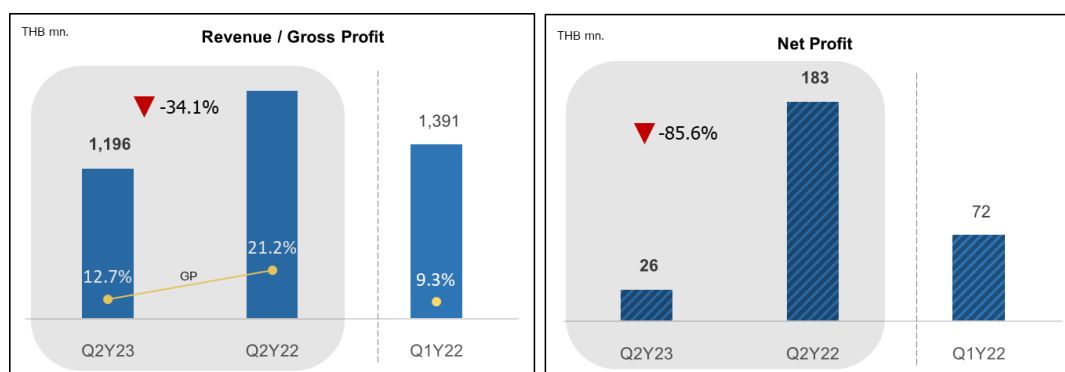


## Management Discussion and Analysis

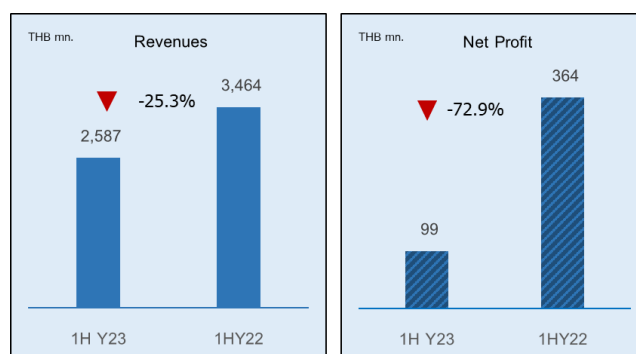
### For Q2Y23 and 1HY23

#### Executive Summary

- Revenue from sales of the Company for Q2 2022 and 2023 were THB 1,814 million and THB 1,196 million, respectively, representing a decrease of 34.1%. Pet Food sales dropped significantly while Human Food sales were at around the same as the same quarter last year.
- The Q2 2023 gross profit of the Company was THB 152 million, 60.6% decreased YoY (Q2 2022: THB 385 million, Q1 2023: THB 130 million). The Company Q2 2023 gross profit margin was at 12.7% (Q2 2022: 21.2%, Q1 2023: 9.3%), mostly pressured from higher portion of Human Food compared to same quarter last year. Moreover, labor and utilities portion to sales also higher as sales dropped sharply forced capacity utilization rate quite low.
- The Q2 2023 net profit of the Company was THB 26 million, 85.6% decreased YoY due to rapid fell on sales and gross profit margin which partly offset by more than 20% lower operating expenses and even had interest income. Loss from exchange rate was quite high for the quarter as it was very fluctuated even with the company hedge policy. The earnings per share was THB 0.01 per share (Q2 2022: THB 0.11 per share, calculated based on 1,700 million shares before IPO in October 2022).



- Revenue from sales of the Company for the 1 half 2022 and 2023 were THB 3,464 million and THB 2,587 million respectively, representing a decrease of 25.3% mostly from pet food sales dropped.
- The gross profit of the Company for the 1 half 2023 was at THB 281 million, 57.5% decreased YoY. The Company 1 half 2023 gross profit margin is at 10.9% compared to 19.1% at 1 half 2022. The decreased mostly due to higher raw material cost force by higher portion in human food sales. higher labor and utilities cost portion compared to sales also contributed.



