

PP PRIME Public Company Limited
Former Name: Thai Luxe Enterprises Public Company Limited

Management Discussion and Analysis for the quarter 1st year 2019

Company Performance Overview

For the quarter 1st year 2019, PP Prime Public Company Limited (*Former name: Thai Luxe Enterprises Public Company Limited*) (The Company") and subsidiaries recorded total revenues of 512.08 million Baht, consisting of total revenue from feed businesses and geothermal power business, and other income of 462.78 million Baht and 49.34 million Baht of total revenue respectively. This translates into 90.37% and 9.63% of total revenue respectively. The Company and subsidiaries had the revenue increase by 21.23% comparing to the same quarter of previous year which the main business revenue had increased 23.08% when comparing to the same quarter of previous year.

For the quarter 1st year 2019, The Company and subsidiaries had net operating loss of 50.52 million Baht which increased by 146.68% when comparing with the previous year. This was mainly due to increased of selling and administrative expenses included finance cost.

Consolidated financial statements Unit : Million Baht	Quarter 1/2019	Quarter 1/2018	Change	Percent
Sales	512.08	416.05	96.03	23.08%
Other incom	17.88	21.11	(3.23)	-15.30%
Total Revenue	529.96	437.16	92.80	21.23%
Cost of sales	433.44	355.14	78.30	22.05%
Selling and Administrative expenses	101.51	71.91	29.60	41.16%
Total expenses	534.95	427.05	107.90	25.27%
Profit before finance cost and income expenses	(4.99)	10.11	(15.10)	-149.36%
Share of loss from investments in associates	0.00	0.00	0.00	
Finance Cost	33.82	28.93	4.89	16.90%
Profit before income tax expenses	(38.81)	(18.82)	(19.99)	106.22%
Income tax expenses	(11.71)	(1.66)	(10.05)	605.42%
Profit (Loss) from continued operation for the period	(50.52)	(20.48)	(30.04)	146.68%
Loss from discontinued for the period	0.00	0.00	0.00	
Loss for the period	(50.52)	(20.48)	(30.04)	146.68%
Non-controlling interests of the subsidiaries	(0.09)	(0.04)	(0.05)	125.00%
Profit (Loss) attributed to equity holders of the Company	(0.09)	(0.04)	(0.05)	125.00%

Explanation and Analysis of the Operating result for quarter 1st year 2019

1.1 Revenue

Aquatic Feed and Pet Food Business

In quarter 1st year 2019, the revenue from aquatic feed was 422.76 million Baht, or an increase of 18.58% comparing to the same quarter of previous year.

For the shrimp feed section, because Pacific White Shrimp follow to the world situation, so the Company set the direction for marketing of 3 types are Pacific White Shrimp, Black Tiger Prawn, Giant Tiger Prawn included the Company use the aggressive marketing to competitive advantage, therefore the revenue for shrimp feed increased 38.96% when compared to the same quarter of previous year.

For fish feed section, situation for feeding Tilapia slightly decrease because of surplus. For the Catfish feeding expected to increase because the situation of increasing price therefore the farmer has more incentive for expending of feeding area included the government has supported to feed Catfish under the new theory of agriculture the revenue had decreased 3.47% when comparing to the same quarter of previous year.

For OEM of pet food, the revenue for OEM of pet food has increased by 5.77% when comparing to the same quarter of previous year.

For the Energy Business

The Company had produced and COD the geothermal electricity in Japan in quarter 1st year 2019, the electricity sales were 27.12 million Baht or 5.30% of the total revenue of the company. Currently, the Company had the power plants that can commercially operate total of 15 units.

1.2 Cost of sales

In quarter 1st year 2019 the majority of the Company's cost of sales was cost of raw material in production. The Company had cost of sales 433.44 million Baht, an increase of 22.05% when comparing to the same quarter of previous year due to increase in sales and. The cost of sales per sales had decreased by 0.72%

1.3 Gross Profit

In the quarter 1st, year 2019, Gross Profit was 78.64 million Baht, increased by 29.11% when compared with the same quarter of previous year which was 60.91 million Baht.

1.4 Selling and Administrative expenses

Selling and Administrative expenses in quarter 1st, year 2019 was 101.51 million Baht, increased 41.16% when compared with the same quarter of previous year, it was mainly due to the Company had the advisory fee for developing the business and had the unrealized loss on exchange rate.

1.5 Net profit (loss)

In the quarter 1st year 2019, the consolidated financial statements showed net loss 50.52 million Baht, or net loss 0.09 Baht per share.

