

NPP. 043/2017

15 August 2017

Subject Clarify the performance change of over 20 percent

To The President
 of the Stock Exchange of Thailand

Management's Discussion and Analysis

Consolidated Financial Results for the three-month and the six-month : Q2/2017

For the three-month ended 30 June 2017

NPP Consolidated PL

Unit : Million Baht

	Quarter 2 Year 2017	Quarter 2 Year 2016	%YoY	Quarter 1 Year 2017	%QoQ
Revenue from sales and services	151.0	128.9	17%	155.5	(3%)
Revenue from food and beverage sales	142.0	55.3	157%	127.9	11%
Total	293.0	184.2	59%	283.4	3%
Gross Profit (Loss)	60.9	52.0	17%	53.4	14%
Net Profit/(Loss) for the Period	(8.2)	(68.1)	88%	(88.8)	91%
Net Profit/(Loss) from the period attribute to equity holders of the Company	(3.5)	(52.9)	93%	(81.9)	96%

For the six-month ended 30 June 2017

NPP Consolidated PL

Unit : Million Baht

	Quarter 2 Year 2017	Quarter 2 Year 2016	Change	%YoY
Revenue from sales and services	306.5	237.3	69.2	29%
Revenue from food and beverage sales	269.9	91.8	178.1	194%
Total	576.4	329.1	247.3	75%
Gross Profit	114.3	56.0	58.3	104%
Net Profit/(Loss) for the Period	(97.0)	(100.7)	3.7	4%
Net Profit/(Loss) from the period attribute to equity holders of the Company	(85.4)	(82.1)	(3.3)	(4%)

Revenue

Revenue from Sales in Jan - Jun of 2017 was 576.4 MB increased by 247.3 MB or 75% y-o-y due to explain in each business segment summary as follows:

Revenue from sale and service

Plastic Packaging Segment

Revenue from sales of plastic packaging was 224.7 MB, an increase by 42.5 MB or 23.3% y-o-y mainly due to increase sale with the existing customers and new customers expansion.

PET bottle Segment

Revenue from sales of PET bottle was 66.7 MB, an increase by 18.4 MB or 38.1% y-o-y mainly due to sales growth in existing customers and increase sales from new customers.

Space Rental Segment

Revenue from space rental was 15.2 MB, an increase by 8.5 MB or 126.9% y-o-y consisting of revenue from space rental of "The Brio Mall" which plans for site development plan, screens more variety of shops including setting up interesting activities to meet the target group. Nevertheless, revenue from advertising space rental was 0.97 MB decreased by 1.94 MB or 66.7% y-o-y due to economic slowdown in advertising industry.

Revenue from sales food and beverage

Sales of food and beverage was 269.9 MB can be classified as follows:-

A&W Restaurant: revenue from sales was 96.6 MB, an increase by 28.0 MB or 40.8% y-o-y which has increase in 12 outlets y-o-y.

Miyabi Grills: revenue from sales was 33.3 MB, an increase by 10.1 MB or 43.5% y-o-y due to the Company recognized sales since on 1 March 2016 onwards.

Mr.Jones' Orphanage and Brio Mall: revenue from sales 11.4 MB, an increase by 11.4 MB or 100% y-o-y. In the 2st quarter of 2016, the Company has unrecognized the revenue from company because of processed the business combination on September 2016.

Processed Food : Revenue from sales was 127.0 MB, an increase by 127.0 MB or 100% y-o-y with highlighting for domestic sales of Ready Meal including sales for processed prawn, frozen fresh-water prawn.

Cost

Cost of sales and service

Cost was 283.2 MB, an increase by 47.3 MB or 20% y-o-y is in alignment with the growth sale trend. The Company can control the cost of materials and labor costs in effectively, which results in an increase in gross profit compared to the same period last year and onwards.

Cost of sales food and beverage

Cost was 179.0 MB, an increase by 141.9 MB or 382% y-o-y is in alignment with the growth sale trend. The Company still try to control the fresh food cost such as shrimp, salmon fish and other materials by select and revised the proper vendor and with product quality.

Expenses

Selling expenses

Selling expenses was 138.7 MB, an increased by 56.4 MB or 69% y-o-y, significant increase mainly including food and beverage business segment. Furthermore, the Company has still trying to manage and control the labor costs, utilities and electricity of restaurants business branch properly and efficiently.

Administrative expenses

Administrative expenses was 86.1 MB, an increased by 21.0 MB or 32% y-o-y as a result of the increase in processed food business of 12.4 MB, the shopping mall business amounted 7.0 MB.

Finance cost

Finance cost was 8.2 MB, an increased by 5.2 MB or 173% y-o-y due to the business combination.

Statement of Financial Position

Total Assets

Total assets as at 30 June 2017 was 1,674 MB which increased of 130 MB from 31 December 2016. Major increase/decrease were as follows:

- Cash and cash equivalent increased by 89.1 MB due to cash received from share incremental of 273 MB.
- Temporary investment increased by 21.3 MB.
- Inventory increased by 15.7 MB.

