

17 May 2022

Attention : The President

The Stock Exchange of Thailand

Subject : Management Discussion and Analysis For the operating results of the 1Q2022

PP Prime Public Company Limited would like to deliver the explanation and analysis of the management for the operating results of the 1Q2022 as follows:

Performance overview

In 1Q2022, PP Prime Public Company Limited (“the Company”) and its subsidiaries had total sales of Baht 218.08 million, comprising of aquatic feed business, pet food business, and electric power business was Baht 34.20 million, Baht 178.21 million and Baht 5.67 million, which accounted for 15.68%, 81.72% and 2.60% of total revenue from sales, respectively. Revenue from sales was increased by 51.47% compared to the previous year.

In 1Q2022, the Company and its subsidiaries had a total net loss of Baht 73.00 million, decreased 3.03% compared to the same quarter of the previous year. The major reason was the Company's sales of animal feed increased by 51.47%

Consolidated Financial Statements (Unit: Million Baht)	1Q2022	1Q2021	Change increase (decrease)	Percentage
Revenue from sales	218.08	143.98	74.10	51.47
Other incomes	2.97	13.13	(10.16)	(77.38)
Total Revenues	221.05	157.11	63.94	40.70
Cost of Sales	216.46	153.62	62.84	40.91
Selling and Administrative Expenses	34.97	53.87	(18.90)	(35.08)
Loss on exchange rate	27.73	-	27.73	100.00
Loss (profit) and reversal of impairment loss TFRS9	(2.07)	7.93	(10.00)	(126.10)
Total Expenses	277.09	215.42	61.67	28.63
Profit (Loss) before finance costs and income tax expenses	(56.04)	(58.31)	2.27	3.89
Finance Costs	15.97	20.22	(4.25)	(21.02)
Profit (Loss) before income tax expenses	(72.01)	(78.53)	6.52	8.30
Income tax expenses	0.99	(3.25)	4.24	130.46
Profit (Loss) for the year	(73.00)	(75.28)	2.28	3.03

Explanation and Analysis of Financial Status and Operating Results for 1Q2022

1.1 Income

Aquatic business selling

In 1Q2022, the Company had revenue from the aquatic feed business of Baht 34.20 million, a 10.54% decrease compared to the previous year.

In 1Q2021, the situation of Coronavirus Disease 2019 (COVID-19) affect the market price to decline continuously. Farmers were unable to bring aquatic animals to the market but in 1Q2022, the situation of the aquatic feed distribution business was better than the previous year. That's why sales revenue has increased compared to the previous year

Pet Food Business

The Company had revenue from pet food business equal to Baht 178.21 million, growing approximately 68.44% compared to the previous year.

Electric Power Plant Business

The Company operates the business of producing and distributing electricity from geothermal energy in Japan. Revenue from electricity sales from subsidiaries in 1Q2022 amounted to Baht 5.67 million, a 21.69% decrease compared to the previous year. The Company has 5 revenue-generating power plants out of 15 commercially operated power plants.

1.2 Cost of sales

Most of the Company's cost of sales comes from raw material costs in production. In 1Q2022, the Company had cost of sales of Baht 216.46 million, a 40.91% increase compared to the same quarter of the previous year. It was in line with the increase sales revenue.

1.3 Gross profit

Gross profit in 1Q2022 was Baht 1.62 million, a increase from the same quarter of the previous year of Baht 11.26 million, or 116.80%.

1.4 Selling and administrative expenses

Selling and administrative expenses in 1Q2022 were Baht 34.97 million, a decrease of Baht 18.90 million or 35.08% compared to the previous year. The Company has a policy to control unnecessary expense, resulting in lower selling and administrative expenses.

1.5 Net profit (loss)

In 1Q2022, the Company and its subsidiaries had a net loss of Baht 73.00 million or equivalent to Baht 0.033 per share.

Financial status

2.1 Assets

As of 31 March 2022, the Company and its subsidiaries had total assets of Baht 1,570.22 million, a decrease of Baht 38.77 million from 31 December 2021 or a 2.41% decrease, the decreasing was mainly due to from depreciation to Baht 25.46 million.

