



"ทุกมื้อ จัดเต็มด้วยใจ"

บริษัท ฮอต พอต จำกัด (มหาชน)

เลขประจำตัวผู้เสียภาษี 0107554000160

เลขที่ 18 ซอยสาทร 11 แขวงยานนาวา เขตสาทร กรุงเทพมหานคร 10120 โทรศัพท์ 0-2286-9959 โทรสาร 0-2286-9960

18 Soi Sathorn 11 Yaek 9, TFD Building, Yannawa Sathorn, Bangkok 10120 Thailand. Tel 0-2286-9959 Fax 0-2286-9960

(Translation)

Ref. HPIR 004/2018

February 28, 2018

Subject : Management Discussion and Analysis for the year ended December 31, 2017

To : The President
The Stock Exchange of Thailand

Duplicate : The Secretary General
The Securities and Exchange Commission

Hot Pot Public Company Limited ("the Company") would like to clarify the operating results for the year 2017 ended December 31, 2017 which decreased from the same period last year more than 20% as follows:

1. Operating Results

Revenue

In 2017, the Company's revenue from sales was Baht 1,833.06 million decreased by Baht 221.29 million or 10.77% as compared to 2016 which reflected from the company's policy to close the stores with operating loss amount 36 stores or 25.53% compare to the previous year with 141 stores.

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.

Cost of Sales and Gross Profit

Cost of sales in 2017 totaled Baht 899.62 million, dropped Baht 100.62 million or 10.06% as compared to 2016. However, higher proportion of cost of sales to net revenues from sales increased from 48.69% to 49.08% as a result of increasing prices of goods and raw materials including transportation costs, food quality improvement, as a result of profit margin in 2017 totalled Baht 933.44 million dropped from 2016 amount of Baht 120.66 million or 11.45% and gross profit margin decreased from 51.31% to 50.92%.

However, the Company continues to closely monitor to reduce the food waste and for purchasing to deal with new suppliers for better deal in term of better price, volume and credit term.

Selling and Administrative Expenses and Other Expenses

The Company recorded selling and administrative expenses in 2017 of Baht 1,067.94 Million, or 58.26% of total revenues, declined from last year Baht 87.62 million or 7.58%. The main reason was from the policy of restructuring manpower and management structure.

In 2017, due to the high competition in the restaurant business, the operating results of some restaurants are not as planned. The Company recorded the allowance for impairment of assets of branches having loss from their operation, net of reversal, amounted to Baht 32.29 Million, and also recorded loss from closing branches, totaling Baht 53.45 Million.

Moreover, financing costs in 2017 was total Baht 13.37 million, dropped Baht 3.04 Million or 18.50% compared to prior year due to the loan repayment and source of fund from capital injection by offering new ordinary shares to the existing shareholders and private placement.



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Net Loss

The Company posted net loss of Baht 222.30 million in 2017, compared to net loss of Baht 148.23 million in 2016, showing an increase in net loss of Baht 74.08 million due to lower of total revenues, additionally, higher prices of goods and raw material. The Company also recorded allowance for impairment of assets in amount of Baht 85.74 million.

2. Financial Position

As of December 31, 2017, the Company's total assets were Baht 533.17 million, reduced Baht 162.31 million or 23.34% from the year end of 2016. mainly due to the decrease in land, property, plant and equipment in amount of Baht 150.80 million or 34.00% according to lower number of active outlets and allowance for impairment of asset.

The Company's total liabilities amounted to Baht 499.78 million, showing a decrease of Baht 72.36 million or by 12.65 % from the end of 2016 due to repayment of trade payables and loan to financial institutions.

As of December 31, 2017, the shareholders' equity of the Company was Baht 33.38 Million, decreased by Baht 89.95 Million or 72.93% from previous year due to the capital injection in quarter 4 amount Baht 129.92 million in order to use for working capital in the operation and to repay some parts of existing debts in the fourth quarter of 2017. As a result, the current shareholders' equity is approximately at the amount of Baht 33.38 million.

Please be informed accordingly.

Sincerely yours,

-Signature -

(Mr. Chotiwit Taechaubol)

Deputy Chief Executive Officer

Authorized to sign on behalf of the Company