

February 24, 2020

Subject: Management Discussion and Analysis
 For the year ended December 31, 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 year 2019 ended 31 December, 2019 with details as follows:

Unit: Million Baht

	Consolidated financial statements		Separate Financial Statement		Changes	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	(separate financial statement)	
<i>(Unit: Million Baht)</i>					(Million Baht)	%
Revenue from Sales	194.63	179.87	171.70	168.99	2.71	1.60
Other Revenue	3.46	2.75	2.70	2.33	0.37	15.88
Total Revenue	198.09	182.62	174.40	171.32	3.08	1.80
Costs of Sales	138.50	130.45	130.80	126.04	4.76	3.78
Cost of distributions	20.55	14.79	16.57	12.85	3.72	28.95
Administrative Expenses	26.12	17.28	17.22	15.01	2.21	14.72
Financial costs	0.54	0.21	0.43	0.21	0.22	104.76
Total Expenses	185.71	162.73	165.02	154.11	10.91	7.08
Profit before share loss from investment in joint venture and income tax	12.38	19.89	9.38	17.21	(7.83)	(45.50)
Share of loss from investment in joint venture	0.00	(1.00)	0.00	0.00	0.00	N/A
Profit before income tax	12.38	18.89	9.38	17.21	(7.83)	(45.50)
Income tax	0.34	0.15	0.33	0.14	0.19	135.71
Profit for the year	12.72	19.04	9.71	17.35	(7.64)	(44.03)
<u>Profit attributable to:</u>						
Equity holders of the parent	12.66					
Non-controlling interests	0.06					

The separate Financial Statement of Home Pottery Public Company Limited (“the Company”) for the year ended 31 December, 2019 showed total revenue of 174.40 million Baht. The cost of sales amounted to 130.80 million Baht, while cost of distributions and administrative expenses and financial costs were 34.22 million Baht in total. Net income for the period of the company was 9.71 million Baht. The changes are explained as follows;

Sales Revenues:

For the year of 2019, the Company generated a revenue from sales of 171.70 million Baht, increasing by 1.60% from the previous year, which had a total revenue of 168.99 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, cost of distributions and Administrative Expenses:

For the year of 2019, the cost of sales was 130.80 million Baht, increasing by 3.78% from the previous year, which had a total revenue of 126.04 million Baht.

The Company’s Gross Profit was 40.90 million Baht which had a Gross Profit Margin of 23.82%, decreasing from the same period of previous year which had a Gross Profit Margin of 25.42%. This decrease in Gross Profit Margin, Although the Company has managed to reduce raw material costs due to cheaper sources of raw materials imported, but the cost of depreciation of new machines and cost of maintenance have increased.

For the year of 2019, the cost of distributions and administrative expenses was 33.79 million Baht, increasing from the same period of previous year which had 27.86 million Baht, the cost of distributions increase due to the agent commissions as selling through agents was higher, transportation cost for distribution in both domestic and international market, sales promotion expense for exhibition In Philippine. All cost of distributions is incurred to increase the new customer base. In part of administrative expenses increases due to the cost related to the issuance of the Warrants to Purchase the Ordinary Shares (HPT-W1).

Net profit and Net profit margin

For the year 2019, the Company’s Net Profit was 9.71 million Baht which had a Net Profit Margin of 5.57%, decrease from the same period of the previous year which was 17.35 million Baht or net profit margin of 10.13%. This decrease resulted from cost of sale, cost of distributions and administrative expenses have increased. Thus, the company planned to boost domestic sales, develop new products 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 year 2019, the Company's revenue from the sales of 194.63 million Baht, cost of sales was 138.50 million Baht, net profit was 12.72 million Baht. 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 year 2019, Subsidiaries can reduce the cost of distributions, by decreasing from the same period in 2018, representing 46.36 percent, which resulted in the recognition of gains above.

Please be informed accordingly.

Best Regards,



Home Pottery Public Company Limited

A handwritten signature in blue ink, consisting of a stylized, cursive name.

(Mr. Niran Chourkittisopon)

Managing Director