

12 October 2021

Subject: Clarification in the Q2, 2021 Financial Statements as requested by the SET (Amendment)

 To: The President
 The Stock Exchange of Thailand (SET)

 Refer to: 1. Company News : Explanation on the Year Ended 2018 Financial Statements dated 18 April 2019
 2. Company's financial statements for Q2, 2021

As PP Prime Public Company Limited has submitted the financial statements for the second quarter of the year 2021 on August 16, 2021 which have been reviewed by the certified public accountant to the Stock Exchange of Thailand. It appears that there are related transactions regarding the purchase of raw materials and sales of products to Nutrix Public Company Limited (Nutrix), which has increased significantly. Nutrix operates in the business of manufacturing and distributing pet food and has a common shareholder with the company. Details as referred to 1. In addition, it appears that in the first 6 months of 2021, the Company had gross losses from operations in all businesses, namely pet food. Aquatic feed and power plants resulted in a significant increase in net loss compared to the same period last year. Summarized as follows :

List (Unit : Million Baht)	2020					2021		
	Q1	Q2	Q3	Q4	total	Q1	Q2	total
Total revenue	428	403	450	383	1,664	144	170	314
revenue from Nutrix	43	61	91	116	311	106	161	267
%revenue from Nutrix	10%	15%	20%	30%	19%	74%	95%	85%
Total cost of sales	351	352	384	365	1,452	143	174	317
Purchase Raw material from Nutrix	17	43	57	75	192	73	122	195
%Cost of sales from Nutrix	5%	12%	15%	21%	13%	51%	70%	62%
Gross profit (loss)	77	51	66	18	212	1	(4)	(3)
Net Profit (loss)	(6)	(47)	(8)	(269)	(330)	(75)	(25)	(100)

SET Therefore, the Company is requested to provide additional information for investors to be informed of important information in order to make an investment decision in the Company's securities as follows:

1. Reasons and necessity to purchase raw materials and sell products to Nutrix in significant numbers and would like to know about Nutrix's current pricing policies and trading conditions whether they are still comparable to other customers or not. Is it a connected transaction or not? In the case of a connected transaction Has the company complied with the relevant criteria?



2. According to the information referred to 1, it is the only OEM pet food manufacturing company (OEM) for Nutrix. please explain why At present, most of the raw materials are purchased from Nutrix. The type of raw materials ordered and the accounting for sales revenue and cost of sales is still in accordance with financial reporting standards or not?

3. Please explain the risk of relying on Nutrix for both large customers and large suppliers, including the guidelines for preventing such risks.

4. The reason that the company has gross losses from operations in all businesses along with remedy guidelines to prevent negative ongoing profit from operation.

According to the Stock Exchange of Thailand (the "SET") has asked PP Prime Public Company Limited (the "Company") to clarify the information in the financial statements for the second quarter of 2021, which have been reviewed by a certified public accountant, to the Stock Exchange of Thailand. Regarding the issues mentioned above, the Company would like to clarify the details as follows:

1. Reasons and necessity to purchase raw materials and sell products to Nutrix in significant numbers. and would like to know about Nutrix's current pricing policies and trading conditions whether they are still comparable to other customers or not. Is it a connected transaction or not? In the case of a connected transaction Has the company complied with the relevant criteria?

1.1 Reasons and necessity to purchase raw materials and sell products to Nutrix in significant numbers

The reason and necessity for the Company to purchase raw materials and sell products to Nutrix Public Company Limited ("Nutrix") significantly increased in 2021 was because the Company wanted to procure orders. To replace the reduced production capacity for shrimp feed and fish feed production, which is the Company's product. In addition, it wants to reduce the risk of bad debt from selling products to shrimp and fish farms affected by the epidemic of the Coronavirus Disease 2019 (COVID-19). The company would like to clarify as follows.

(1) The Company has a policy to use the remaining production capacity from shrimp feed production. and lots of fish food The company therefore uses its production capacity to benefit. Since fish feed production line can be used to produce pet food. Therefore, the company has started to produce pet food for Nutrix since 2015. Currently, the company has production capacity for shrimp and fish food as follows:

	Petchaburi factory		Songkhla factory		Total	
	Shrimp (Ton)	Fish and Pet (Ton)	Shrimp (Ton)	Fish and Pet (Ton)	Shrimp (Ton)	Fish and Pet (Ton)
Maximum capacity	39,600	37,400	60,000	30,000	90,600	67,400

Since the outbreak of COVID-19, the demand for shrimp and fish consumption has continued to decline. from the lockdown measures and close the establishment causing farmers to slow down shrimp and fish farming The demand for animal feed of aquaculture farmers has decreased. while the production capacity of operators remains the same as a result, the company has sales of shrimp feed. and fish feed has been decreasing since 2020 as shown in the table.