- The Company's net profit for 1 Half 2023 was THB 99 million, dropped 72.9% from THB 364 million YoY. The net profit margin for the 1 Half 2023 was 3.8%, compared to 10.5% of the same period previous year, owing mostly to a lower sales and gross profit margin even operating expenses and financial cost decreased. Earnings per share was THB 0.05 (1 half 2022: THB 0.21 per share, calculated based on 1,700 million shares before IPO in October 2022).
- The company will pay THB 106.3 million interim dividend from retain earning, which was equal THB 0.05 per share, on September 8<sup>th</sup>, 2023, due to Board's resolution from the No.4/2023 Board meeting. The record date will be on August 25<sup>th</sup>, 2023.

## Business Overview

Asian Alliance International Public Company Limited (the "Company" or "AAI") and its subsidiaries (the "AAI Group") is Thailand's major original equipment manufacturers of pet food and shelf-stable human food. Currently, original equipment manufacture (OEM) business under clients' brands generates the majority of revenue from pet food and human food sales.

Since 2019, AAI Group has been developing its own pet food brands for cats and dogs. Currently, the Company has a diverse portfolio of brands that span all market categories, including (1) pet food products aimed for the high-end market, notably "monchou" and "Maria". (2) Pet food brands aimed for the mainstream market, such as "monchou balanced" and "Hajiko," and (3) Pet food brands aimed at the low-end market, such as "Pro."

Most of sales revenue is generated by exporting products to overseas markets.

## Major Developments

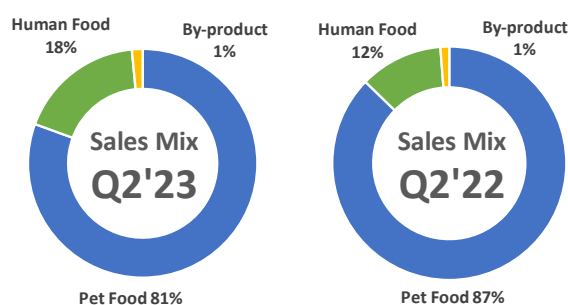
Total sales volumes in Q2 2023 decreased by 29% YOY to 9,855 tons from 11,356 tons in Q2 2022 to 8,018 tons. Pet food volumes dropped around 34%. Slowdown trends from both USA and Europe pressured the market still. Human food decreased slightly as tuna price was quite high.

Total sales (including intercompany transactions) dropped 34% YoY to THB 1,212 million in Q2 2023, mostly contributed from pet food which partly offset by slightly increased in Human food. Therefore, human food portion increase to 18% compared to 12% of Q2 2022.

By-product sales values were at around 1% still.

Sales By Business Segment	Q2Y23	Q2Y22	%Growth	Q1Y23
<b>Volume (Mt)</b>	<b>8,018</b>	<b>11,356</b>	<b>-29%</b>	<b>9,594</b>
Pet Food	6,088	9,281	-34%	6,509
Human Food	1,305	1,346	-3%	2,227
By-product	625	729	-14%	858
<b>Revenues (Millions Baht)</b>	<b>1,212</b>	<b>1,826</b>	<b>-34%</b>	<b>1,399</b>
Pet Food	976	1,594	-39%	1,024
Human Food	217	210	3%	354
By-product	18	22	-18%	21

Remark: Revenues in the table is included intercompany sales.



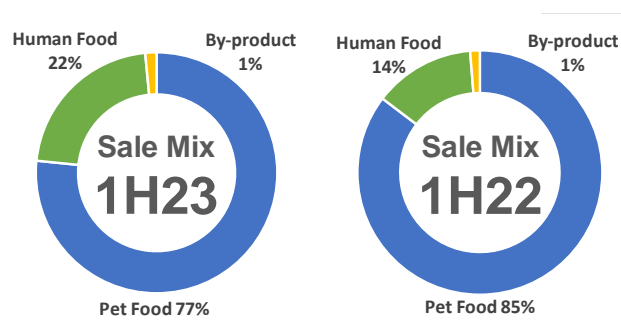
For 1 half 2023, total sales volume decreased 23% YoY to 17,612 tons from 22,863 tons, mainly driven by Pet food volume due to pet food overwhelm stock in US market as logistic disruption from covid-19 pandemic alleviated. Leadtime has been shorten significantly so that brand's owners spent 1 half of this year to lower their stock into appropriate level which took longer than expected.

