	-120.30	-16.72%
Total Assets	821.01	695.48	-125.53	-15.29%

As of December 31, 2016, the Company's total assets were Baht 695.48 million, reduced Baht 125.53 million or 15.29% from the year end of 2015.

The Company's current assets dropped Baht 5.23 million or 5.16% to Baht 96.20 million, primarily due to a decrease in inventory in amount of Baht 4.59 million to Baht 53.04 million. For normal inventory stock, the Company has inventory management policy classified to inventory at outlets and factory, which inventory amounts shall be reserved for serving customers on average of 7 days and 10 days, respectively.

Total non-current assets of the Company were Baht 599.28 million, down Baht 120.30 million or 16.72%, from the year end of 2015, mainly due to the decrease in land, property, plant and equipment in amount of Baht 88.74 million or 16.67% according to lower number of active outlets, depreciation, and allowance for impairment of asset. However, non-current assets reduced less than usual due to lower depreciation and the increment in land revaluation as explained above. In addition, the Company wrote off deferred tax assets amounted to Baht 17.58 million, comprising unused tax loss of Baht 12.46 million.

## Liabilities

Unit : Million Baht	31-Dec-15	31-Dec-16	Change	
			Amount	%
Bank overdrafts and S/T loan from financial institutions	73.20	41.18	-32.02	-43.74%
Trade accounts payable	160.09	167.94	7.85	4.90%
S/T Loan	-	78.70	78.70	100.00%
Other accounts payable	125.62	121.55	-4.07	-3.24%
Current portion of L/T loan from financial institutions	78.87	26.47	-52.40	-66.44%
Other current liabilities	44.25	16.79	-27.46	-62.06%
Total Current Liabilities	482.04	452.64	-29.40	-6.10%
L/T loan from financial institutions	35.20	58.75	23.55	66.90%
Assets retirement obligation	39.29	38.38	-0.91	-2.32%
Deferred tax liabilities	-	10.77	10.77	100.00%
Other non-current liabilities	12.14	11.60	-0.54	-4.45%
Total Non-current Liabilities	86.63	119.50	32.87	37.94%
Total Liabilities	568.66	572.14	3.48	0.61%
Total Shareholders' Equity	252.35	123.34	-129.01	-51.12%
Total Liabilities and Shareholders' Equity	821.01	695.48	-125.53	-15.29%

As of December 31, 2016, the Company's total liabilities amounted to Baht 572.14 million, showing a decrease of Baht 3.48 million or by 0.61% from the end of 2015 due to loan repayment to directors and financial institutions. In Q2/2016, the Company refinanced from the existing commercial bank to the new commercial bank with the conditions providing more benefits to the Company. Moreover, the Company offered for sales of Bills of Exchange at par value of Baht 80 million to utilize as working capital of the Company. The Company also recorded deferred tax liabilities in non-current liabilities amounted Baht 10.77 million, mostly comprising capital surplus from land revaluation of Baht 4.81 million and differences from the change in estimated useful life of asset or Baht 5.73 million.



## Shareholders' Equity

As of December 31, 2016, the shareholders' equity of the Company was Baht 123.34 million, decreased Baht 129.01 million or by 51.12% from previous year due to increasing net loss from operating results totaled Baht 148.32 million, whereas gain on land revaluation of Baht 19.23 million, as explained above.

## Statements of Cash Flows

Unit : Million Baht	Jan.–Dec.2015	Jan.–Dec.2016	Change	
			Amount	%
Cash flows from operating activities	89.89	60.54	-29.35	-32.65%
Cash flows from investing	-45.60	-33.34	12.25	-26.87%
Cash flows from financing	-50.58	-28.05	22.52	-44.53%
Net cash increase (decrease)	-6.28	-0.86	5.42	-86.34%
Cash at beginning of period	23.18	16.90	-6.28	-27.09%
Cash at end of period	16.90	16.05	-0.86	-5.07%

For the year, ended December 31, 2016, the Company reported cash and cash equivalent of Baht 16.05 million, showing a decrease of Baht 0.86 million or 5.07% from the beginning balance as at January 1, 2016, resulting from the following activities:

- 1) Net cash flows provided by operating activities in amount of Baht 60.54 million, consisted of
  - Operating profit in cash basis of Baht 47.97 million, mostly came from net loss of Baht 148.23 million added back with depreciation of Baht 135 million, financing cost of Baht 16.41 million, loss from branch closing and renovation of Baht 10.99 million, and loss on impairment of fixed asset (reversal) of Baht 9.75 million.
  - Cash from operating assets declined Baht 6.55 million, mainly due to a decrease in inventories, and other receivables and other current assets of Baht 4.59 million and Baht 2.21 million, respectively.
  - Cash from operating liabilities rose Baht 6.13 million, mostly came from increasing trade accounts payable of Baht 7.85 million and other current liabilities of Baht 2.74 million. Meanwhile, other accounts payable such as rental and service and other expenses were paid in amount of Baht 4.07 million.
- 2) Net cash flows used in investing activities of Baht 33.34 million, mostly comprising cash payment for construction and equipment of new or renovated/rebranded branches as well as machinery and equipment of factory valued Baht 31.19 million, and cash payment for accounts payable-purchases of fixed assets of Baht 8.73 million.
- 3) Net cash flows used in financing activities of Baht 28.05 million, which cash flow received from offering of sales of S/T Bills of Exchange amounted to Baht 74.97 million and cash flow mostly used for loan repayment to directors of Baht 24.92 million, bank overdrafts and S/T loan from financial institutions of Baht 32.02, and L/T loan from commercial banks of Baht 26 million, and interest expenses of Baht 13.19 million.

## Highlight Financial Ratios

Highlight Financial Ratios	2015	2016
Return on Equity (ROE) (%)	-31.68	-78.91
Return on Assets (ROA) (%)	-10.52	-19.55
Current Ratio (times)	0.21	0.21
Debt to Equity Ratio (D/E Ratio) (times)	2.25	4.64
Debt Service Coverage Ratio (DSCR) (times) (EBITDA)	1.25	0.54
Debt Service Coverage Ratio (DSCR) (times) (EBITDA*)	1.39	0.93
Debt Service Coverage Ratio (DSCR) (times) (CFO)	1.25	1.23

1/ EBITDA was adjusted by adding back non-cash items of loss from branch closing, and loss on impairment of asset

In 2016, ROE and ROA were -78.91% and -19.55%, respectively, declined from 2015 due to sales below estimation, net loss performance, loss on impairment of assets, loss from branch closing, and tax expenses.

As of December 31, 2016, the Company's current ratio was 0.21 times, as same as the same period of last year.

Debt to Equity Ratio (D/E Ratio) as of December 31, 2016 was 4.64 times, rose from 2.25 times in 2015 resulting from lower Equity due to increasing accumulated loss. Debt Service Coverage Ratio (DSCR) for the year 2016 was 0.54 times calculating from EBITDA, 0.93 times calculating from adjusted EBITDA by adding back non-cash items of loss from branch closing and loss on impairment of fixed asset (reversal), and 1.23 times calculating from Cash Flow from Operation, declining from DSCR in 2015 which equaled 1.25, 1.39 and 1.25 times, respectively. With regard to the condition defined in loan agreements of two commercial bank, the Company's D/E ratio shall not exceed 2.0 times and DSCR ratio shall not be less than 1.2 and 1.5 times. However, those two commercial banks waived the Company for retention of such two financial ratio for the year 2016.

## Report of the Board of Directors' Responsibilities for the Financial Statements

The Company's Board of Directors is aware of the duties and responsibilities, ensuring that the financial statements and any financial information which are disclosed in the Annual Report are accurate, complete and transparent. Such financial statements have been prepared in accordance with the Generally Accepted Accounting Principal (GAAP) in Thailand and appropriate and consistent accounting policies. The financial reports were carefully considered and prepared with sufficient information in the notes to the financial statements.

The Board of Directors has provided and maintained efficient internal control systems, ensuring that all accounting records are accurate, complete and sufficient to protect its assets, prevent fraud and materially irregular operations.

In this regard, the Board of Directors has appointed the Audit Committee, comprising 3 independent directors to review the quality of financial reports and internal control system. The opinion of the Audit Committee is given in its report which has already included in this Annual Report.

The Board of Directors agrees that the overall internal control systems are adequate and appropriate and gives rise to the reasonable confidence that the financial statements of the Company for the year end December 31, 2016 are reliable and in compliance with the generally accepted accounting standards as well as all relevant laws and regulations. The external auditor has audited the financial statements and issued an opinion on them in this Annual Report.



Chairman of the Board of Directors  
(Mr. Metta Charuchinda)



Chief Executive Officer  
(Mr. Sompon Roekwibunsi)

# Report Of The Auditor

## To The Shareholders and Board of Directors of Hot Pot Public Company Limited

### Opinion

I have audited the financial statements of Hot Pot Public Company Limited (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hot Pot Public Company Limited as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of Matters

I draw attention to Notes 2.3 to financial statements, the Company has changed the accounting policies relating to the land revaluation from the cost model to the revaluation model. The management of the Company has explained for the change of the accounting policies that the revaluation has caused the land to carry at appropriate amount currently.

My conclusion to the interim financial information is not qualified in respect of these matters.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

- Impairment of assets

### Risk

The market condition of highly competitive restaurant business has an effect on some branches to have the operating results that did not meet management expectation. There is an outlook that some branches will be shut down in the foreseeable future. Such factor indicates that the building improvement asset under the lease agreement may have impairment. The building improvement under the lease agreement of the branch has the book value after deducting accumulated depreciation and before allowance for impairment at Baht 22.11 million or 3.18% of total assets. The consideration on asset impairment depends on the judgment and key assumptions used by the management to estimate the allowance for impairment of assets. I have identified that the measurement of building improvement asset under the lease agreement for the branch operating at loss is a significant risk that requires special attention in the audit. The accounting policy for property, plant and equipment and details for property, plant and equipment are disclosed in Note 3.90, 3.19 and Note 9 in the notes to the financial statements, respectively.

