

15 August 2022

Subject : Management Discussion and Analysis For the operating results of the 2Q2022

Attention : The President

The Stock Exchange of Thailand

PP Prime Public Company Limited would like to deliver the explanation and analysis of the management for the operating results of the 2Q2022 as follows:

Performance overview

In 2Q2022, PP Prime Public Company Limited (“the Company”) and its subsidiaries had total sales of Baht 241.76 million, comprising of aquatic feed business, pet food business, and electric power business was Baht 86.47 million, Baht 150.50 million and Baht 4.79 million, which accounted for 35.77%, 62.25% and 1.98% of total revenue from sales, respectively. Revenue from sales was increased by 42.48% compared to the previous year.

In 2Q2022, the Company and its subsidiaries had a total net loss of Baht 62.48 million, increased 149.42% compared to the same quarter of the previous year. This was mainly due to increase of impairment loss TFRS9.

PP Prime Public Company Limited and its subsidiary Statement of comprehensive income (Unit: Million Baht)	2Q2022	2Q2021	Change increase (decrease)	Percentage
Revenue from sales	241.76	169.68	72.08	42.28
Other incomes	5.10	4.21	0.89	21.14
Total Revenues	246.86	173.89	72.97	41.96
Cost of sales	243.18	173.59	69.59	40.09
Selling and administrative expenses	41.91	44.59	(2.68)	(6.01)
Loss on exchange rate	(11.56)	(32.29)	20.73	64.20
Loss (profit and reversal) of impairment loss TFRS9	24.26	(3.20)	(27.46)	(858.13)
Total Expenses	297.79	182.69	115.10	63.00
Profit (Loss) before finance costs and income tax expenses	(50.93)	(8.80)	(42.13)	(478.75)
Finance costs	16.76	18.81	(2.05)	(10.90)
Profit (loss) before income tax expenses	(67.69)	(27.61)	(40.08)	(145.16)
Income tax expenses	(5.21)	(2.56)	2.65	103.52
Profit (loss) for the year	(62.48)	(25.05)	37.43	149.42

Explanation and analysis of financial status and operating results for 2Q2022

1.1 Income

Aquatic business selling

In 2Q2022, the Company had revenue from the aquatic feed business of Baht 86.47 million, a 7,690.09% decrease compared to the previous year.

In 2Q2021, 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 2Q2022, 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 150.50 million, growing approximately 6.37% 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 2Q2022 amounted to Baht 4.79 million, a 38.83% decrease compared to the previous year. The Company has 2 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 2Q2022, the Company had cost of sales of Baht 243.18 million, a 40.08% increase compared to the same quarter of the previous year. It was in line with the increase sales revenue.

1.3 Gross profit

Gross loss in 2Q2022 was Baht 1.42 million, a increase from the same quarter of the previous year of Baht 2.49 million, or 63.68%.

1.4 Selling and administrative expenses

Selling and administrative expenses in 2Q2022 were Baht 41.91 million, a decrease of Baht 2.68 million or 6.01% 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 2Q2022, the Company and its subsidiaries had a net loss of Baht 62.48 million or equivalent to Baht 0.020 per share.

Financial status

2.1 Assets

As of 30 June 2022, the Company and its subsidiaries had total assets of Baht 2,193.57 million, an increase of Baht 584.08 million or 36.29% from 31 December 2021, the increasing was mainly due to from proceeds from ordinary shares amount of Baht 851.67 million.

2.2 Liabilities

As of 30 June 2022, the Company and its subsidiaries had total liabilities of Baht 1,326.36 million, a decrease from 31 December 2021 by Baht 184.30 million or 12.20%, mainly due to the repayment loan from the financial institute of Baht 45.98 million and redemption of debentures of Baht 20.76 million.

The ratio of debt to equity as of 30 June 2022 and 31 December 2021 are 1.53 times and 15.29 times, respectively.

2.3 Shareholders' Equity

As of 30 June 2022, the Company and its subsidiaries have shareholders' equity of Baht 867.21 million, an increase from 31 December 2021 of Baht 768.38 million or 777.48%, mainly from increase capital amount of Baht 886.67 million, loss from operation in 2022 amount of Baht 118.29 million.