Total revenues for the year 2023 (including intercompany transactions) decreased by 25% to THB 2,611 million, owing primarily to lower pet food revenue. Human food increased slightly.

Pet food revenue portion decreased to 77% compared to 85% YoY. Human Food revenue increased to compensate sharply dropped in pet food sales.

Sales By Business Segment	1H23	1H22	%Growth
<b>Volume (Mt)</b>	<b>17,612</b>	<b>22,863</b>	<b>-23%</b>
Pet Food	12,597	18,159	-31%
Human Food	3,531	3,193	11%
By-product	1,484	1,510	-2%
<b>Revenues (Millions Baht)</b>	<b>2,611</b>	<b>3,501</b>	<b>-25%</b>
Pet Food	2,000	2,988	-33%
Human Food	571	468	22%
By-product	39	45	-12%

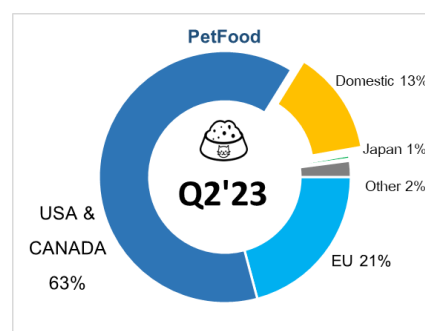
Remark: Revenues in the table is included intercompany sales.



## Pet Food

Pet Food Business Revenues (THB mn.)	Q2Y23	Q2Y22	%Growth
OEM Pet Food	936	1,555	-40%
Brand Pet Food	40	40	0%
By-product (Fishmeal)	18	22	-18%
	<b>1HY23</b>	<b>1HY22</b>	<b>%Growth</b>
OEM Pet Food	1,921	2,915	-34%
Brand Pet Food	79	73	9%
By-product (Fishmeal)	39	45	-12%

Remark: Revenues in the table is included intercompany sales.

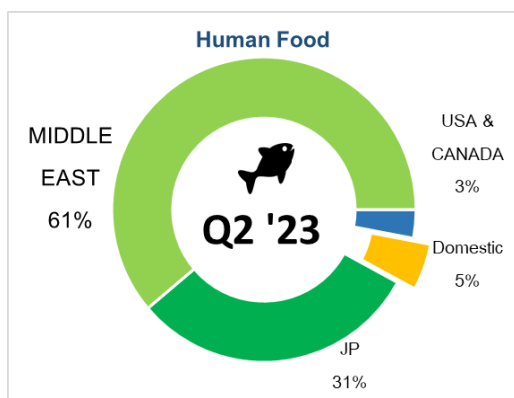


OEM pet food revenues for Q2 2023 felled 40% YoY to THB 936 million, forced 1 half 2023 sales dropped 34% YoY to THB 1,921 million compared to the same period last year as brands' owner were trying to adjust their stock to match with new leadtime. Key market was US and EU still.

Owned Brand pet food revenues in Q2 2023 was at the same compared to same period last year, THB 40 million. However, increased 9% YoY to THB 79 million for 1 half 2023 driven by both "monchou" and "Hajiko" as both has better Brand awareness. "Pro" volume also increased. "monchou" sales of "Thaiya" in China was not improved due to very strong competition in the market.

However, more channel of distributions in Thailand is planned to improve to attract more sales revenues in the future. Owned brand growth in Thailand market is still the key contributor to the Company to grow owned brand portion to 10% of total product portfolio. More relaxing measurement in 2023 will bring in the opportunity to improve sales and distribution channel efficiently to drive more "monchou" sales.