### Risk response by auditor

Regarding my audit approach on such matter, I have examined the evidence supporting management consideration relating to the indication of asset impairment, as well as assessed the appropriateness of the valuation method and key assumptions used by the management to estimate the allowance for impairment of assets. Additionally, I have considered the appropriateness of the information disclosure in the financial statements and in the notes to the financial statements.

- Provisions for asset dismantling

### Risk

The Company has provisions for asset dismantling in the amount of Baht 38.38 million or 6.71% of total liabilities as at December 31, 2016. The Company has disclosed the accounting policy relating to provisions in Note 3.11 and 3.19, including to disclose the assumptions and asset dismantling related amount in Note 19 in the notes to the financial statements. Such provisions may be affected by the change of key assumptions used in the calculation such as discount rate, market labor rate, transportation rate, accommodation and traveling rate and inflation rate which require considerable judgment of the management in determining the above assumptions. I have identified that the provisions for asset demolition is a significant risk that requires special attention in the audit.

### Risk response by auditor

My audit approach on such matter includes assessing the assumptions prepared and used by the management to calculate the obligation value, determining the benchmark and analyzing the appropriateness of the change in various assumptions used in the calculation and the accuracy of such estimates comparing the actual demolition cost and cost of estimated demolition to determine the correctness of the provisions. Additionally, I have considered the adequacy and appropriateness of the information disclosure on the accounting policy, information and amount related to the recognition of the provisions for asset demolition.



## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance in order for those charged with governance to correct the misstatement.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



(Mr.Thanawut Piboonsawat)

Certified Public Accountant Registration No. 6699

Dharmniti Auditing Company Limited  
Bangkok, Thailand  
February 21, 2017

# Statement Of Financial Position

Hot Pot Public Company Limited  
As At December 31, 2016

## Statement Of Financial Position

### Assets

Unit : Baht

	Note	2016	2015
CURRENT ASSETS			
Cash and cash equivalents	5	16,045,358	16,902,977
Trade accounts receivable	6	543,781	-
Other accounts receivable		7,116,604	5,501,959
Inventories	7	53,042,235	57,631,414
Other current assets	8	19,451,323	21,394,726
TOTAL CURRENT ASSETS		96,199,301	101,431,076
NON-CURRENT ASSETS			
Fixed deposits pledged as collateral	13	3,000,000	3,000,000
Property, plant and equipment	9	443,568,818	532,312,506
Leasehold rights	10, 17	44,949,981	53,499,782
Intangible assets	11	5,109,006	5,970,965
Deferred tax assets	12	-	17,399,371
Refundable deposits and others	27	102,650,158	107,396,556
TOTAL NON-CURRENT ASSETS		599,277,963	719,579,180
TOTAL ASSETS		695,477,264	821,010,256

Notes to the financial statements form an integral part of these statements.

**Statement Of Financial Position (Cont.)**

**Liabilities And Shareholders' Equity**

**Unit : Baht**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>CURRENT LIABILITIES</b>			
Bank overdrafts and S/T loan from financial institution	13	41,184,417	73,204,856
Trade accounts payable		167,944,121	160,092,374
Short-term loans	14	78,704,572	-
Other accounts payable	4	121,548,770	125,618,553
Account payable - purchases of assets		3,350,630	8,626,839
Current portion of long-term liabilities			
Liabilities under finance lease agreements	16	3,718,817	6,574,049
Long-term loan from financial institutions	17	22,750,000	72,299,500
Short-term loan from related parties	4, 15	-	24,920,000
Revenue Department payable		7,196,858	6,009,159
Other current liabilities		6,241,150	4,691,195
<b>TOTAL CURRENT LIABILITIES</b>		<b>452,639,335</b>	<b>482,036,525</b>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities under finance lease agreements	16	5,287,708	7,827,534
Long-term loan from financial institutions	17	58,752,890	35,203,390
Deferred tax liabilities	12	10,768,325	-
Employee's benefit obligations	18	6,316,477	4,309,947
Provision for asset dismantling	19	38,375,967	39,286,865
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>119,501,367</b>	<b>86,627,736</b>
<b>TOTAL LIABILITIES</b>		<b>572,140,702</b>	<b>568,664,261</b>

Notes to the financial statements form an integral part of these statements.

**Hot Pot Public Company Limited**  
**As At December 31, 2016**

**Statement Of Financial Position (Cont.)**

**Liabilities And Shareholders' Equity (Cont.)**

Unit : Baht

	Note	2016	2015
SHAREHOLDERS' EQUITY			
Share capital	20		
Authorized share capital			
446,600,000 ordinary shares of Baht 0.25 each		111,650,000	111,650,000
Issued and paid-up share capital			
406,000,000 ordinary shares of Baht 0.25 each		101,500,000	101,500,000
Share premium account		199,343,291	199,343,291
Retained earnings (deficit)			
Appropriated			
Legal reserve		7,055,720	7,055,720
Unappropriated		(203,797,229)	(55,553,016)
Other components of equity		19,234,780	-
TOTAL SHAREHOLDERS' EQUITY		123,336,562	252,345,995
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		695,477,264	821,010,256

Notes to the financial statements form an integral part of these statements.



**Statement Of Comprehensive Income**

Unit : Baht

	Note	2016	2015
Revenues			
Revenues from sales		2,054,342,330	2,132,710,536
Other income		14,169,173	32,998,152
Total revenues		2,068,511,503	2,165,708,688
Expenses			
Cost of sales		1,000,240,640	1,007,007,226
Selling expenses		1,013,256,979	1,075,106,748
Administrative expenses	4	142,303,343	151,368,827
Impairment loss on assets	9	11,194,505	1,442,280
Other expense	9, 27	9,975,915	13,767,444
Finance costs	4	16,408,097	14,113,443
Total expenses		2,193,379,479	2,262,805,968
Profit (loss) before income tax expenses (tax income)		(124,867,976)	(97,097,280)
Tax expenses (tax income)	23	23,359,000	(2,104,754)
Profit (loss) for the year		(148,226,976)	(94,992,526)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain on land revaluation		24,043,475	-
Income tax relating to items that may be reclassified		(4,808,695)	-
		19,234,780	-
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined employee benefit plans		(17,237)	-
		(17,237)	-
Other comprehensive income for the year		19,217,543	-
Total comprehensive income (expense) for the year		(129,009,433)	(94,992,526)
Earnings (loss) per share	25		
Basic earning (loss) per share		(0.37)	(0.23)

Notes to financial statements form an integral part of these statements.

### Statements Of Changes In Shareholders' Equity

Unit : Baht

Note	Issued and paid-up share capital	Share premium account	Retained earnings (deficit)		Other components equity	Total shareholders' equity
			Appropriated legal reserve	Unappropriated		
Beginning balance as at January 1, 2015	101,500,000	199,343,291	7,055,720	39,439,510	-	347,338,521
Total comprehensive income (expense) for the year	-	-	-	(94,992,526)	-	(94,992,526)
Profit (loss) for the year	-	-	-	(94,992,526)	-	(94,992,526)
Ending balance as at December 31, 2015	101,500,000	199,343,291	7,055,720	(55,553,016)	-	252,345,995
Total comprehensive income (expense) for the year	-	-	-	(148,226,976)	-	(148,226,976)
Profit (loss) for the year	-	-	-	(148,226,976)	-	(148,226,976)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Gain on land revaluation	-	-	-	-	19,234,780	19,234,780
Actuarial gains (losses) on defined employee benefit plans	-	-	-	(17,237)	-	(17,237)
Ending balance as at December 31, 2016	101,500,000	199,343,291	7,055,720	(203,797,229)	19,234,780	123,336,562

Notes to financial statements form an integral part of these statements.

**Statement Of Cash Flows**

Unit : Baht

	2016	2015
Cash flows from operating activities		
Profit (loss) for the year	(148,226,976)	(94,992,526)
Adjustment to reconcile profit (loss) for the year to net cash provided by		
(used in) operating activities :-		
Allowance for doubtful account (reversal)	(293,190)	1,328,200
Depreciation and amortization	134,995,332	172,761,263
Loss on impairment of assets	11,194,505	1,442,280
(Reversal) of allowance for impairment of asset	(1,442,280)	-
Loss from branches closing and renovation	10,990,022	10,808,322
Loss on write-off of assets	2,045	5,448
Loss on sale of assets	(1,265,112)	842,313
Loss from non-refundable rental guarantee deposit	-	44,457
Loss on write-off of withholding tax	-	381,720
Interest incomes	(136,211)	(46,922)
Employee's benefit expenses	2,382,293	1,855,207
Finance costs	16,408,097	14,113,443
Tax expense (tax income)	23,359,000	(2,104,754)
Profit from operation before changes in operating assets and liabilities	47,967,525	106,438,451
(Increase) decrease in operating assets		
Trade accounts receivable	(250,591)	1,925,004
Inventories	4,589,179	6,563,493
Other accounts receivable and other current assets	2,213,677	11,057,295

Notes to financial statements form an integral part of these statements.

