

August 12, 2019

Subject: Management Discussion and Analysis
 For the three-month period ended June 30, 2019
 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 three-month period ended 30 June, 2019 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)	
			30-Jun-19	30-Jun-18	(Million Baht)	%
	<i>(Unit: Million Baht)</i>					
Revenue from Sales	42.54	36.01	39.18	36.34	2.84	7.82
Other Revenue	0.34	1.08	0.30	1.08	(0.78)	(72.22)
Total Revenue	42.88	37.09	39.48	37.42	2.06	5.51
Costs of Sales	30.05	27.88	29.23	28.04	1.19	4.24
Selling Expenses	5.04	3.46	4.13	3.46	0.67	19.36
Administrative Expenses	6.17	3.51	4.69	3.51	1.18	33.62
Financial costs	0.14	0.07	0.14	0.07	0.07	100.00
Total Expenses	41.40	34.92	38.19	35.08	3.11	8.87
Profit before share loss from investment in joint venture and income tax	1.48	2.17	1.29	2.34	(1.05)	(44.87)
Share of loss from investment in joint venture	0.00	(0.52)	0.00	0.00	0.00	N/A
Profit before income tax	1.48	1.65	1.29	2.34	(1.05)	(44.87)
Income tax	0.22	0.04	0.22	0.04	0.18	450.00
Profit for the period	1.70	1.69	1.51	2.38	(0.87)	(36.55)
<u>Profit attributable to</u>						
Owners of the parent	1.69					
Non- controlling interests	0.01					

The separate Financial Statement of Home Pottery Public Company Limited (“the Company”) for the three-month period ended 30 June 2019 showed total revenue of 39.48 million Baht. The cost of sales amounted to 29.23 million Baht, while selling and administrative expenses and financial costs were 8.96 million Baht in total. Net income for the period of the company was 1.51 million Baht. The changes are explained as follows;

Sales Revenues:

For the three-month period ended 30 June 2019, the Company generated a revenue from sales of 39.18 million Baht, increasing by 7.82% when compared to the same period in the previous year, which had a total revenue of 36.34 million Baht. This increasing was attributed to higher domestic sales. Moreover, the Company generated higher export volume, but the Company recognized increased slightly 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:

For the three-month period ended 30 June 2019, the cost of sales was 29.23 million Baht, increasing by 4.24% from the same period in the previous year which had a cost of sales of 28.04 million Baht.

The Company’s Gross Profit was 9.95 million Baht which had a Gross Profit Margin of 25.40%, increasing from the same period of previous year which had a Gross Profit Margin of 22.84%. This increase was mainly from the Company managing to reduce raw material costs due to cheaper sources of raw materials imported and the reduced energy.

For the three-month period ended 30 June 2019, the selling and administrative expenses was 8.82 million Baht, increasing from the same period of previous year which had 6.97 million Baht, the cost of selling increase due to the transportation cost for distribution in both domestic and international market, sales promotion expense for exhibition in Laos and agent commissions for selling through agents. All cost of selling is incurred to increase the new customer base, such as in Italy, India and Laos. In part of the only one-time cost of administrative expenses increases due to loss of write off asset, the cost of financial advisor, the cost related to the issuance of the Warrants to Purchase the Ordinary Shares (HPT-W1) and the employee benefit cost (The Labor Protection Act No.7 B.E. 2562).

Net profit and Net profit margin

For the three-month period ended 30 June 2019, the Company’s Net Profit was 1.51 million Baht which had a Net Profit Margin of 3.82%, decrease from the same period of the previous year which was 2.38 million Baht or net profit margin of 6.36%. 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 in the next quarter.

In consolidated financial statements for the three-month period ended June 30, 2019, the Company's revenue from the sales of 42.54 million Baht, cost of sales was 30.05 million Baht, net profit was 1.70 million Baht. Increase 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. For the three-month period 2019, Subsidiaries can reduce the cost of sales, by decreasing from the same period in 2018, representing 50 percent and the cost of administering the decline was 29 percent, which resulted in the recognition of gains above.

Please be informed accordingly.

Best Regards,



Home Pottery Public Company Limited

(Mr. Niran Chourkittisophon)

Managing Director