

February 24, 2018

Subject: Management Discussion and Analysis  
 For the year ended December 31, 2017  
 To: The President,  
 The Stock Exchange of Thailand

Home Pottery Public Company Limited ("The Company") would like to submit the Management Discussion and Analysis of the Company's operation for the year 2017 ended 31 December 2017, with details as follows:

Unit: Million Baht

	Financial Statement, in which the equity method is applied		Changes (Financial Statement, in which the equity method is applied)		Separate Financial Statement		Changes (separate financial statement)	
	31-Dec-17	31-Dec-16	(Million Baht)	%	31-Dec-17	31-Dec-16	(Million Baht)	%
<i>(Unit: Million Baht)</i>								
Revenue from Sales	167.42	130.28	37.15	28.51	167.41	131.41	36.00	27.39
Other Revenue	3.04	2.75	0.29	10.61	3.04	2.75	0.29	10.61
<b>Total Revenue</b>	<b>170.46</b>	<b>133.03</b>	<b>37.43</b>	<b>28.14</b>	<b>170.45</b>	<b>134.16</b>	<b>36.29</b>	<b>27.05</b>
Costs of Sales	(121.41)	(96.45)	(24.95)	25.87	(121.01)	(97.42)	(23.59)	24.21
Selling Expenses	(11.81)	(9.56)	(2.25)	23.54	(11.81)	(9.56)	(2.25)	23.54
Administrative Expenses	(15.40)	(13.50)	(1.90)	14.08	(15.40)	(13.50)	(1.90)	14.08
Financial costs	(0.02)	(0.19)	0.17	(89.23)	(0.02)	(0.19)	0.17	(89.23)
<b>Total Expenses</b>	<b>(148.64)</b>	<b>(119.70)</b>	<b>(28.94)</b>	<b>24.18</b>	<b>(148.24)</b>	<b>(120.67)</b>	<b>(27.57)</b>	<b>22.84</b>
Profit before share loss from investment in joint venture and income tax	21.82	13.33	8.49	63.80	22.21	13.49	8.72	64.65
Share of loss from investment in joint venture	(0.86)	(4.13)	3.27	(79.07)	0.00	0.00	-	N/A
<b>Profit before income tax</b>	<b>20.96</b>	<b>9.20</b>	<b>11.76</b>	<b>128.04</b>	<b>22.21</b>	<b>13.49</b>	<b>8.72</b>	<b>64.65</b>

Income tax	0.11	0.12	(0.01)	(4.89)	0.11	0.12	(0.01)	(4.89)
Profit for the year	21.07	9.32	11.75	126.36	22.32	13.61	8.72	64.05

The separate Financial Statement of Home Pottery Public Company Limited (“the Company”) for the year ended 31 December, 2017 showed total revenue of 170.45 million Baht. The cost of sales amounted to 121.01 million Baht, while selling and administrative expenses and financial costs were 27.23 million Baht in total. Net income for the period of the company was 22.32 million Baht. The changes are explained as follows;

Sales Revenues:

For the year of 2017, the Company generated a revenue from sales of 167.41 million Baht, increasing by 27.39% from the previous year, which had a total revenue of 131.41 million Baht. This increase can be attributed to the increase in sales volume, both domestically and abroad especially from two primary customers of the Company and the higher average sale price derived from the higher sale proportion of decorative products.

Cost of sales, Expenses and Finance costs:

The cost of sales for the year of 2017 was 121.01 million Baht, increasing by 24.21% from the previous year which had a cost of sales of 97.42 million Baht.

The Company's gross profit in 2017 was 46.40 million Baht which had a gross profit margin of 27.72%, increasing from the period of previous year which had a gross profit margin of 25.87%. This increase was mainly from the Company managing to reduce raw material costs due to cheaper sources of raw materials imported.

For the year of 2017, the selling and administrative expenses was 27.21 million Baht, increasing from the same period of previous year which had a selling and administrative expenses of 23.06 million Baht, mainly due to the higher export and transportation expenses in accordance with higher sales volume. Moreover, this increase was from higher vehicle depreciation expense as the residual value was reassessed at the beginning of 2017. The depreciation on machinery was also increased due to higher unutilized machines in this year.

For the year of 2017, the Company had financial costs of 0.02 million Baht, decreasing by 0.17 million Baht or 89.23% when compared to the same period of previous year, as the Company mostly relied on its own working capital rather than lending from financial institutions which had a net profit of 22.32 million Baht or a net profit margin of 13.10%, increasing from the period of previous year which had net profit margin of 10.14%

For the year of 2017, according to the financial statement, in which the equity method is applied, it showed total revenue of 167.42 million Baht, the cost of sales amounted to 121.41 million Baht and a loss incurred from its investment in joint venture of 0.86 million Baht due to investing 75% of total shareholders in

Central Hospitality Co., Ltd, (CHL) while there was a loss from its investment of 4.13 million Baht in the third quarter and four quarter of 2017. Therefore, the Company's Net Profit for year ended 31 December, 2017 in the financial statement in which the equity method is applied was 21.07 million Baht which is higher than the year of 2016, 9.32 million Baht. The allocated net loss of 0.86 million Baht incurred in Central Hospitality Co., Ltd. (CHL) was mainly caused by a huge increase in its revenue as change in the marketing strategy, leading to the expansion of customer base.

Please be informed accordingly.

Best Regards,



Home Pottery Public Company Limited

(Mr. Niran Chourkittisopon)

Managing Director