**Statement Of Cash Flows (Cont.)**

Unit : Baht

	2016	2015
Increase (decrease) in operating liabilities		
Trade accounts payable	7,851,747	(5,760,237)
Other accounts payable	(4,069,783)	(26,247,711)
Other current liabilities	2,737,654	(1,479,910)
Employee's benefit paid	(393,000)	(2,370,420)
Cash received from operating	60,646,408	90,125,965
Interest incomes received	139,296	41,141
Income tax paid	(246,225)	(275,903)
Net cash provided by operating activities	60,539,479	89,891,203
Cash flows from investing activities		
(Increase) decrease in fixed deposits pledged as collateral	-	(1,500,000)
Cash payments for purchases of plant and equipment	(31,194,286)	(51,109,014)
Cash receipts from disposal of equipment	2,126,175	2,163,627
Cash payments for purchases of intangible assets	(293,590)	(284,070)
Cash payments for refundable deposits and others	4,746,399	20,587,697
Cash payment to accounts payable - purchases of assets	(8,727,094)	(15,453,822)
Net cash used in investing activities	(33,342,396)	(45,595,582)

Notes to financial statements form an integral part of these statements.

**Statement Of Cash Flows (Cont.)**

Unit : Baht

	2016	2015
Cash flows from financing activities		
Increase (decrease) in bank overdrafts and short-term loan		
from financial institution	(32,020,439)	13,688,163
Cash receipt from short-term loans	134,967,130	-
Cash payments for short-term loans	(60,000,000)	-
Cash payments for liabilities under finance lease agreements	(6,890,082)	(9,907,146)
Cash payments for short-term loan from related parties	(24,920,000)	-
Cash payments for long-term loan from other company	-	(3,746,823)
Cash receipts from long-term loan from financial institutions	70,752,890	7,459,000
Cash payments for long-term loan from financial institutions	(96,752,890)	(44,099,094)
Interest expenses paid	(13,191,311)	(13,969,474)
Net cash used in financing activities	(28,054,702)	(50,575,374)
Net increase (decrease) in cash and cash equivalents	(857,619)	(6,279,753)
Cash and cash equivalents at beginning of year	16,902,977	23,182,730
Cash and cash equivalents at end of year	16,045,358	16,902,977
Supplementaly disclosures of cash flows information :		
Non-cash transection		
The Company acquired fixed assets by means of		
Liabilities under finance lease agreements	1,495,024	8,817,339

Notes to financial statements form an integral part of these statements.



# Notes To The Financial Statements

Hot Pot Public Company Limited  
December 31, 2016

## 1. General Information

### (a) Legal status and address

The Company was registered to be a limited company on January 28, 2004.

The Company has changed its status to be public company limited for trading their shares on the Market for Alternation Investment (MAI). On July 6, 2011, the Company has registered the above resolution with the partner registrar.

The addresses of its registered office and factory are as follows:

Headquarter : 350 Ramintra Road, Tha-rang District, Bangkhen, Bangkok 10230, Thailand.

Factory : 11/1 Moo 3, Liab Klong 7 Road, Bueng Kham Phroi, Lam Lukka, Pathumthani 12150

### (b) Nature of the Company's operations

The principal activity of the Company is to operate a restaurant business which comprises both a la carte and buffet menus. The main menu features Sukiyaki, Japanese food Japanese grilled food and Steak. In addition, the Company also distributes and produces finished foods and beverage to serve within its restaurant business.

As at December 31, 2016 and 2015, the Company has 141 and 143 branches nationwide, respectively.

The Changes in transactions for the number of branches for the years ended December 31, 2016 and 2015 were as follows

	Number of Branches	
	2559	2558
Beginning balance	143	144
Currently opened	8	11
Currently closed	(10)	(12)
Ending balance	141	143

### (c) Employees

As at December 31, 2016 and 2015, the Company has employees of 3,721 and 3,814, respectively.

The Company has the staff cost for the years ended December 31, 2016 and 2015, amount of Baht 564.07 million and Baht 478.19 million, respectively. The staff cost is consisted of salary, bonus, welfare, social security, compensation fund and provident fund, etc.

## 2. Basis For The Preparation Of Financial Statements

### 2.1 Basis for the preparation of financial statements

The financial statements have been prepared in accordance with the accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E. 2547 by complying with the Thai Financial Reporting Standards. The presentation of the financial statements has been made in compliance

with the Notification of the Department of Business Development, the Ministry of Commerce, re : the financial statements presentation for public limited company, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

The financial statements in Thai language are the official statutory financial statement of the Company. The financial statements in English language have been translated from such financial statement in Thai language.

## 2.2 The new and revised accounting standards are effective in the current year

The Federation of Accounting Professions (FAP) has issued Notifications to mandate the new and revised accounting standards, financial reporting standards, and interpretations of accounting and financial reporting standards, which are effective for the fiscal year beginning on or after January 1, 2016 are as follows:

### Conceptual framework for financial reporting (revised 2015)

TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 2 (revised 2015)	Inventories
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events After the Reporting Period
TAS 11 (revised 2015)	Construction Contracts
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 20 (revised 2015)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2015)	Borrowing Costs
TAS 24 (revised 2015)	Related Party Disclosures
TAS 26 (revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2015)	Separate Financial Statements
TAS 28 (revised 2015)	Investments in Associates and Joint Ventures
TAS 29 (revised 2015)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2015)	Earnings Per Share
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible assets
TAS 40 (revised 2015)	Investment Property
TAS 41	Agriculture

TFRS 2 (revised 2015)	Share-Based Payment
TFRS 3 (revised 2015)	Business Combinations
TFRS 4 (revised 2015)	Insurance Contracts
TFRS 5 (revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
	Exploration for and Evaluation of Mineral Resources
TFRS 6 (revised 2015)	Operating Segments
TFRS 8 (revised 2015)	Consolidated Financial Statements
TFRS 10 (revised 2015)	Joint Arrangements
TFRS 11 (revised 2015)	Disclosure of Interests in Other Entities
TFRS 12 (revised 2015)	Fair Value Measurement
TFRS 13 (revised 2015)	Government Assistance - No Specific Relation to Operating Activities
TSIC 10 (revised 2015)	Operating Leases - Incentives
	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 15 (revised 2015)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 25 (revised 2015)	Service Concession Arrangements: Disclosure
	Revenue-Barter Transactions Involving Advertising Services
TSIC 27 (revised 2015)	Intangible Assets - Web Site Costs
	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TSIC 29 (revised 2015)	Determining whether an Arrangement contains a Lease
TSIC 31 (revised 2015)	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TSIC 32 (revised 2015)	Applying the Restatement Approach under TAS 29 (revised 2015) Financial Reporting in Hyperinflationary Economics
TFRIC 1 (revised 2015)	Interim Financial Reporting and Impairment
TFRIC 4 (revised 2015)	Service Concession Arrangements
TFRIC 5 (revised 2015)	Customer Loyalty Programmes
	TAS 19 (revised 2015)-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 7 (revised 2015)	Agreements for the Construction of Real Estate
	Distributions of Non - cash Assets to Owners
TFRIC 10 (revised 2015)	Transfers of Assets from Customers
TFRIC 12 (revised 2015)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 13 (revised 2015)	Levies
TFRIC 14 (revised 2015)	
TFRIC 15 (revised 2015)	
TFRIC 17 (revised 2015)	
TFRIC 18 (revised 2015)	
TFRIC 20 (revised 2015)	
TFRIC 21	

The management of the Company evaluated that these new and revised accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standards interpretations do not have any significant impact on the financial statements in current year.

## 2.3 Change in accounting policies related to land revaluation

TAS 16 (revised 2015): Property, Plant and Equipment requires the entity shall choose either the cost model or the revaluation model and shall apply that policy to an entire class of property, plant and equipment. To present the financial statements for the year ended December 31, 2016, the Company has changed the accounting policies related to the land revaluation from the cost model to revaluation model because the revaluation has caused the land to carry at appropriate amount currently.

The Company has applied the accounting policy on the revaluation model in this current year for the first time. Such accounting policy was impracticable for the company to apply a new accounting policy retrospectively with the prior periods because it cannot determine the cumulative effect of applying the policy to the brought forward balance and carried forward balance in the statements of financial position of the prior periods. The effect of the change in such accounting policy is as follows:

## 2.4 Change in accounting estimates

Unit : Baht

Statements of financial position	As at December 31, 2016
Increase in property, plant and equipment	24,043,475
Increase in deferred tax liabilities	4,808,695
Increase in other components of equity	19,234,780

In 2016, the Company has changed the estimated useful life of the equipment used in the operation from 5 years to 12 - 15 years and vehicles from 5 years to 5 - 15 years in order to correspond with the suitable useful life of the asset. As the Company has equipment in use for the operation that is fully depreciated, but it still has useful life. The data indicate that the existing useful life estimates may not be appropriate currently. The Company has changed the useful life of assets by using the prospective method. This change has resulted in the profit for the year ended December 31, 2016 to increase by Baht 28.65 million and basic earnings per share to increase by Baht 0.07 per share. In addition, this change is expected the profit in the future period to increase by approximately Baht 23.83 million per annum and basic earnings per share to increase by Baht 0.06 per share.

### 3. Significant Accounting Policies

#### 3.1 Revenues

Revenue excludes value added taxes and other output tax. Sales is recognised in the amount after deduction of trade discounts.

Revenue is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised, if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

Food and beverage and other service income are recognised when services and goods have been provided or transferred.

Revenue from sale material to franchise restaurant is recognized when delivered of goods to client.

Franchise income is recognized in the statement of comprehensive income over the agreement period.

Subsidized income is recognised in the statement of comprehensive income on the accrual basis according to the agreed content stated in the contract or over the agreement period.

Interest income is recognised as revenue for the period in the comprehensive income statement on the accrual basis.

#### 3.2 Expenses

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease payments made.