Performance of "Thaiya Meisi," a Chinese dry pet food manufacturer, was at loss still. The utilization rate remained low as the market competition was very strong and raw material costs was still high. However, the company performance should be better in the second half of the year.

**Human Food**


Human food, mainly tuna shelf-stable products, sales volume decreased around 3% in Q2 2023 YoY, from 1,346 tons to 1,305 tons due to high tuna price even freight cost was lower. The key market was Middle East and Japan. Sales value increased slightly compared to the same quarter last year, to THB 217 million due to high tuna prices.

Sales volume of 1 half 2023 was 11% increase compared to the same period previous year, at 3,531 tons, with the Middle East being the largest market. Sales value increased 22% to THB 571 million YoY (1 half 2022: THB 468 million)

**Financial Review**
**Profitability Analysis**

STATEMENT OF INCOME	Q2Y23		Q2Y22		Change	Q1Y23		Change
	Mil. THB	% to sales	Mil. THB	% to sales		Mil. THB	% to sales	
Revenue from Sales & Services	1,196	100.0	1,814	100.0	(34.1)	1,391	100.0	(14.0)
Cost of sales & services	(1,044)	(87.3)	(1,429)	(78.8)	(26.9)	(1,261)	(90.7)	(17.2)
<b>Gross Profit</b>	<b>152</b>	<b>12.7</b>	<b>385</b>	<b>21.2</b>	<b>(60.6)</b>	<b>130</b>	<b>9.3</b>	<b>16.9</b>
Operating Expenses	(75)	(6.3)	(94)	(5.2)	(20.3)	(96)	(6.9)	(21.8)
<b>Operating Profit</b>	<b>77</b>	<b>6.4</b>	<b>291</b>	<b>16.1</b>	<b>(73.6)</b>	<b>34</b>	<b>2.4</b>	<b>126.1</b>
Other incomes	11	1.0	11	0.6	3.2	14	1.0	(17.6)
Gain/(Loss) on FX	(80)	(6.7)	(81)	(4.5)	(1.2)	27	1.9	(397.6)
Other expenses	(1)	(0.1)	0	0.0	(437.6)	0	0.0	(3,019.5)
Financial cost	6	0.5	(10)	(0.5)	(157.5)	(4)	(0.3)	(237.3)
<b>Profit before tax</b>	<b>13</b>	<b>1.1</b>	<b>212</b>	<b>11.7</b>	<b>(94.0)</b>	<b>71</b>	<b>5.1</b>	<b>(81.9)</b>
Tax expenses (income)	13	1.1	(29)	(1.6)	(145.7)	2	0.1	748.9
<b>Net Profit</b>	<b>26</b>	<b>2.2</b>	<b>183</b>	<b>10.1</b>	<b>(85.6)</b>	<b>72</b>	<b>5.2</b>	<b>(63.7)</b>
<b>EPS.</b>	<b>0.01</b>		<b>0.11</b>			<b>0.03</b>		

**Revenue from Sales & Services**

The company reported THB 1,196 million in revenue from sales and services in Q2 2023, a 34.1% decrease YoY, pressure from pet food sales.

**Gross Profit**

Gross profit for Q2 2023 was THB 152 million, 60.6% decrease from the same quarter last year, and represented 12.7% of revenues, decreased from 21.2% in the same period last year due to more human food portion as pet food sales dropped. Raw material costs in Q2 2023 were quite stable, except tuna price which was quite high. Quite low sales were also pressured on labor and utilities cost as those portions were increased compared to sales.

**Operating expenses**

Operating expenses for Q2 2023 were THB 75 million, decreased 20.3% YoY, and consisted of selling and distribution charges and administrative expenses.

Selling and distribution expenses of the Company decreased around THB 12 million due to THB 4 million decrease in advertising expenses of the company's brands. The others due to decrease along sales revenues decrease. Administrative expenses decreased around THB 10 million YoY due to THB 5 million asset write-off and THB 4 million allowance for doubtful dept in Q2 2022.