Liquidity

In 2Q2022, the Company and its subsidiaries had net cash used in operating activities of Baht 187.94 million, net cash generated from investing activities of Baht 0.04 million and net cash generated from financing activities of Baht 769.80 million. The impact of the exchange rate was Baht 42.61 million, resulting in an increase in cash and cash equivalents of Baht 624.51 million, resulting to remaining of cash and cash equivalents at the end of the period of Baht 702.15 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 finalized. The court, therefore scheduled for the next hearing on 14 September 2022.

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 2Q2022

The situation in raising white vannamei shrimp is facing problems with white feces, which results in slow growth of shrimp longer raising time lower survival rate and meat exchange rate. As a result white vannamei shrimp farmers rushed to catch a large number of shrimp in order to compete for price and also slowing down shrimp because waiting to see the market situation by reducing the area for farming. In shrimp farming, Giant tiger prawns are well fed and the price is in a good range farmers who encountered the problem of white feces have switched to raising black tiger shrimp as well as buyers for exporting Giant tiger prawns to China have encouraged farmers to raise. There is a market for production causing the market of black tiger prawns to expand more.

Situation in the third quarter, the ratio of white Vannamei shrimp farming has dropped to 80% due to problems with white dung, 15% for Giant tiger prawn and 5% for Lobster. climb due to the monsoon season, inclement weather and rising production costs. This was due to shrimp feed prices coupled with rising oil prices. Farmers have turned to Giant tiger prawn more than before because of the lower cost of raising white shrimp and the selling price is high and relatively stable. In addition, the boiled shrimp market will play a role because there is a large amount of catch but must focus on quality, dark red color, clean body, the color level must not be less than 30, making the shrimp food for color acceleration play a role. Agriculture has reduced the cost of raising release the shrimp thinner than before use inexpensive food and using less chemicals. The amount of shrimp farming probably will start to have more shrimp in the second quarter but will reduce the number of ponds and volume density to emphasize the shrimp growing faster shorten the raising period and reduce the cost of raising.

Summary of Fish Farming Situation 2Q2022

Due to the weather conditions conducive to the growth of the rainy season, causing the amount of water in natural water sources and above the dam enough to feed started cultivating the fry, the survival rate increased. Farmers are preparing cages and ponds to feed the soil including increasing the rate of offspring release although the amount of fish feed prices increased. Prices have stabilized, but farmers still have to fish as usual. The proportion of farming also focuses on raising tilapia and tilapia 70%, catfish 20% and other fish 10% of the area. Farmers can sell in front of the farm. The average price of tilapia that farmers can sell in front of the farm large size, weight 700-900 grams, price 45-50 baht/kg. Tubtim fish 70-75 baht (stable price). The price of catfish is relatively better, 55-58 baht/kg the price has risen by 20-30 baht/kg compared to the quarter 1st place as for snapper, as an incentive for farmers to turn to raise them again after the price has risen.

Situation in the third quarter, The situation of protein prices from mammals (pork, meat, etc.) and poultry continued to rise in line with raw material prices. Therefore, people still prefer to consume mainly fish protein because the price is still stable fish farming continues to exist. Even if the cost is higher farmers began to adjust their methods of raising quality species. Good survival rate to increase productivity and shorten the raising period to reduce costs fish meat in the 3rd quarter farming began to produce more tilapia released to the market.

Summary of Pet Situation Quarter 2Q2022

The domestic pet market has a tendency to grow higher than the first quarter. The proportion of sales is 80% cat food, 20% dog food, although the cost of pet food increases. The current economic situation will be depressed raising pets in the country also needs convenience and shorten the time of care for feeding. Therefore, ready meals are also popular, especially dry feed, share 80% market share, the rest is wet food. export market segment the whole Southeast Asia grew up. As for the European and American markets, the volume of exports has continued.

Situation in the third quarter, despite the current economic downturn but expected in the third quarter. The overall economy has improved with investment promotion and tourism business and the price of raw materials began to stabilize. Pet market in 3Q2022 is expected to have higher sales volume than 2Q2022 due to domestic consumption. Export sales tend to increase by about 4-5% because pets are still popular, affected by the seasons or less weather conditions than aquatic animals.

Yours sincerely,

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