Interest expenses and similar costs are charged to the statement of comprehensive income for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognised in the statement of comprehensive income using the effective interest rate method.

#### 3.3 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

#### 3.4 Trade accounts receivable

Trade accounts receivable are stated at their invoice value less allowance for doubtful accounts (if any). Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally base on collection experiences and analysis of the debtor aging. Bad debts are written off when incurred.



### 3.5 Inventories

Raw materials, supplies and finished goods are stated at the lower of cost and net realizable value.

Cost is calculated using the first-in first-out (FIFO) and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete the sale.

### 3.6 Property plant and equipment

Land is stated at cost and adjusted its value from the assets valuation.

From 2016, the Company chooses to use the revaluation model for the land in fair market value by the independent appraiser with market approach. The Company has the policy to hire the independent appraiser to appraise the value such land every 5 years.

The Company recognized an increasing of assets's carrying amount as a result of a revaluation in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

The Company will transfer the surplus from the revaluation of the land that is included in equity to the retained earnings directly when the Company is derecognized the assets items. All surplus from the revaluation of the assets are transferred to the retained earnings when the asset is retired or disposed of.

Land is without depreciation. Building, leasehold building improvements and equipment are stated at cost after deducted accumulated depreciation and allowance on impairment (if any).

Cost is recognized at the start when the assets are acquired including other direct costs that relate primarily to the provision of assets into their ready and intended to use state.

Allowance for impairment loss of assets will be made when there is any event or circumstance indicating that the recoverable values of these assets are less than their carrying values.

Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows :

	New	Former
Leasehold building improvements	Upon the period of lease contracts	Upon the period of lease contracts
Factory building	10 - 30 Years	10 - 30 Years
Other structure	10 Years	10 Years
Furniture, fixtures and office equipment	5 Years	5 Years
Vehicles	5 - 15 Years	5 Years
Operating equipment	12 - 15 Years	5 Years

Construction in progress is not depreciated.

Operating equipment consisted of kitchen equipment and equipment using for operation service of each branch.

Gain or loss from disposal of property, plant and equipment is recognized as other income or other expense in the statement of comprehensive income when the assets are sold.

Cost of asset dismantlement, removal and restoration which are the Company's obligation have to be included as asset costs.

The depreciation charge has to be determined separately for each significant part of an asset.

The company reviews the residual value and useful life of an asset on consistency basis.

### 3.7 Leasehold rights

Leasehold rights are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

### 3.8 Intangible assets

Software license, which has limited life, is stated at cost less accumulated amortization and impairment losses (if any).

Trademark is a recognizable name or special symbol that identifies products or services of the sellers and an individual identity which cannot be imitated. The Company has the trademark on Japanese style grilled or broiled service with unlimited useful life showing the fair value as at the acquisition date for zero Baht (0).

Amortization is charged to the statement of comprehensive income on a straight-line basis from the date that intangible assets are available for use over the estimated useful lives of the assets, unless such lives are indefinite. Intangible assets with an indefinite useful life are not amortized but are systematically tested for impairment at each the statement of financial position date. The estimated useful lives are as follows:

Software licenses	5 and 10 Years
Trademark	Unlimited useful life

### 3.9 Impairment of assets

The carrying amounts of assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and when indicators of impairment are identified.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in the statement of comprehensive income unless it reverses a previous revaluation credited to equity, in which case it is charged to equity. When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in the statement of comprehensive income even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in the statement of income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 3.10 Trade and other accounts payable

Trade and other accounts payable are stated at cost.

### 3.11 Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### 3.12 Employee benefits

#### Short-term employment benefits

The Company recognizes salary, wage, bonus and contributions to social security fund, compensation fund and provident fund as expenses when incurred.

#### Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognized as expenses when incurred.

#### Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments that it must pay to the employees upon retirement under the labor law and other employee benefit plans. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is calculated based on the actuarial principles by a qualified independent actuary using the projected unit credit method. Such estimates are made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rate.

Actuarial gains and losses for post-employment benefits of the employees are recognized immediately in other comprehensive income a part of retained earnings.

### 3.13 Income tax

Income tax comprises current income tax and deferred tax.

#### Current tax

The Company records income tax expense, if any, based on the amount currently payable under the Revenue Code at the income tax rates of 20% of profit before income tax, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exemption or allowable from income tax.

#### Deferred tax

Deferred tax assets and liabilities are provided on the temporary differences between the carrying amount and the tax bases of assets and liabilities at the end of the reporting period. Changes in deferred tax assets and liabilities are recognized as deferred tax income or deferred tax expense which are recognized in the profit or loss except to the extent that it relates to items recognized directly in shareholders' equity or in other comprehensive income.

The deductible temporary differences are recognized as deferred tax assets when it is probable that the Company will have future taxable profit to be available against which the deferred tax assets can be utilized. The taxable temporary differences on all taxable items are recognized as deferred tax liabilities.

Deferred tax assets and liabilities are measured at the tax rates that the Company and its subsidiaries expect to apply to the period when the deferred tax assets are realized or the deferred tax liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

At the end of each reporting period, the carrying amount of deferred tax assets are reviewed and reduced the value when it is probable that the Company will have no longer the future taxable profit that is sufficient to be available against which all or some parts of deferred tax assets are utilized.

Deferred tax assets and deferred tax liabilities are offset when there is the legal right to settle on a net basis and they relate to income taxes levied by the same tax authority on the same taxable entity.

### 3.14 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of common shares or equivalent common shares outstanding during the year.

### 3.15 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### 3.16 Financial lease

Leases of assets that substantially transfer to the Company all the rewards and risks of ownership of assets and that the Company intends to exercise the option of the leases to purchase the assets at the expiration of the lease term, are accounted for as finance leases.

At the inception of a finance lease, the cost of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals. Finance charges are charged to the current period operations by the effective rate of interest.

### 3.17 Operating lease

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under an operating lease are recognized as expense on a straight-line basis over the lease term.

### 3.18 Financial instruments

Details of significant accounting policies and methods adopted, including criteria for recognition of revenues and expenses relating to financial assets and financial liabilities are disclosed in note 26.

### 3.19 Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect amounts reported in the financial statements and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

#### Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.



## Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement in evaluating the conditions and details of the agreement whether significant risk and rewards of ownership of the leased asset has been transferred.

## Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review the estimated useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record the impairment loss when it is determined that the recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

## Intangible assets

In recording the initial recognition and measurement of intangible assets as at the acquired date and subsequent impairment testing, the management is required to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

## Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimated future taxable profits.

## Provisions for asset dismantling

In estimating the provisions for asset dismantling, it requires management to exercise the judgment to estimate by the requirements of the lease agreement for the Company to carry out the dismantling and restore the leased property back to the original condition before handing back the leased property to the lessor upon the expiry of the lease agreement. This relies on various assumptions such as discount rate, labor rate, transportation rate, accommodation and traveling rate and inflation rate, etc.

## Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

## 4. Related Party Transactions

A portion of the Company's assets, liabilities, revenues, costs and expenses arose from transactions with related parties.

Types of relationship of related parties were as follows :

Name of Company / individual	Type of business	Type of relationship
Octopus Media Solutions Co., Ltd.	Multimedia	Shareholder as related party of shareholder and director
Ms.Sakuna Baicharoen		Shareholder and director
Mr. Sompon Roekwibunsi		Shareholder and director
Mr. Somchai Roekwibunsi		Shareholder and director (Until August 2016)
Ms.Unthika Roekwibunsi		Shareholder

Balances with the related parties as at December 31, 2016 and 2015 consisted of:

Unit : Baht

	2016	2015
Other accounts payable		
Octopus Media Solution Co., Ltd.	374,372	472,226
Short-term loan		
Mr.Sompon Roekwibunsi	-	20,200,000
Mr.Somchai Roekwibunsi	-	4,720,000
	-	24,920,000
Accrued interest payable		
Mr.Sompon Roekwibunsi	-	427,391
Mr.Somchai Roekwibunsi	-	91,603
	-	518,994

Transactions with related parties for the years ended December 31, 2016 and 2015 were summarized as follows:

Unit : Baht

	Pricing Policy	2016	2015
Administrative expenses			
Octopus Media Solutions Co., Ltd	The agreed contract price	3,332,165	3,139,093
Interest expense		108,471	388,968
Mr.Sompon Roekwibunsi	1.725%, 3.500% per annum	25,346	85,658
Mr.Somchai Roekwibunsi	1.725%, 3.500% per annum	133,817	474,626
Management benefit expenses		11,909,222	13,132,800
Shot-term employee's benefits		57,183	220,787
Post-employment benefits		11,966,405	13,353,587

#### Management Benefit Expenses

Management benefit expenses represents the benefits paid to the Company's management and directors such as salaries, related benefit and directors' remuneration, including the benefit paid by other means. The Company's management is the persons who are defined under the Securities and Exchange Act. The management is comprised managing director or the managements who have the top position at the management level from the four lists following by the manager level.

## 5. Cash And Cash Equivalents

Cash and cash equivalents were consisted of:

Unit : Baht

	2016	2015
Cash in hand	2,066,000	2,170,000
Cash at Banks - current accounts	1,906,484	2,608,327
- savings accounts	12,072,874	12,124,650
Total	16,045,358	16,902,977

Savings accounts earned interest rates at 0.37 - 0.625 % per annum (In 2015: 0.10 - 0.75% per annum).