The company loss around THB 80 million for exchange rate in Q2 2023 as the US dollars weakened at the very end of the quarter while the company sales US dollars forward contract according to the company hedging policy.

#### Financial cost

The financial cost for Q2 2023 was at net received around THB 6 million compared to THB 10 million financial cost in Q2 2022, as the company interest expenses was at around THB 3 million, but received THB 9 million interest from Asian Sea corporation PLC.

Board of Directors resolved to amend proceed of use of cash received from initial public offering (IPO) as the company decided to delay its automatic warehouse investment due to lower demand in OEM pet food market so that the company could be able to manage cash more efficient with just enough cash on hand to invest in the capacity expansion project for the year. The company expected that there will be no interest paid at least until the end of this year still.

#### Tax expense (income)

For Q2 2023, the company reported THB 13 million tax revenue due to THB 27 million reverse of deferred tax liabilities which offset by THB 13 million of tax expenses.

#### Net Profit and Earning per Share

The net profit of Q2 2023 was THB 26 million, which decreased by 85.6% YoY. The net profit margin was 2.2% (Q2 2022: 10.1%, Q1 2023: 5.2%). Earnings per share was THB 0.01.

STATEMENT OF INCOME	1H Y23		1H Y22		THB mn. Change
	Mil. THB	% to sales	Mil. THB	% to sales	%
Revenue from Sales & Services	2,587	100.0	3,464	100.0	(25.3)
Cost of sales & services	(2,305)	(89.1)	(2,803)	(80.9)	(17.8)
<b>Gross Profit</b>	<b>281</b>	<b>10.9</b>	<b>661</b>	<b>19.1</b>	<b>(57.5)</b>
Operating Expenses	(170)	(6.6)	(183)	(5.3)	(6.9)
<b>Operating Profit</b>	<b>111</b>	<b>4.3</b>	<b>478</b>	<b>13.8</b>	<b>(76.8)</b>
Other incomes	25	1.0	37	1.1	(30.6)
Gain/(Loss) on FX	(53)	(2.1)	(73)	(2.1)	(27.5)
Other expenses	(1)	(0.0)	2	0.1	(152.7)
Financial cost	2	0.1	(16)	(0.5)	(109.8)
<b>Profit before tax</b>	<b>84</b>	<b>3.2</b>	<b>428</b>	<b>12.4</b>	<b>(80.5)</b>
Tax expenses (income)	15	0.6	(65)	(1.9)	(123.3)
<b>Net Profit</b>	<b>99</b>	<b>3.8</b>	<b>364</b>	<b>10.5</b>	<b>(72.9)</b>
<b>EPS.</b>	<b>0.05</b>		<b>0.21</b>		

#### Revenue from Sales & Services

Revenue from sales and services of the Company for 1 half 2022 and 2023 were THB 3,464 million and THB 2,587 million respectively, representing an decrease of 25.3% due to slowdown trend due to overwhelm pet food stock of pet food brands' owners as lead time has been shorten.

## Gross Profit

The gross profit for the 1 half 2023 was at THB 281 million, 57.5% decreased YoY. The Company gross profit margin for the period is at 10.9% compared to 19.1% at the same period last year. Gross profit margin declined as a result of higher portion of human food sales forced higher raw material cost. Moreover, labor and utilities cost also higher in portion compared to sales.

## Operating expenses

Operating expenses, excluding exchange rate losses, were at THB 170 million, a 6.9% decrease YoY mostly due to lower selling expenses along with lower sales revenues. Administrative expenses was at around the same if excluded THB 10 million asset write-off and allowance for doubtful debt in Q2 2022.

## Financial cost

Financial cost for the 1 half 2023 was at THB 9 million and reported THB 10 million interest income from Asian Sea Corporation PLC and saving deposit so that it reported net received interest of THB 2 million compared to net cost of THB 16 million at the same period last year.