2.2 Liabilities

As of As of 31 March 2022, the Company and its subsidiaries had total liabilities of Baht 1,421.25 million, a decrease from 31 December 2021 by Baht 89.41 million or 5.92%, mainly due to the repayment loan from the financial institute of Baht 25.71 million and redemption of debentures of Baht 20.76 million.

The ratio of debt to equity as of 31 March 2022 and 31 December 2021 are 9.51 times and 15.29 times, respectively.

2.3 Shareholders' Equity

As of 31 March 2022, the Company and its subsidiaries have shareholders' equity of Baht 149.47 million, a increase from 31 December 2021 of Baht 50.64 million or 51.24%, mainly from increase capital amount of Baht 91.53 million, loss from operation in 1Q2022 amount of Baht 40.88 million.

Liquidity

In 1Q2022, the Company and its subsidiaries had net cash used in operating activities of Baht 129.41 million, net cash generated from investing activities of Baht 0.47 million and net cash generated from financing activities of Baht 15.99 million. The impact of the exchange rate was Baht 53.52 million, resulting in a decrease in cash and cash equivalents of Baht 59.44 million, resulting to remaining of cash and cash equivalents at the end of the period of Baht 18.20 million.

Other

Advance payment for construction of geothermal power plants

On December 13, 2017, a meeting of the Board of Directors of the Company passed a resolution to approve investment in 9 units of geothermal power plant in Japan, with a total project value of Yen 2,700 million (Baht 786 million).

As at December 31, 2018, Sumo Power Company Limited, a subsidiary, has paid a deposit for a power plants amount of Yen 50 million and a private company amount of Yen amount 53 million.

However, a private company has transferred both of the land to the second private company. Although the first private company it is obliged to transfer these land to Sumo Power Company Limited, the total asset transfer price is Yen 300,000,000, which Sumo Power Company Limited has paid to the first private company amount of Yen 50,000,000.

On May 26, 2020, Sumo Power Company Limited has instituted legal proceeding against regarding the implementation of the ownership transfer of the land to the second private company and a claim of Yen 1,000,000 from the first private company.

On June 11, 2020 PPSN Company Limited apply for assets sharing for a private company which on September 24, 2021, a subsidizing received from the 1st sharing asset amount of Yen 500,000.

Currently, there are uncertainties for the cases and the consequences of legal proceedings are not finalised.

Advance payment for Riverside Project

Board of Directors Meeting No.8/2018 convened on May 18, 2018, to approved that the Company enters into the joint investment transaction with Rich Partners Co., Ltd. (“Rich Partners”) in the mixed-use development project under the project’s name “Riverside Tower” located in Da Nang City, Vietnam (the “Riverside Project”) which is being developed by Sun Frontier Investment Co., Ltd. (“Sun Frontier Investment”), a company incorporated under Vietnamese law. The Company will invest in the Riverside Project for the investment amount of not more than Yen 3,100 million or equivalent to Baht 911.83 million (based on the exchange rate of Baht 29.4140 per Yen 100 as announced by the Bank of Thailand on May 17, 2018). Under the joint investment agreement which to be entered into between the Company and Rich Partners (the “Joint Investment Agreement”), the Company will be entitled to the rights to sell the residential units and receive the consideration from the sale of residential units in the Riverside Project selected by the Company and agreed with Rich Partners the approximate area of which will be not less than 50 percent of the total residential area of the Riverside Project, whereby the Company’s investment return shall be guaranteed at the rate of not less than six percent per annum in respect of the total investment amount of the Company, the terms and conditions of which are currently being negotiated and shall further be executed by the Company and Rich Partners Co., Ltd.

On June 25, 2018, the Company has paid a deposit amount of Yen 210 million (approximately of Baht 62.31 million), whilst the remaining investment amount shall be payable to Rich Partners upon completion of all the conditions precedent so specified under the Joint Investment Agreement. If any of the conditions precedent cannot be completed within the specific timeframe, the Company shall be entitled to receive full amount of deposit from Rich Partners.

According to the Board of Directors meeting No. 15/2019, on July 30, 2019, resolved to issue the Company letter of cancellation of such investment and requesting a deposit in the amount of Baht 65.57 million because the development of the said project agreed has delayed, together with the cost of developing the project higher.