Financial Position

2.1 Asset

As of 31 March 2019, the consolidated financial statements showed total asset of 3,218.47 million Baht, decreased by 121.41 million Baht or decreased 3.64% from 31 December 2018. It was mainly due to the account receivable, other receivable, and inventories has decreased because the Company has better managed it.

2.2 Liabilities

As of 31 March 2019, the consolidated financial statements showed total liabilities of 2,421.72 million Baht, decreased 117.50 million Baht or decreased 4.50% from 31 December 2018 due to normally business operation.

As of 31 March 2019 and 31 December 2018, Debt to Equity ratio of the Company were 3.04 times and 3.11 times respectively.

2.3 Shareholder's Equity

As of 30 March 2019, the consolidated financial statements showed total Shareholder's Equity of 796.75 million Baht, decreased by 16.26 million Baht or decreased 1.99% from 31 December 2018 due to operating loss for the quarter 1st year 2019.

Liquidity

In the quarter 1st year 2019, the consolidated financial statements showed net cash flow from operating activities at the amount of 13.89 million Baht, net cash flow from investing activities at the amount of 1.38 million and cash used in financing activities at (28.48) million Baht. Cash and cash equivalents was increased by amount of 5.49 million Baht. As the result of 31 March 2019, cash and cash equivalents at the end of period as of the was 18.78 million Baht.

Report on feed business situation in 2019

The Situation of shrimp industry in quarter 1st of 2019

In quarter 1st to the middle of April 2019, the continuing of declining price of Pacific White Shrimp was effected to quantity of breeding was decreased in quarter 1st, and the development in shrimp industry in Vietnam, India, Ecuador, Indonesia to increase the budgeting and use the new technology from government and private sector and from the imported companies in European, USA, Japan, China, and the government of imported shrimp countries for improving the quality of imported shrimp (to decrease the residue, to reduce the toxic, to reduce bacteria) to better healthy, quantity of shrimp has enough for demand, and support to improve better standard included standard of minor farmer and long-term policy to help the farmer for 3 years. But in Thailand the development still stable especially the development of exported market, it has developed less than other countries therefore the growth rate of shrimp in quarter 1st still stable.

Because of the quantity of Pacific White Shrimp in the market was decreased, so the expectation of production and use of feed has also decreased follow to the situation of world market. From the production and growth rate of Pacific White Shrimp, the Company has extent to Gain Tiger Prawn market in Middle, East, and North area to get the highest market share especially the Company do the marketing of breeding name “Macro 1” which the most popular breeding in Thailand. The Company has the high quality of feed, breeding, and service, therefore in quarter 2nd the Company has growth by 20%

The Situation of fish industry in quarter 1st of 2019

In quarter 1st of 2019, the Tilapia has slightly decreased because some area has the problem of surplus effected to decrease the price. In end of the year 2018, the farmer place the fish in farm at the same time, so the fish lunch into the market in year 2019. The farmer lack of incentive and Meteorological department announce the El Nin Yo will occur in March to April 2019 as the result of the rain will decrease from standard by 10% - 20% and the high temporary included some area in North East has drought, the level of water has low until year 2018, farmers are in the period of drought surveillance, therefore farmers has delayed the feeding and some people adjust themselves by releasing less breeding than usual for reducing the cost.

In year 2019, the Catfish is expected to increase because the price situation has increased Therefore motivating farmers to expand the area especially the old farmers return feeding. In addition, the government have promoted raising catfish under the new theory of agriculture project by promoting knowledge of aquaculture as well as supporting primary production factors and the state welfare card program through training to improve the quality of life in many areas to increase income for farmers and for consumption within the province. Because catfish do not require water to feed as much as other aquatic animals, so farmers can feed both in cement mortar and small ponds. Moreover, the Catfish is resistant to disease and the environment and some areas promoting fish processing as catfish Etc., so it encouraging

farmers to come back to feed more. Year 2019 the output per Rai continues to increase when compared to 2018

In quarter 2nd year 2019 Tilapia is expected to increase slightly compared to the year 2018, due to farmers being nursed fish before being released into the farm for increased survival rate. In addition, the government have a project to promote Tilapia farming and increase the farming skills for farmers, thus in year 2019 increasing yield per Rai the overall national productivity is expected to increase.

For the Catfish from increasing the raising cycle and increasing the rate of release of larvae including farmers having good farm management to reduce the accumulation of diseases, reduce food costs including the government sector providing knowledge transfer, suggesting how to feed the fish grow well, resulting in increased production volume in 2019 (Source: Agricultural Information Quality Development Committee. March 2019)