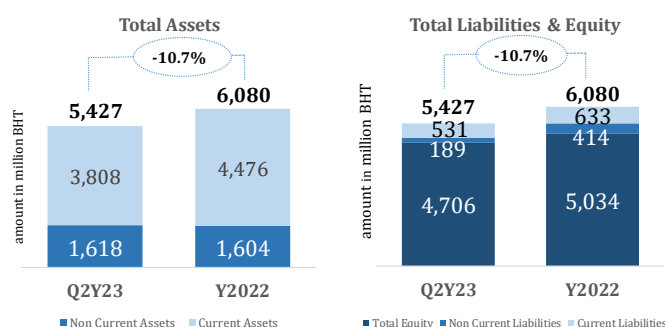
## Tax expense (income)

For 1 half 2023, the company reported around THB 15 million tax revenue due to THB 41 million reverse of deferred tax liabilities which offset by reverse of THB 2 million deferred tax assets and THB 23 million of tax expenses.

## Net Profit and Earning per Share

The net profit of 1 half 2023 was THB 99 million, which decreased by 72.9% compared to THB 364 million of the same period last year. The net profit margin was 3.8%, decreased from 10.5% of the same period last year. Earnings per share was THB 0.05.

## **Financial Position**



## Total Assets

As of 30<sup>th</sup> June 2023, the company has THB 5,427 million total assets, decreased by THB 653 million, or 10.7%, from THB 6,080 million at the end of 2022. The main contributors were THB 655 million decrease in cash. Trade and other receivables and inventory decreased THB 126 million and THB 260 million respectively, while loan to related company increased around THB 500 million.

Property, plant, and equipment totaled THB 1,357 million as of 30<sup>th</sup> June 2023, owing to investments in building renovation and pet food capacity expansion.

### Total Liabilities

The total liabilities of the Company were THB 720 million as of 30<sup>th</sup> June 2023, THB 326 million decreased from THB 1,046 million at the end of 2022 due to THB 270 million long term loan paid up in advance using cash received from IPO and THB 121 million decrease in trade liabilities.

### Total Shareholders' equity

As of 30<sup>th</sup> June 2023, shareholders' equity of the Company was at THB 4,706 million, THB 327 million decrease from THB 5,034 million at the end of 2022 mostly due to THB 425 dividend pay out which partly offset by profit of the period.

## Cash Flow

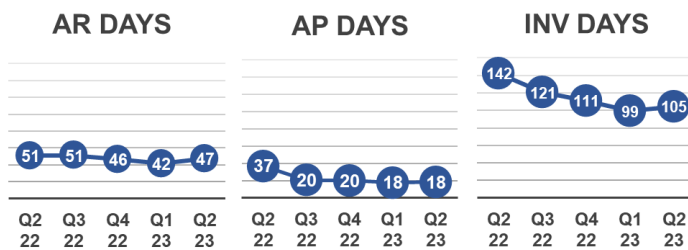
	Unit: Million Baht		
	Q2/2023	Q2/2022	Change
<b>Cash flow from operating activities</b>			
Profit before tax	84	428	(345)
Adjustments for:			
Depreciation & Amortisation	100	82	19
Other adjustments	(5)	20	(25)
Loss (gain) on exchange rate	186	38	148
Financial cost, net	(2)	16	(17)
<b>Operating profit before working capital changes</b>	<b>364</b>	<b>583</b>	<b>(220)</b>
Decrease (increase) in operating assets	430	(669)	1,100
Increase (decrease) in operating liabilities	(127)	144	(271)
<b>Cash from operating activities</b>	<b>667</b>	<b>58</b>	<b>609</b>
Interest net paid	2	(15)	17
Income tax net paid	(17)	(25)	8
<b>Net cash from operating activities</b>	<b>652</b>	<b>18</b>	<b>634</b>

### Operating activities

Cash flows from operating activities before changes in operating assets and liabilities for Q2 2022 and 2023 were THB 583 million and THB 364 million respectively. The changes in cash flows were mainly due to the changes in operating profit during period.