## 6. Trade Accounts Receivable

Trade accounts receivable were consisted of :

Unit : Baht

	2016	2015
Trade accounts receivable	1,718,241	1,467,650
Less Allowance for doubtful accounts	(1,174,460)	(1,467,650)
Trade accounts receivable - net	543,781	-

Trade accounts receivable classified by ages of account receivable consisted of :

Unit : Baht

	2016	2015
Not yet due	386,405	-
Over due : 1 day to 30 days	157,376	-
Over due : 31 days to 90 days	-	3,949
Over due : 91 days to 365 days	-	310,059
Over 365 days	1,174,460	1,153,642
Total	1,718,241	1,467,650

Changes in allowance for doubtful accounts were as follows :

Unit : Baht

	2016	2015
Beginning balance	1,467,650	139,449
Addition	-	1,568,201
Bad debt	-	-
Reversal	(293,190)	(240,000)
Ending balance	1,174,460	1,467,650

## 7. Inventories

Inventories were consisted of :

Unit : Baht

	2016	2015
Finished goods	49,663,228	52,845,089
Raw materials	3,379,007	4,786,325
Total	53,042,235	57,631,414
Decline in value of inventory recognized as cost of goods sold for the years	10,944,246	9,776,575

## 8. Other Current Assets

Other current assets were consisted of :

Unit : Baht

	2016	2015
Prepaid banner rental and other prepaid expenses	4,661,981	3,600,025
Undue input vat	2,641,969	4,133,988
Other supplies	3,881,864	4,862,664
Materials used in construction and branches	7,733,420	8,465,797
Other current assets	532,089	332,252
Total	19,451,323	21,394,726

## 9. Property, Plant And Equipment

Property, plant and equipment were consisted of :

Unit : Baht

	Balance Dec. 31, 2015	Transactions during the year			Balance Dec. 31, 2016
		Additions	Disposal/ write-off	Transfer in/(out)	
<u>Cost/revaluation</u>					
Land/revaluation	31,564,525	24,043,475	-	-	55,608,000
Factory building and other structure	63,266,369	-	-	-	63,266,369
Leasehold building improvement	624,728,597	21,106,671	(37,658,176)	(3,961)	608,173,131
Furniture, fixtures and office equipment	52,457,995	3,680,437	(1,170,726)	17,757	54,985,463
Operating equipment	443,772,795	11,851,843	(1,691,501)	(13,796)	453,919,341
Vehicles	50,530,055	7,000	(2,072,532)	-	48,464,523
Work in progress	568,271	35,897,168	-	(36,168,085)	297,354
Total	1,266,888,607	96,586,594	(42,592,935)	(36,168,085)	1,284,714,181
<u>Accumulated depreciation</u>					
Factory building and other structure	(17,962,679)	(3,169,204)	-	-	(21,131,883)
Leasehold building improvement	(316,495,357)	(85,943,150)	24,090,990	(6,161)	(378,353,678)
Furniture, fixtures and office equipment	(43,059,705)	(4,627,543)	1,151,243	(1,062)	(46,537,067)
Operating equipment	(322,907,418)	(27,986,543)	1,261,281	7,223	(349,625,457)
Vehicles	(32,708,662)	(3,563,542)	1,969,431	-	(34,302,773)
Total	(733,133,821)	(125,289,982)	28,472,945	-	(829,950,858)
Allowance for impairment of leasehold building improvement	(1,442,280)	(11,194,505)	1,442,280	-	(11,194,505)
Property, plant and equipment-net	532,312,506				443,568,818



Unit : Baht

	Balance Dec. 31, 2014	Transactions during the year			Balance Dec. 31, 2015
		Additions	Disposal/ write-off	Transfer in/(out)	
<b>Cost</b>					
Land	31,564,525	-	-	-	31,564,525
Factory building and other structure	61,470,935	1,795,434	-	-	63,266,369
Leasehold building improvement	615,446,284	44,780,250	(35,447,790)	(50,147)	624,728,597
Furniture, fixtures and office equipment	54,010,894	2,790,885	(4,332,662)	(11,122)	52,457,995
Operating equipment	447,853,248	14,198,544	(18,340,266)	61,269	443,772,795
Vehicles	47,698,336	6,461,500	(3,629,781)	-	50,530,055
Work in progress	1,018,341	67,208,152	-	(67,658,222)	568,271
<b>Total</b>	<b>1,259,062,563</b>	<b>137,234,765</b>	<b>(61,750,499)</b>	<b>(67,658,222)</b>	<b>1,266,888,607</b>
<b>Accumulated depreciation</b>					
Factory building and other structure	(14,650,200)	(3,312,479)	-	-	(17,962,679)
Leasehold building improvement	(251,526,563)	(87,462,695)	22,510,648	(16,747)	(316,495,357)
Furniture, fixtures and office equipment	(41,425,546)	(5,456,244)	3,810,963	11,122	(43,059,705)
Operating equipment	(280,037,238)	(58,260,619)	15,384,814	5,625	(322,907,418)
Vehicles	(28,844,667)	(7,493,773)	3,629,778	-	(32,708,662)
<b>Total</b>	<b>(616,484,214)</b>	<b>(161,985,810)</b>	<b>45,336,203</b>	<b>-</b>	<b>(733,133,821)</b>
Allowance for impairment of leasehold building improvement	-	(1,442,280)	-	-	(1,442,280)
<b>Property, plant and equipment-net</b>	<b>642,578,349</b>				<b>532,312,506</b>

Unit : Baht

	2016	2015
Depreciation for the years - cost of sale	2,666,699	7,789,499
- selling and administrative expenses	122,623,283	154,196,311
<b>Total</b>	<b>125,289,982</b>	<b>161,985,810</b>
(Loss) from branches closing and renovation	(10,990,022)	(10,808,322)
(Loss) on impairment of assets	(11,194,505)	(1,442,280)
(Loss) on write-off of assets	(2,045)	(5,448)
Gain (loss) on sale of assets	1,265,112	(842,313)

The Company hired a local independent appraiser namely; Grow Estimation Co., Ltd. to appraise the value of land again based on fair market value by using the market approach. The land has cost amounting to Baht 31.56 million and the reappraisal value amounting to Baht 55.60 million, which the value is higher than the book value of Baht 24.04 million. The Company has recognized the gain on land revaluation in other comprehensive income for year ended December 31, 2016. The increment on land valuation in the amount of Baht 24.04 million is presented as land revaluation surplus under the shareholders' equity amounting to Baht 19.23 million net of deferred tax liabilities of Baht 4.81 million.

As at December 31, 2016 and 2015, the Company had leasehold building improvement, furniture, fixtures and office equipment, operating equipment and vehicles, which were fully depreciated but still in use with the cost price of Baht 344.39 million and Baht 300.22 million, respectively.

As at December 31, 2016 and 2015, the Company had land, factory building and other construction in the cost price of Baht 94.83 million and Baht 94.83 million, respectively, were used to guarantee the long-term loans from a local financial institution (Note 13 and 17).

As at December 31, 2016, the Company entered into asset insurance for branches, factory building, other structure, furniture and fixtures, office equipment and computers, inventories, machinery and control parts, internal systems, cold storage and vehicles. The beneficiary of these insured assets is the financial institution to secure for the loan, but the beneficiary of vehicles under hire-purchase agreements is the leasing company.

As at December 31, 2016 and 2015, the Company had vehicles, furniture, fixtures and office equipment and operating equipment under hire-purchase agreements with the net book value amounting to approximately Baht 13.61 million and Baht 20.03 million, respectively.

#### Impairment of assets

The market condition of highly competitive restaurant business has resulted in the failure of the operations of some branches to meet the expectation. The outlook is that some branches may be closed down in the foreseeable future. This is a significant indication of impairment of building improvement under the lease agreement in the branch operation for the year ended December 31, 2016. The Company recognizes the impairment loss of building improvement under the lease agreement in the amount of Baht 11.19 million. Such amount is expected by the management that it will not provide the economic benefit.

## 10. Leasehold Rights

Leasehold rights were consisted of :

Unit : Baht

	Balance Dec. 31, 2015	Transactions during the year		Balance Dec. 31, 2016
		Addition	Disposal / Write-off	
Cost				
Leasehold rights in space of restaurant	110,654,451	-	-	110,654,451
Less accumulated amortization Leasehold rights	(57,154,669)	(8,549,801)	-	(65,704,470)
Leasehold rights - net	53,499,782			44,949,981

Unit : Baht

	Balance Dec. 31, 2014	Transactions during the year		Balance Dec. 31, 2015
		Addition	Disposal / Write-off	
Cost				
Leasehold rights in space of restaurant	110,654,451	-	-	110,654,451
Less accumulated amortization Leasehold rights	(47,591,783)	(9,562,886)	-	(57,154,669)
Leasehold rights - net	63,062,668			53,499,782

Unit : Baht

	2016	2015
Amortization cost for the years - selling expenses	8,549,801	9,562,886

As at December 31, 2016 and 2015, leasehold rights on 8 Daidomon branches, which had book value in the amount of Baht 36.36 million and Baht 43.99 million respectively, were used to guarantee the credit limit from banks. (See Note 13 and 17)

## 11. Intangible Asset

Intangible asset were consisted of :

Unit : Baht

	Balance Dec. 31, 2015	Transactions during the year			Balance Dec. 31, 2016
		Addition	Disposal/ write-off	Transfer In (out)	
Cost					
Trademark	-	-	-	-	-
Software licenses	16,616,567	327,590	-	-	16,944,157
Software in progress	34,000	293,590	-	(327,590)	-
Total	16,650,567	621,180	-	(327,590)	16,944,157
Less Accumulated amortization					
Software licenses	(10,679,602)	(1,155,549)	-	-	(11,835,151)
Total	(10,679,602)	(1,155,549)	-	-	(11,835,151)
Intangible asset-net	5,970,965				5,109,006

Unit : Baht

	Balance Dec. 31, 2014	Transactions during the year			Balance Dec. 31, 2015
		Addition	Disposal/ write-off	Transfer In (out)	
Cost					
Trademark	-	-	-	-	-
Software licenses	16,366,497	250,070	-	-	16,616,567
Software in progress	-	284,070	-	(250,070)	34,000
Total	16,366,497	534,140	-	(250,070)	16,650,567
Less Accumulated amortization					
Software licenses	(9,467,035)	(1,212,567)	-	-	(10,679,602)
Total	(9,467,035)	(1,212,567)	-	-	(10,679,602)
Intangible asset-net	6,899,462				5,970,965

Unit : Baht

	2016	2015
Amortization cost for the years	1,155,549	1,212,567
- selling and administrative expenses	1,155,549	1,212,567

As at December 31, 2016 and 2015, the Company had intangible assets which were fully depreciated but still in use with the cost price of Baht 6.75 million and Baht 6.08 million, respectively.