	Shrimp feed	Fish feed	Pet food	Total
Maximum capacity	90,600	67,400		158,000
Actual capacity * 2015	11,563	52,987	3,196	67,746
production proportion 2015	17%	78%	5%	100%
Actual capacity * 2016	11,140	47,644	5,962	64,746
production proportion 2016	17%	74%	9%	100%
Actual capacity * 2017	18,751	43,910	9,894	72,554
production proportion 2017	26%	61%	14%	100
Actual capacity * 2018	26,820	41,865	8,323	77,008
production proportion 2018	35%	54%	11%	100%
Actual capacity * 2019	27,784	41,642	7,854	77,280
production proportion 2019	36%	54%	10%	100%
Actual capacity * 2020	20,766	27,541	13,838	62,145
production proportion 2020	33%	44%	22%	100%
Actual capacity * 2021	443	264	12,309	13,016
production proportion 2021	3%	2%	95%	100%

Note *Actual production capacity for shrimp feed production Fish food and pet food of the company from 2015 to 2021

In addition, the company found that animal feed customers affected by the Covid 2019 epidemic were unable to pay their debts as scheduled. Increased repayment periods for animal feed customers. As of June 30, 2021, there were 197 outstanding debtors out of a total of 388 customers (A total of 159 customers who are overdue for 6 months or more), totaling overdue value of 108.99 million baht (According to Note 4.1 to the financial statements, trade accounts receivable and current accounts receivable amounting to 36.29 million baht and 4.2 trade accounts receivable and non-current accounts receivable of 72.78 million baht) from 44 days to 277 days. The company therefore delayed selling products to customers in the animal feed group. In order to avoid the risk of bad debts as a result, The Company has set an allowance for doubtful accounts in the amount of 108.36 million baht by considering the allowance for doubtful accounts based on collecting experience and analysis of debt aging together. By looking at the past debtors according to that debt age group What percentage of bad debt will there be? And set a percentage of doubtful debts in each group of debtors.

(2) From the middle of 2020, the main raw material prices are Soybean meal, corn protein, corn kernels, wheat bran and fish meal have increased 10-15% from the previous period. causing the company to burden higher production costs in a situation where market competition is increasing and the demand for animal feed has decreased. In the past, the company



used a policy to purchase and import the main raw materials. The soybean meal ordered with the Thai Feed Mill Association. For other raw materials, purchase from general suppliers and if at any time the raw materials are not high, they will be ordered to keep as stock.

1.2 Are Nutrix's current pricing policies and trading conditions comparable to regular customers?

As the company learned above that the company has a policy to use the remaining production capacity from shrimp feed and fish feed production for maximum benefit therefore hired a company to produce products. The company has a policy to set the price and trading conditions for contract manufacturing as follows:

(1) Set the price, will use the cost plus add with a profit margin that is comparable to the general customers.

(2) The procurement of raw materials will depend on the outcome of negotiations between the companies. and production customers This is usually based on the ability to provide the raw material at a low cost, whichever party can provide it. together with the production formula of the customer who hired to produce. (Contracting to produce pet food for Nutrix The company supplies and pays for the raw materials themselves. and the price purchased by the customer (In case the customer can find it) is the market price that is comparable to other suppliers)

(3) payment terms shall not exceed 30 days from the date of delivery. which is shorter than selling animal feed (shrimp and fish), which has a payment term of about 30-90 days

(4) Other trade terms are subject to negotiations between companies. with customers who hired production

in the past The company was the first to produce pet food for Nutrix because the company has a production capacity of fish food. that can be used to produce pet food left by Nutrix's current pricing policies and trading conditions. caused by mutual negotiations by both parties The price of production wages is determined from The cost plus is added with the acceptable yield of each batch comparable to regular customers. With payment terms of 30 days from the date of delivery of the product

1.3 Transactions with Nutrix Is it a connected transaction or not? In the case of a connected transaction Has the company complied with the relevant criteria?