Cash flows from operating activities from changes in operating assets and liabilities for Q2 2023 were mainly due to decrease in trade and other receivables and inventories which resulted from drop in sales orders. As a result, the cash flows from operating activities for Q2 ending 30<sup>th</sup> June 2022 and 2023 were THB 18 million and THB 652 million respectively.

Unit: million Baht	Q2Y23	Y2022	Change
Inventories	1,494	1,754	(260)
Account Recieivable	855	981	(126)
Cash & Other current assets	959	1,740	(781)
Account Payable	(260)	(313)	53
Other Payable	(27)	(58)	31
<b>Net Working Capital</b>	<b>3,021</b>	<b>4,105</b>	<b>(1,084)</b>
Inventory days	105	111	(6)
AR Days	47	46	1
AP Days	18	20	(2)



As of 30<sup>th</sup> June 2023, the accounts receivable days and inventory days were 47 days and 105 days respectively.

	Unit: Million Baht		
	Q12023	Q12022	Change
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment	(98)	(228)	130
Proceed of sales equipments and investment property	0	0	0
Decrease in restricted bank deposit	-	-	-
Short Term loan to Head Quarter	(500)	-	(500)
Increase in Loan to Joint Venture	-	2	(2)
<b>Net cash used in investing activities</b>	<b>(598)</b>	<b>(226)</b>	<b>(371)</b>
<b>Cash flow from financing activities</b>			
Bank borrowings raised	-	608	(608)
Repayment of bank borrowings	(270)	(50)	(220)
Repayment of lease liabilities	(15)	(14)	(1)
Dividend paid	(425)	(320)	(105)
<b>Net cash from financing activities</b>	<b>(710)</b>	<b>224</b>	<b>(934)</b>
<b>Effect of foreign exchange rate changes</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(655)</b>	<b>16</b>	<b>(671)</b>
Cash and cash equivalents at beginning of period	1,508	46	1,462
<b>Cash and cash equivalents at end of period</b>	<b>852</b>	<b>62</b>	<b>791</b>

#### Investing activities

Cash flows used for investing activities for 2Q ending 30<sup>th</sup> June 2022 and 2023 were THB 226 million and THB 598 million respectively. During the period, THB 500 million has been lent to Asian Sea Corporation PLC. The Company invested in capacity expansion for pet food products as well as machines and equipment to continuously improve production efficiency to accommodate the continuous increase in orders in the future as its planned.

#### Financing activities

For the year ending 30<sup>th</sup> June 2022 cash flows from financing activities of the Company were THB 224 million compared to THB 710 million cash used in financing activities for the period end 30<sup>th</sup> June 2023, which mainly due to long term loan paid up and dividend pay-out.



<b>Statement of Financial Position</b>						Unit: Million Baht
	Q2Y23	%	FY22	%	% Chg	
Cash and cash equivalent	852	15.7	1,508	24.8	-43.5	
Trade and other receivables	855	15.8	981	16.1	-12.8	
Short-term Loan to Related party	500	9.2	0	0.0	n/a	
Inventories	1,494	27.5	1,754	28.9	-14.8	
Other current assets	106	2.0	232	3.8	-54.2	
<b>Total current assets</b>	<b>3,808</b>	<b>70.2</b>	<b>4,476</b>	<b>73.6</b>	<b>-14.9</b>	
Investments	31	0.6	34	0.6	-8.5	
Long term Loan to JV & Association	20	0.4	18	0.3	8.9	
Fixed assets	1,357	25.0	1,353	22.3	0.3	
Other non current assets	210	3.9	198	3.3	6.1	
<b>Total non current assets</b>	<b>1,618</b>	<b>29.8</b>	<b>1,604</b>	<b>26.4</b>	<b>0.9</b>	
<b>Total Assets</b>	<b>5,427</b>	<b>100.0</b>	<b>6,080</b>	<b>100.0</b>	<b>-10.7</b>	
Trade and other payables	371	6.8	492	8.1	-24.7	
Current portion of long-term loans & Leases	15	0.3	83	1.4	-82.3	
Other current liabilities	146	2.7	58	1.0	151.6	
<b>Total current liabilities</b>	<b>531</b>	<b>9.8</b>	<b>633</b>	<b>10.4</b>	<b>-16.0</b>	
Long term Loan	0	0.0	200	3.3	-100.0	
Other non current liabilities	189	3.5	214	3.5	-11.6	
<b>Total non current liabilities</b>	<b>189</b>	<b>3.5</b>	<b>414</b>	<b>6.8</b>	<b>-54.3</b>	
<b>Total Liabilities</b>	<b>720</b>	<b>13.3</b>	<b>1,046</b>	<b>17.2</b>	<b>-31.2</b>	
<b>Total shareholders' equity</b>	<b>4,706</b>	<b>86.7</b>	<b>5,034</b>	<b>82.8</b>	<b>-6.5</b>	
<b>Total Liabilities and Equity</b>	<b>5,427</b>	<b>100.0</b>	<b>6,080</b>	<b>100.0</b>	<b>-10.7</b>	