The Company recorded expected credit loss for loss on the deposit due to an uncertainty in the collection from joint investor.

On November 1, 2019, the Company received deposit of Yen 171 million (equivalent to Baht 47.10 million) from Rich Partners Company Limited.

On May 1, 2020, the Company received deposit of Yen 5 million (equivalent to Baht 1.48 million) from Rich Partners Company Limited.

Present, the Company was in the process of collecting the rest of the money and would continue to take legal action.

Short-term loan from and loan to Aulux Power Co., Ltd.

Loan from Aulux Power Co., Ltd. amount of THB 0.27 million, which related company bear interest at the rate of 3 percent p.a. and has maturity on January 2020. The company will not make a new contract and in the future this will be offset with loan to related company.

Loan to Aulux Power Co., Ltd. amount of THB 81.92 million, which related company bear interest at the rate of 3 percent p.a. and has maturity in 2020 - 2021. When the company has better liquidity, the company will continue to follow up by using legal counsel.

Summary of Shrimp Industry Situation

In the January-March 2022 has the unfavorable climate the weather conditions are quite variable. and the temperature is relatively lower than 25C. Farmers who raise shrimp face problems with the epidemic. causing increased costs and shrimp feed prices have increased from 5%. the farmer slowed down to farm new crop of shrimp to avoid the white spot disease. The expectation, In the first quarter Shrimps are raised in 30-40% of the farm area. The density of shrimp farming was reduced by about 30-50%. The majority of shrimp farming is white Vannamei shrimp 90%, giant tiger prawn 5% and lobster 5%. The price of shrimp has declined in the past quarter 4/2564. but still higher than last year. Due to the government's easing measures to open a food shop causing the market for selling food and eating shrimp in the country to increase and exports of white Vannamei shrimp were higher to major markets such as the United States and Japan, while black tiger prawns were also exported to China.

During the second quarter, it is expected that the environmental situation will begin to improve. more suitable for shrimp farming and the epidemic problem has decreased. Farmers increase their farming area by 60-70% of the area. bring more products to the market. As a result, shrimp prices began to tend to increase. by setting shrimp farming goals in the appropriate country and control the epidemic problem and lower cost. From the situation of the epidemic of the Covid-19 virus that has decreased in severity in many countries such as America, Europe and Thailand. So It will make the opening of international markets better, making the world economy better. more shrimp exports.

Summary of Fish Farming Situation

Because the amount of water is sufficient for raising fish the amount of precipitation that falls throughout the area and the price in front of the farm that farmers sell has increased. And causing farmers to start raising more fish. The farmers are raising tilapia and tilapia 70%, catfish 20% and other fish 10% of the area. The price situation What farmers sell in front of the farm, the average price is as follows: Tilapia price 45-50 baht/kg. Tubtim fish price 70-75 baht. Catfish price 45-48 baht/kg as for sea bass, the price has continued to decline. because it is niche consumer market raising snapper is difficult and causing farmers to suffer losses and causing the need to reduce the area for raising sea bass.

During the second quarter, due to the situation of consumer goods prices consumption rose as a result, people turn to consume more fish and the fish have been released to the market. and during the Songkran festival There is a huge demand for purchasing, so farmers bring in a large number of fish for sale. And the government allows shops and restaurants to be able to sell food as usual. and can eat at the restaurant as a result, farmers have more fish farming and more exports.

Summary of Pet Situation

Because the pets more popular which pets have to eat like people and pet owners special take care with their pets. because pets are tame and loyal to their owners and in the segment, pet food prices have increased by 10-15%. Domestic pet market slowdown and exporting pet food to sell to ASEAN countries, which is a big market both Malaysia, Indonesia and Singapore. Therefore, the volume of export growth tends to increase.

During the second quarter, the current economic situation is depressing but the domestic pet market is likely to grow by about 10% higher than Q1. The pet owners have changed to use more ready-to-eat food due to the price increase of fresh food. Therefore, ready meals are also popular, especially dry animal feeds. with 80% market share and 20% wet food (For cats 15%, dogs 5%). Exports of the whole ASEAN has grown as for the European and American markets, the volume of exports has continued as a result, during the second quarter of 2022, exports tend to increase.

Yours sincerely,

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