Total Liabilities

Total liabilities as at 30 June 2017 was 482.4 MB which increased of 87.3 MB from 31 December 2016. Major increase/decrease were as follow:

- Payable for investment decreased by 25 MB due to the payment of investment in NPP Food Service Company Limited (Formerly “Nippon Food Product Company Limited”)
- Short – term loans from and accrued interest – related company decreased by 40 MB due to the subsidiary repay debt to the related company 40 MB.
- Other current liability decreased by 39.9 MB due to the repayment loan from director of 30 MB.
- Payable for purchase of temporary investments increased by 16.3 MB.

Shareholders’ equity

Total equity of the Company’s shareholders as at 30 June 2017 was 1,191.6 MB from 31 December 2016 which increased by 217.3 MB. During the period, the Company received cash from share incremental of 273 MB. Regarding to the Extraordinary General Meeting No.1/2017, the shareholders approved the reduction the Company’s registered capital by cancelling 10.1 million shares and increase the Company’s registered capital by issuing new ordinary shares of 496.3 million shares, and recognized the total loss of 96.9 MB. Besides, during the period the Company make offset between share premium and deficit as at 31 December 2016 amounting to 207.89 MB.

The evaluation of purchase price allocation (PPA) of business acquisition

During the period, the Company has clarification of the progress of evaluation of purchase price allocation (PPA) of acquisition of NPP Food Service Co., Ltd. and during the period Thai Flexible Pack Co., Ltd. “the Subsidiary” has clarification of the progress of evaluation of purchase price allocation (PPA) of acquisition of The Brio Mall Co., Ltd.

On 1st July 2016, the Company acquired the business of NPP Food Service Co., Ltd. at Baht 57.27 million and the evaluating company completely evaluated the purchase price allocation (PPA) in the 2nd quarter of 2017. Within the period of measuring of the said value, the Company has received the data relating to the fair value of assets and liabilities as a result, the value of the fixed assets has increased totally Baht 9.95 million, and the value of intangible assets has increased totally Baht 0.76 million; and the Company has recorded goodwill amounted to Baht 6.39 million, and the debt burden of the deferred income tax has increased totally Baht 2.14 million.

The data of changes of the book value and the fair value of assets and liabilities received as of the date of acquisition of NPP Food Service Co., Ltd. can be summarized with the following details:

(Unit : Million Baht)			
Details	Book Value	Increased	Fair Value
Property, plant and equipment	35.74	9.95	45.69
Intangible Assets	0.21	0.76	0.97
Deferred Tax Assets	3.82	-	3.82
Other Noncurrent Assets	0.87	-	0.87
Cash and Cash Equivalents	12.02	-	12.02
Accounts Receivable	29.85	-	29.85
Inventories	21.46	-	21.46
Other Current Assets	1.47	-	1.47
Bank overdraft and Short-Term Loan from bank	42.99	-	42.99
Accounts Payable and Other Payable	17.47	-	17.47
Accrued Expenses	0.04	-	0.04
Other Current Liabilities	1.59	-	1.59
Employee benefits obligation	1.07	-	1.07
Deferred tax liabilities	-	2.14	2.14

On 1st July 2016, Thai Flexible Pack Co., Ltd. “the Subsidiary” acquired the business of The Brio Mall Co., Ltd. at Baht 75 million and the evaluating company completely evaluated the purchase price allocation (PPA) in the 2nd quarter of 2017. Within the period of measuring of the said value, the Company has received the data relating to the fair value of assets and liabilities as a result, the value of the fixed assets has decreased totally Baht 0.40 million, and the value of leasehold improvements has decreased totally Baht 90.89 million; and the Company has recorded goodwill amounted to Baht 122.49 million.

The data of changes of the book value and the fair value of assets and liabilities received as of the date of acquisition of The Brio Mall Co., Ltd. can be summarized with the following details:

(Unit : Million Baht)			
Details	Book Value	Increased	Fair Value
Property, plant and equipment	3.28	(0.40)	2.88
Leasehold improvements	197.18	(90.89)	106.29
Other Assets - Noncurrent	2.72	-	2.72
Cash and Cash Equivalents	1.03	-	1.03
Accounts Receivable	4.24	-	4.24
Inventories	0.31	-	0.31
Other Assets - Current	3.64	-	3.64
Bank Overdrafts	1.96	-	1.96
Accounts Payable	5.56	-	5.56
Accrued Expenses	17.92	-	17.92
Amounts Due To Related Parties	0.29	-	0.29
Deferred/(Unearned) Revenue	2.62	-	2.62
Capital Lease Obligations	0.13	-	0.13
Income Taxes Payable	0.10	-	0.10
Other Liabilities – Current	0.53	-	0.53
Long-Term Debt	130.49	-	130.49
Deposit	8.99	-	8.99

Please be informed accordingly

Your Sincerely,

(Mr. Pongsak Iemsirinoppakul)

Director