<b>Key Financial Ratios</b>									
	Q2Y23	Q2Y22	Q2Y21	Q1Y23		Q2Y23	Q2Y22	Q2Y21	Q1Y23
<b>Growth Rates</b>					<b>Profitability Ratios</b>				
Sales Growth	-34.1%	41.0%	19.5%	-23.4%	Return on equity*	11.8%	29.3%	28.1%	14.0%
Net Profit Growth	-85.5%	8.1%	-12.2%	-62.9%	Return on assets**	10.3%	15.6%	16.7%	12.4%
					Total Assets Turnover***	115.1%	136.2%	139.5%	119.0%
<b>Leverage and Liquidity Ratios</b>					Net Profit margin	2.2%	10.1%	13.2%	5.2%
Current ratio	7.2	1.5	1.8	8.9	Gross profit margin	12.7%	21.2%	24.2%	9.3%
Quick or acid test ratio	4.2	0.5	0.7	5.3	* Using last 4 consecutive quarters net profit divided by end quarter equity				
Debt to equity ratio	0.2	0.9	0.7	0.1	** Using last 4 consecutive quarters net profit divided by end quarter total assets				
Net Debt to equity ratio	(0.2)	0.4	0.4	(0.3)	** Using last 4 consecutive quarters sales divided by end quarter total assets				

### Y2023 Outlook:

The Company expect better pet food sales in the 2 half of the year compare to 1 half of the year. The Company believe that de-stocking of our key customers according to shortened lead time may pressure part of Q3 2023 still, so that sales forecast for the year would be lower to at around THB 5.8 billion which represents a 18% decreased compared to 2022. Pet food sales would contribute around THB 4.7 billion due to OEM revenue drop from both US and Europe brand. However, domestic own brand sales would be able to grow. Human Food sales would contribute around THB 1.1 billion, however, gross profit margin were expected to be lower compare to previous year due to high tuna price since the beginning of the year and very strong competition in the industry.

However, the company is going forward on its capacity expansion plan for the year 2023 and expect to achieve 6,500 tons more pet food capacity. Then, total pet food capacity would be at 56,000 tons by early 2024 which would be enough for current customers growth as well as new customers after the situation alleviate. In the meantime, the company decided to delay its investment in 2<sup>nd</sup> Automatic warehouse and new factory until it has more clear trend on pet food industry. In the situation that interest rate is quite high, it would be more efficient to use cash on hand on the company working capital than invest in those big projects investment.

The Company also expects that gross profit margin for the year would be pressured by raw material cost as human food portion expect to be higher. Labor and utilities cost were expected to be higher compare to sales. Moreover, the company believe that US dollar will be weak in average compared to previous which also pressured gross profit margin as well. However, gross profit margin should be improved at the rest of the year and gross profit margin for the year should be able to improve to at around 12-14% of total revenue from sales and services due to improvement of pet food sales portion and cost and exchange rate risk will be well managed as plan.