## 12. Deferred Tax Assets And Deferred Tax Liabilities

Changes in deferred tax assets and deferred tax liabilities for the years ended December 31, 2016 and 2015 were summarized as follows:

Unit : Baht

	Balance as at Dec. 31, 2015	Income (expenses) during the year		Balance as at Dec. 31, 2016
		In profit or loss	In other comprehensive income	
Deferred tax assets:				
Trade account receivables	293,530	(293,530)	-	-
Other accounts receivable	127,760	(127,760)	-	-
Allowance for impairment of asset	288,456	(288,456)	-	-
Accrued rental expense	750,519	(750,519)	-	-
Employee's benefit obligations	861,989	(861,989)	-	-
Assets retirement obligations	2,797,059	(2,797,059)	-	-
Unused tax losses	12,456,976	(12,456,976)	-	-
Total	17,576,289	(17,576,289)	-	-
Deferred tax liabilities:				
Prepaid expenses	54,464	(103,086)	-	157,550
Capital surplus from land revaluation	-	-	4,808,695	4,808,695
Property, plant and equipment	-	(5,729,178)	-	5,729,178
Differences from the fair value adjustment of assets from acquiring Daidomon's business	122,454	49,552	-	72,902
Total	176,918	(5,782,712)	4,808,695	10,768,325
Deferred tax assets (liabilities) - net	17,399,371			(10,768,325)

As at December 31, 2016, the Company has reduced the book value of deferred tax assets due to the uncertainty whether the Company will have adequate tax profit to utilize all deferred tax assets in the amount of Baht 17.58 million (Note 23.2).

	Balance as at Dec. 31, 2014	Income (expenses) during the year		Balance as at Dec. 31, 2015
		In profit or loss	In other comprehensive income	
Deferred tax assets:				
Trade account receivables	27,890	265,640	-	293,530
Other accounts receivable	127,760	-	-	127,760
Allowance for impairment of asset	-	288,456	-	288,456
Accrued rental expense	724,880	25,639	-	750,519
Employee's benefit obligations	965,032	(103,043)	-	861,989
Assets retirement obligations	1,273,697	1,523,362	-	2,797,059
Unused tax losses	12,456,976	-	-	12,456,976
Total	15,576,235	2,000,054	-	17,576,289
Deferred tax liabilities:				
Prepaid expenses	81,580	27,116	-	54,464
Differences from the fair value adjustment of				
assets from acquiring Daidomon's business	200,038	77,584	-	122,454
Total	281,618	104,700	-	176,918
Deferred tax assets - net	15,294,617			17,399,371

### 13. Bank Overdrafts And Short-Term Loan From Financial Institutions

Bank overdrafts and short-term loan from financial institution were consisted of :

Unit : Baht

	2016	2015
Bank overdrafts	11,184,417	43,204,856
Short-term loan in the form of promissory note	30,000,000	30,000,000
Total	41,184,417	73,204,856



During the year 2016 the Company has closed the credit facilities with a bank at the total amount of Baht 161.40 million including bank overdraft amounted Baht 30 million, long-term loan amounted Baht 126.40 million (by refinancing to the new bank (see note 17) and letter of guarantee amounted Baht 5 million. Moreover, the Company has entered into an agreement for credit facilities with another bank at the total amount of Baht 80.90 million including long-term loan amounted Baht 70.90 million (refinance from existing bank above (see note 17) and letter of guarantee amounted Baht 10 million.

As at December 31, 2016 and 2015, the Company had credit facilities with some local commercial banks under the total credit facilities of Baht 275.90 million and Baht 356.40 million, respectively, as follows:

Types of credit limit	Interest rate (% per annum)	Million Baht	
		2016	2015
(1) Bank overdrafts	MOR	30.00	60.00
(2) Short-term loan in the form of promissory note	MLR	30.00	30.00
(3) Long-term loan (Note 17)	MLR - MLR-1.30	190.90	246.40
(4) Bank guarantee	-	25.00	20.00
Total		275.90	356.40

As at December 31, 2016, the credit limit were secured by a mortgage of land and buildings, fixed deposit account of Baht 3.00 million and the leaseholds right on 8 Daidomon branches owned by the Company, and guaranteed by the Company's directors.

## 14. Short-Term Loans

Short-term loans were consisted of :

Unit : Baht

Bill of exchanges (par value)	80,000,000
Less Deferred discount	(1,295,428)
Bill of exchange - net	78,704,572

In 2016, the Company has issued and offered 14 short-term bill of exchanges. The interest rate depends on the market situation upon the issuance and offering the bill of exchange each time and has the maturity date not over 270 days from the issuing date to the private placement in order to be funded as the working capital of the Company and/or debt repayment. As at December 31, 2016, the remaining 10 bill of exchanges with face value at Baht 80 million have the interest rate at 6.75% per annum and will be due on February 9, 2017, March 24, 2017 and May 26, 2017.

## 15. Short-Term Loan From Related Parties

Changes in short-term loan from related parties for the years ended December 31, 2016 and 2015 were summarized as follows :

Unit : Baht

	2016	2015
Beginning balance	24,920,000	24,920,000
Additional loan during the year	-	-
Deduction from payment during the year	(24,920,000)	-
Ending balance	-	24,920,000

As at December 31, 2015, the Company has renewed the promissory note for another year with the interest rate at 3.50% per annum (reference rate to the yield rate of government bond 1 year plus average spread rating BBB bond under 3 years).

During the quarter 1 in 2016, the principle and interest have been paid in the amount of Baht 25,572,811.

## 16. Liabilities Under Finance Lease Agreements

Liabilities under finance lease agreements were consisted of :

Unit : Baht

	2016	2015
Liabilities under finance lease agreements	10,271,062	16,596,892
Less deferred interest	(916,927)	(1,520,348)
deferred value added tax	(347,610)	(674,961)
	9,006,525	14,401,583
Less current portion	(3,718,817)	(6,574,049)
Liabilities under finance lease agreements - net	5,287,708	7,827,534

Unit : Baht

	2016				2015			
	Principal	Deferred Interest	Deferred VAT	Total	Principal	Deferred Interest	Deferred VAT	Total
1 - 5 years	5,287,708	450,444	147,180	5,885,332	7,827,534	796,272	256,635	8,880,441
Over 5 years	-	-	-	-	-	-	-	-
Total	5,287,708	450,444	147,180	5,885,332	7,827,534	796,272	256,635	8,880,441

The Company has liabilities under the finance lease agreements which consist of several agreements to supply equipment, furnitures, fixtures and office equipment, equipment used in the operation and vehicles for operation with several local leasing companies.

#### 16.1 Hire-purchase agreements

As at December 31, 2016, the Company had hire-purchase agreements for the vehicles and office equipment with the total contract value amounting Baht 12.71 million. The rental is monthly due in 48 installments at Baht 0.26 million per month. Under the terms of the agreement, the Company is required to comply with the conditions and restrictions as set forth in the agreement. The ownership of the assets under this hire-purchase agreement will be transferred to the Company upon the final payment.

#### 16.2 Lease agreements

As at December 31, 2016, the Company had agreements to lease the vehicles and the equipment used in the operation in the form of finance lease with the total contract value amounting Baht 13.02 million. The rental is monthly due in 37 - 60 installments at Baht 0.25 million per month. Under the terms of the agreement, the Company is required to comply with the conditions and restrictions as set forth in the agreement. The Company, under the terms of the agreement, has an option to purchase the assets upon the expiry of the lease amounting Baht 0.007 million, and the Company must comply with certain conditions and restrictions as defined in the agreement.

For the year ended December 31, 2016 and 2015, the Company paid the liabilities under finance lease agreements in amount of Baht 8.14 million and Baht 11.43 million, respectively.

