

February 26, 2019

Subject: Management Discussion and Analysis
 For the year ended December 31, 2018
 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 2018 ended 31 December, 2018 with details as follows:

Unit: Million Baht

	Consolidated financial statements	Financial Statement, in which the equity method is applied	Separate Financial Statement		Changes (separate financial statement)	
			31-Dec-18	31-Dec-17	(Million Baht)	%
(Unit: Million Baht)	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17	(Million Baht)	%
Revenue from Sales	179.87	167.42	168.99	167.41	1.58	0.94
Other Revenue	2.75	3.04	2.33	3.04	(0.71)	(23.36)
Total Revenue	182.62	170.46	171.32	170.45	0.87	0.51
Costs of Sales	130.45	121.41	126.04	121.00	5.04	4.17
Selling Expenses	14.79	11.81	12.85	11.81	1.04	8.81
Administrative Expenses	17.28	15.40	15.01	15.40	(0.39)	(2.53)
Financial costs	0.21	0.02	0.21	0.02	0.19	950.00
Total Expenses	162.73	148.64	154.11	148.23	5.88	3.97
Profit before share loss from investment in joint venture and income tax	19.89	21.82	17.21	22.22	(5.01)	(22.55)
Share of loss from investment in joint venture	(1.00)	(0.86)	0.00	0.00	0.00	N/A
Profit before income tax	18.89	20.96	17.21	22.22	(5.01)	(22.55)
Income tax	0.15	0.11	0.14	0.11	0.03	27.27
Profit for the year	19.04	21.07	17.35	22.33	(4.98)	(22.30)
Profit attributable to						
Owners of the parent	18.99	-	-	-	-	-
Non- controlling interests	0.05	-	-	-	-	-

The separate Financial Statement of Home Pottery Public Company Limited (“the Company”) for the year ended 31 December, 2018 showed total revenue of 171.32 million Baht. The cost of sales amounted to 126.04 million Baht, while selling and administrative expenses and financial costs were 28.07 million Baht in total. Net income for the period of the company was 17.35 million Baht. The changes are explained as follows;

Sales Revenues:

For the year of 2018, the Company generated a revenue from sales of 168.99 million Baht, increasing by 0.94% from the previous year, which had a total revenue of 167.41 million Baht. This increasing was attributed to higher domestic sales. Moreover, the Company generated higher export volume, but the Company recognized lower sales revenue from overseas sales resulting from Thai Baht appreciation against 3 major currencies (USD, EUR, and AUD) as main revenue structure.

Cost of sales, Selling and Administrative Expenses:

The cost of sales for the year of 2018 was 126.04 million Baht, increasing by 4.17% from the previous year which had cost of sales of 121 million Baht.

The Company's Gross Profit in 2018 was 42.95 million Baht which had a Gross Profit Margin of 25.42%, decreasing from the same period of previous year which had a Gross Profit Margin of 27.72%. This decrease in Gross Profit Margin was from appreciation of Baht against other currencies causing lower revenue and gross profit although the company raised sales volume.

For the year of 2018, the selling and administrative expenses was 27.86 million Baht, increasing from the same period of previous year which had a selling and administrative expenses of 27.21 million Baht, mainly due to the sales promotion expense for product distribution in both domestic and international market and increase of agent commissions as selling through agents was higher as well as additional cost from ISO standards preparation which has been certified as ISO 9001:2015 since July 12, 2018.

Net profit and Net profit margin

For the year of 2018, the Company's Net Profit was 17.35 million Baht which had a Net Profit Margin of 10.13%, less than which of the same period of the previous year which was 22.33 million Baht or net profit margin of 13.33%. This decrease resulted from Baht appreciation against other currencies, therefore, the Company recognized lower revenue, profit and profit margin. Thus, the company planned to boost domestic sales and to enhance measures of waste reduction from the manufacturing process, expecting to help increase in net profit margin.

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On October 10, 2561, the Company purchased additional shares of Central Hospitality Co., Ltd. (CHL) indicating 98% shareholding proportion. In consolidated financial statements of 2018, the Company's revenue from the sales of 179.87 million Baht, cost of sales was 130.45 million Baht, net profit was 19.04 million Baht. Decrease in Net Profit Margin was from appreciation of Baht against other currencies, causing a drop on revenue from overseas sales. However, the Company and its subsidiary have changed business strategy and enhance marketing strategy for both domestic and international market to achieve more targeted customers.

Please be informed accordingly.

Best Regards,



Home Pottery Public Company Limited

(Mr. Niran Chourkittisophon)

Managing Director