## 17. Long-Term Loans From Financial Institutions

Long-term loans from financial institutions were consisted of :

Loan	Year	Amount (million Baht)		Withdrawn (million Baht)		Interest rate (%)	Monthly repayment schedule of principal and interest (million Baht)	Outstanding principal (Baht)	
		2016	2015	2016	2015			2016	2015
1	2012	-	90.00	-	83.43	MLR	- First 6 month, only interest - Nov. 12 - Apr. 14, each installment 1.00 - May. 14 - Jul. 15, each installment 2.00 - Aug. 15 - Apr. 16, only interest - May. 16 - Dec. 16, each installment 4.20 - Jan. 17, remaining portion	-	35,428,890
2	2012	50.00	50.00	50.00	50.00	MLR-1.25	- No. 1 - 6, only interest - No. 7 - 29, each installment 1.65 - No. 30 - 32, each installment 0.41 - No. 33 - 41, only interest - No. 42 - 47, each installment 1.65 - No. 48, remaining portion	3,012,500	10,812,500
3	2013	70.00	70.00	70.00	70.00	MLR-1.25	- No. 1 - 6, only interest - No. 7 - 24, each installment 2.35 - No. 25 - 27, each installment 0.59 - No. 28 - 36, only interest - No. 37 - 46, each installment 2.35 - No. 47, remaining portion	7,737,500	25,937,500

Loan	Year	Amount (million Baht)		Withdrawn (million Baht)		Interest rate (%)	Monthly repayment schedule of principal and interest (million Baht)	Outstanding principal (Baht)	
		2016	2015	2016	2015			2016	2015
4	2014	-	36.06	-	36.06	Year 1 : MLR-1.25 Year 2 : MLR-1.00 Year 3 - 5 : MLR	- Jan. 15 - Jun. 15, only interest - Jul. 15, each installment 1.07 - Aug. 15 - Apr. 16, only interest - May. 16 - Dec. 19, each installment 0.80 - Jan. 20, remaining portion	-	34,987,000
5	2014	-	0.34	-	0.34	Year 1 : MLR-1.25 Year 2 : MLR-1.00 Year 3 - 5 : MLR	- Jul. 15 - Apr. 16, only interest - May. 16, each installment 0.34 (see additional information on 17)	-	337,000
6	2016	70.90	-	70.75	-	MLR - 1.30	- No. 1 - 12, only interest - No. 13 - 59, each installment 1.50 - No. 60, remaining portion	70,752,890	-
	Total	190.90	246.40	190.75	239.83			81,502,890	107,502,890
	Less current portion							(22,750,000)	(72,299,500)
	Long-term loans from financial institutions - net							58,752,890	35,203,390

#### During the year 2016

- Credit facilities No. 2 and 3 with a bank  
From quarter 1/2016, the Company has repaid the loan to director (see note 15) before paying the full amount to the bank resulting to the bank has adjusted the new loan repayment chart and requested the Company to repay the loan as scheduled according to the letter No. CBG/022/2559 dated April 28, 2016 as follows:  
(1) The Company has to repay the loan amounting to Baht 10 million by April 29, 2016.  
(2) To extend the loan period of principle repayment another 3 months from the due date in February 2017 to May 2017.  
(3) To decrease the principle repayment amount per installment for May 2016 to April 2017 to the principle repayment at Baht 2 million per installment and repay all remaining amount of principle in May 2017 at the amount of Baht 2.75 million.
- Credit facilities No. 1, 4, 5 and 6 with two banks  
On May 19, 2016, the Company has repaid for the credit facilities No. 1, 4 and 5 before the due date according to this chart above. It includes the closing of all credit facilities to the existing bank by refinancing to the new bank. On April 1, 2016, the Company has signed the loan agreement with the new bank at the credit loan amount of Baht 70.9 million (loan No. 6) to repay the loan to the existing bank.

#### Balances, at end of year

As at December 31, 2016, the Company had remained long-term loans with such two commercial banks at the total principal of Baht 190.90 million which had been withdrawn the loan amounting to Baht 190.75 million. (As at December 31, 2015, the total principal of Baht 246.40 million which had been withdrawn the loan amounting to Baht 239.83 million.) The above loans had significant conditions as follows:

- Loans No. 1,4 and 5

Guaranteed by the mortgaging of lands, factory buildings and other construction of the Company. As such, the Company had to comply with other significant conditions as follows:

(1) The Company has to maintain the debt to equity ratio in the rate not exceeding 1.5:1. Debt means total debts deduct with the loans from directors or shareholders, and equity means total equity combined with the loans from directors or shareholders.

(2) The Company has to maintain debt service coverage ratio in the rate not less than 1.2:1.

- Loans No. 2 and 3

Long-term loans are guaranteed by the transfer of leasehold in 8 branches (see note 10) and has been guaranteed by 2 directors of the company. According to the loan agreement, the Company has to comply with the significant conditions below.

(1) Maintain the debt to equity ratio not over 2.0:1.

(2) Maintain the debt service coverage ratio not less than 1.2:1.

- Loan No. 6

Long-term loan is secured by the mortgaging of lands, factory buildings, other construction of the Company. As such, the Company has to comply with other significant conditions as follows:

(1) The Company has to maintain the debt to equity ratio in the rate not exceeding 2.0:1. Debt means total debts deduct with the loans from directors or shareholders, and equity means total equity combined with the loans from directors or shareholders.

(2) The Company has to maintain the debt service coverage ratio in the rate not less than 1.5:1.

As at December 31, 2016, the Company is unable to maintain the financial ratio by the requirements and conditions of the agreement. However, after December 31, 2016 a bank sent a notifying letter to accommodate the Company that it needs not maintain the financial ratio by the requirements and conditions of the agreement. It will not be treated as violation or default under the loan agreement. Another bank has unofficially accepted the negotiation to accommodate the Company not to maintain the financial ratio under the requirements and conditions of the agreement. The management expects that it will not violate the conditions or be treated as default under the loan agreement.

## 18. Employee's Benefit Obligations

The statements of financial position as at December 31, 2016 and 2015 were as follows :

Unit : Baht

	2016	2015
Beginning balance defined benefit obligations	4,309,947	4,825,160
Current service costs and interest	2,382,293	1,855,207
Actuarial loss	17,237	-
Benefits paid by the plan	(393,000)	(2,370,420)
Ending balance defined benefit obligations	6,316,477	4,309,947

The statements of comprehensive income for the years ended December 31, 2016 and 2015 are as follows :

Unit : Baht

	2016	2015
Current service costs		
Cost of sales	353,716	111,131
Selling expenses	1,755,829	1,085,984
Administrative expenses	141,401	389,201
Directors and management benefit expenses	54,679	214,271
Total	2,305,625	1,800,587
Interest on obligation	76,668	54,620
Total	2,382,293	1,855,207

Principal actuarial assumptions at the reporting date for the year ended December 31, 2016 and 2015 are as follow

Unit : Baht

	2016	2015
Discount rate	1.95	2.38
Salary increase rate	4	4
Employee turnover rate	24 - 44	27 - 42
Mortality rate	-	-

#### Sensitivity analysis

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at December 31, 2016 are summarized below:

Unit : Baht

	1% increase	1% decrease
Discount rate	(124,384)	132,260
Salary increase rate	128,303	(123,161)
Turnover rate	(173,641)	184,699



## 19. Provision For Asset Dismantling

Changes in provision for asset dismantling were summarized as follows :

Unit : Baht

	2016	2015
Balance, beginning of year	39,286,865	38,400,695
Increase from provisions an interest	1,598,989	3,782,025
Decrease from dismantled asset	(2,509,887)	(2,895,855)
Balance, end of year	38,375,967	39,286,865

The provisions from assets dismantling of the Company had been estimated according to regulation under the lease required the Company to dismantle and restore the area back to the same condition before returning the rental space to the lessor at the end of the lease. The calculation was based on discount rate, labor rate, transportation rate, accommodation and traveling rate and inflation rate.

Key assumptions used in estimating the provisions for asset demolition are as follows:

Key assumption	Value	Valuation method
- Discount rate	Maximum not over 12.55%	Reference rate to government bond
- Labor rate	Maximum not over Baht 675 per day per person (average 15 persons : branch, maximum not over 25 days)	Labor rate in the market and experience
- Transportation rate	Maximum not over Baht 73,000 (depends on the site of the branch and distance)	Market transportation rate and experience
- Accommodation and traveling rate	Maximum not over Baht 20,100 per day per person (average 15 persons : branch, maximum not over 25 days)	Experience
- Inflation rate	Approximately 3 %	Current inflation rate

## 20. Share Capital

According to the Annual General Meeting of shareholders 1/2015 held on April 23, 2015, the shareholders approved to increase the Company's authorized capital by general mandate from Baht 101,500,000 to Baht 111,650,000. The increase in the amount of Baht 10,150,000 was issued by 40,600,000 ordinary shares of Baht 0.25 each. This capital increase has been registered with the Ministry of commerce on May 6, 2015.

## 21. Legal Reserve

Under the provision of the Public Limited Companies Act, the Company is required to set aside as statutory reserve at least 5% of its annual net income until the reserve reaches 10% of the authorized capital. The reserve is not available for dividend distribution.

## 22. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and maintains the ability to continue its business as a going concern.

According to the statement of financial position as at December 31, 2016 and 2015, the Company's debt to equity ratios are 4.64 : 1 and 2.25 : 1, respectively.

## 23. Tax Expense (Income)

23.1 Major components of tax expense (income)

For the years ended December 31, 2016 and 2015 consisted of:

Unit : Baht

	2016	2015
Income tax expense (income) shown in profit or loss :		
Current tax expense:	-	-
Income tax expense for the years		
Income tax expense for the years		
Changes in temporary differences relating to the original recognition and reversal	23,359,000	(2,104,754)
Total	23,359,000	(2,104,754)
Income tax relating to components of other comprehensive income :		
Deferred tax relating to :		
Gain on land revaluation	4,808,695	-
Total	4,808,695	-

23.2 A numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate.

For the year ended December 31, 2016 and 2015, which were summarized as follows : **Unit : Baht**

	2016	2015
Accounting profit (loss) for the years	(124,867,976)	(97,097,280)
The applicable tax rate (%)	20%	20%
Tax expense (income) at the applicable tax rate	(24,973,595)	(19,419,456)
Reconciliation items:		
Tax effect of expenses that are not deductible in determining tax profit:		
- Expenses not allowed as expenses in determining taxable profit	3,268,561	127,642
Tax effect of income or profit that are not required in determining taxable profit:		
- Others	-	(2,841)
Unrecognized tax losses on deferred tax assets	27,487,745	17,189,901
Deferred tax expense arising from the write-down of deferred tax assets	17,576,289	-
Total reconciliation items	48,332,595	17,314,702
Total tax expense (income)	23,359,000	(2,104,754)

As at December 31, 2016, the Company had an accumulated loss (in tax) from 2014 - 2016 that was still unused of approximately Baht 285.67 million. The Company did not record deferred tax assets from such loss because there was an uncertainty whether the Company would have enough profit to utilize the benefits from deferred tax assets or not.

23.3 A numerical reconciliation between the average effective tax rate and the applicable tax rate.

For the years ended December 31, 2016 and 2015 were summarized as follows:

**Unit : Baht**

	2016		2015	
	Tax amount (Baht)	Tax rate (%)	Tax amount (Baht)	Tax rate (%)
Accounting profit (loss) before tax expense for the years	(124,867,976)	-	(97,097,280)	
Tax expense (income) at the applicable tax rate	(24,973,595)	(20.00)	(19,419,456)	(20.00)
Corporate income tax expense of prior year	-	-	-	-
Reconciliation items	48,332,595	38.71	17,314,702	17.83
Tax expense (income) at the average effective tax rate	23,359,000	18.71	(2,104,754)	(2.17)

## 24. Operating Segment

The Company operates in one main reportable operating segment which comprises of the restaurant business in both a la carte and buffet menu featuring Sukiyaki Japanese and steak menu. The Company's restaurant branches in single geographical area is Thailand. The operating segment's performance is regularly reviewed by the chief operating decision maker who is the Executive Directors in order to make decisions about the allocation of resources to the segment and assess its performance. The Company assesses the performance of operating segment by using operating profit or loss, on a basis consistent with that used to assess operating profit or loss in the financial statements, therefore all the revenues, operating profits and assets as reflected in the financial statements are the reporting of the reportable operating segment.

## 25. Basic Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the years by the weighted average number of ordinary shares in issue during the years.

	2016	2015
Profit (loss) for the years (Baht)	(148,226,976)	(94,992,526)
Weighted average number of ordinary shares (Shares)	406,000,000	406,000,000
Basic earnings (loss) per share (Baht per share)	(0.37)	(0.23)

## 26. Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Risks relating to significant financial instruments held by the Company and its risk management policy are summarized as follows :

### Financial risk management for financial instruments

The Company manages its financial risk exposure on financial assets and financial liabilities in the normal business by its internal management and control system, and the Company does not hold or issue any derivative financial instruments.

### Credit risk

The Company has no credit risk because it does not have a policy for credit sales. However, the Company uses a standard cash sale only. The trade accounts receivable outstanding as at the end of the period are receivables under franchise contracts and department store food court that payments are paid normally.

### Interest rate risk

The Company is exposed to interest rate risk that relates primarily to deposit at financial institution, Bank overdrafts, long-term loans from related companies and loans from financial institutions. Since most of the Company's financial assets and financial liabilities carry floating interest rates or have fixed interest rates, which are close to the market rates, the interest rate risk is low.

As at December 2016 and 2015, the significant financial assets and financial liabilities classified by types of interest rates were as follows :

Unit : Baht

	As at December 31, 2016			
	Floating interest rate	Fixed interest rate	Interest - free	Total
<b>Financial assets</b>				
Cash and cash equivalents	12,072,874	-	3,972,484	16,045,358
Trade accounts receivable	-	-	543,781	543,781
Other accounts receivable	-	-	7,116,604	7,116,604
Refundable deposits and others	-	-	102,650,157	102,650,157
<b>Financial liabilities</b>				
Bank overdrafts and short-term loan from financial institutions	41,184,417	-	-	41,184,417
Trade accounts payable	-	-	167,944,121	167,944,121
Short-term loans	-	78,704,572	-	78,704,572
Other accounts payable	-	-	121,548,770	121,548,770
Asset purchased payable	-	-	3,350,630	3,350,630
Liability under finance lease agreements	-	9,006,525	-	9,006,525
Long-term loans from financial institutions	81,502,890	-	-	81,502,890

Unit : Baht

	As at December 31, 2015			
	Floating interest rate	Fixed interest rate	Interest - free	Total
<b>Financial assets</b>				
Cash and cash equivalents	12,124,650	-	4,778,327	16,902,977
Other accounts receivable	-	-	5,501,959	5,501,959
Refundable deposits and others	-	-	107,396,556	107,396,556
<b>Financial liabilities</b>				
Bank overdrafts and short-term loan from financial institutions	73,204,856	-	-	73,204,856
Trade accounts payable	-	-	160,092,374	160,092,374
Other accounts payable	-	-	125,618,553	125,618,553
Asset purchased payable	-	-	8,626,839	8,626,839
Short-term loan from related parties	-	24,920,000	-	24,920,000
Liability under finance lease agreements	-	14,401,583	-	14,401,583
Long-term loans from financial institutions	107,502,890	-	-	107,502,890

### Liquidity risk

Liquidity risk, or funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at close to their fair values.

The Company's financial assets comprises of cash, deposits at financial institutions, accounts receivable and refundable deposits which are liquid and able to sell at close to their fair values when the Company wishes to raise fund.

### Foreign currency risk

The Company has no exposure to foreign currency risk because its major trade transactions and loans are not denominated in foreign currency. The main buying and selling transactions occur within the domestic country only. In addition, there are no assets and liabilities denominated in foreign currencies.

### Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction. Fair values are obtained from quoted market prices or discounted cash flow models.

The carrying values of financial assets and liabilities are approximate to their fair values except for liabilities under financial lease contract and long-term loans which their fair values cannot be calculated; accordingly, no disclosure is made.

## 27. Commitment On Operating Lease And Service Agreement

The Company entered into a lease and service agreement with a local company for its office use and with several department stores for restaurant branches. The agreement has a period of 3 - 6 years. The Company has to pay the monthly rental and service fees at Baht 26.26 million per month. It can renew the agreement upon the expiry of the agreement. Furthermore, some agreements require the Company to demolish and restore the area back to the same condition before returning the rental space to the lessor at the end of the lease.

As at December 31, 2016 and 2015, the Company had lease retention under the lease and service agreement above totaling Baht 102.65 million and Baht 107.40 million, respectively.

As at December 31, 2016 and 2015 the Company had commitment to pay the minimum rental and service fees under the building space lease and service agreement as follows:

Unit : Baht

	2016	2015
Payable within		
Not over 1 year	229,025,294	255,518,904
1 - 5 years	174,840,215	218,297,116
Over 5 years	26,812,928	37,860,582



## 28. Expenses By Nature

Significant expenses by nature are as follows :

Unit : Baht

	2016	2015
Changes in inventories of finished goods and work in process	3,181,862	8,710,704
Raw materials and consumables used	974,646,483	975,617,869
Rental and service charge	307,482,060	308,344,782
Expenses employee	564,068,586	478,187,046
Depreciation and amortization	134,995,332	172,761,263
Advertising and promotion expenses	45,677,493	50,918,736
Impairment loss on assets	11,194,505	1,442,280
Other expense*	9,975,915	13,767,444

\* Other expense were consisted of loss from branches closing and renovation, loss on fixed assets write of, loss on fixed assets disposal and loss from non-refundable rental guarantee.

## 29. Contingent Liabilities

As at December 31, 2016 and 2015, the Company had the letter of guarantee issued by a financial institution to secure the purchase of goods and electricity in the amount of Baht 18.11 million and Baht 16.99 million, respectively.

## 30. The Revised Accounting Standards Are Not Yet Effective In The Current Year

The Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of accounting standards, financial reporting standards, and interpretations of accounting and financial reporting standards that are revised.

These revised accounting standards which are effective for the fiscal year beginning on or after January 1, 2017 are as follows:

TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events After the Reporting Period
TAS 11 (revised 2016)	Construction Contracts
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits

TAS 20 (revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 29 (revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2016)	Earnings Per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible assets
TAS 40 (revised 2016)	Investment Property
TAS 41 (revised 2016)	Agriculture
TAS 104 (revised 2016)	Accounting for Trouble Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments Disclosure and Presentation
TFRS 2 (revised 2016)	Share-Based Payment
TFRS 3 (revised 2016)	Business Combinations
TFRS 4 (revised 2016)	Insurance Contracts
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2016)	Exploration for and Evaluation of Mineral Resource
TFRS 8 (revised 2016)	Operating Segments
TFRS 10 (revised 2016)	Consolidated Financial Statements
TFRS 11 (revised 2016)	Joint Arrangements
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement
TSIC 10 (revised 2016)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (revised 2016)	Operating Leases - Incentives
TSIC 25 (revised 2016)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2016)	Service Concession Arrangements: Disclosure
TSIC 31 (revised 2016)	Revenue-Barter Transactions Involving Advertising Services
TSIC 32 (revised 2016)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities

TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2016)	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2016)	Applying the Restatement Approach under TAS 29 (revised 2016) Financial Reporting in Hyperinflationary Economics
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2016)	Service Concession Arrangements
TFRIC 13 (revised 2016)	Customer Loyalty Programmes
TFRIC 14 (revised 2016)	TAS 19 (revised 2016)-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2016)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2016)	Distributions of Non - cash Assets to Owners
TFRIC 18 (revised 2016)	Transfers of Assets from Customers
TFRIC 20 (revised 2016)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2016)	Levies

The management of the Company believe that these accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standards interpretations which are revised will not have any significant impact on the financial statements for the year when they are initially applied.

### 31. Approval Of Financial Statements

These financial statements were authorized for issue by the Board of Directors of the Company on February 21, 2017.





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