According to the financial statements of the second quarter of 2021, which appeared information about the related transactions related to the purchase of raw materials. and sell products to Nutrix because Nutrix is a company related to the group of companies. The nature of the relationship is that there are common shareholders. From checking the list of shareholders of the Company and Nutrix Company, it was found that the 3 shareholders of Nutrix are listed below. holding a total of 9.91 percent of the company's total shares.

No.	Nutrix shareholder name	Shareholding in Nutrix	Shareholding in PPPM (%)
1	Mr.Pongluk Chindasombatcharoen	18.75	5.87
2	Mr.Pongsapak Chindasombatcharoen	7.75	2.19



3	Mr.Nopparuj Chindasombatcharoen	7.75	1.85
Total		34.25	9.91

Note: Mr.Pongsapak Chindasombatcharoen and Mr.Nopparuj Chindasombatcharoen is a mature child of Mr.Pongluk Chindasombatcharoen

From the above facts the company sees that Transactions with Nutrix not considered a connected transaction Because the above 3 shareholders of Nutrix are not considered connected persons according to the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 (including those amended) and the Notification of the Stock Exchange of Thailand Re: Disclosure of Operating Information of Listed Companies Concerning Connected Transactions, 2003 (including those amended).

2. According to the information referred to 1, it is an OEM pet food manufacturing company (OEM) for Nutrix. Please explain why the company currently purchases most of its raw materials from Nutrix. The type of raw materials ordered And the accounting for sales revenue and cost of sales is still in accordance with financial reporting standards or not?

2.1 The reason that the company currently purchases most of the raw materials from Nutrix and the type of raw materials ordered

Contract production of pet food for Nutrix, The Company supplies and pays for raw materials by itself, just like other customers of the Company. The reason why the company currently purchases most of its raw materials is from Nutrix. This is because Nutrix wants to control the quality of its raw materials to a high standard of pet food production standards such as corn and wheat bran with Aflatoxin A-1 (mycotoxic) levels not exceeding 20 PPB. Not more than 50 PPB or soybean meal that must be free of Trypsin Inhibitor or corn protein with a total protein level of not less than 68% and fresh, bright yellow. The color must not be dark brown, etc. In addition, the company receives the same conditions for payment for raw materials as the conditions for receiving payment for goods. which is considered more beneficial to the company In a situation where the feed market is slowing down, the types of raw materials ordered from Nutrix are soybean meal, corn protein, corn kernels, wheat bran and fish meal, etc.

2.2 Accounting as sales revenue and cost of sales is still in accordance with financial reporting standards or not and how?

As already mentioned, the company's animal feed production contract The company supplies and pays for the raw materials themselves. The company therefore recognized the revenue. In recognizing revenue from sales (sales of goods and contract manufacturing) and cost of sales The company complies with financial reporting standards. Revenue is recognized when the customer has control over the goods, which generally occurs when the goods are delivered to the customer. For a contract that gives the customer the right to return the product Revenue is recognized to the extent that there is a very high probability that there will be no significant reversal of accumulated revenue.

For finished goods valuation follow the financial reporting standards. is to use the cost value according to the first-in, first-out method or Net realizable value, whichever is lower. The cost of finished goods consists of the cost of raw materials. Labor and overheads in production which is allocated according to normal operating criteria when the inventories are sold



The carrying amount of inventories shall be recognized as cost of sales in the period in which the related revenues are recognized.

3. Please explain the risk of relying on Nutrix for both large customers and large suppliers, including the guidelines for preventing such risks.

The company is aware of the significant increase in the company's production of pet food for Nutrix. As a result, the Company has increased risks during the first and second quarters of 2021. However, the Company believes that if the situation of the COVID-19 epidemic subsides and/or the consumption of aquatic animal food improves, the said event is only temporary. After the relaxation of government measures the company believes that it will be able to increase sales of animal feed that is its product. Because the company already has the market and customer base.

In this regard, the Company is in the process of mitigating such risks by

(1) Diversify risks by starting to produce other types of animal feed such as shrimp feed, which the Company is in the process of negotiating with new customers. Plus the opportunity to enter the production of basic grade pet food through the learning gained from the manufacturer for Nutrix.

(2) will begin to produce fish and shrimp feed when the epidemic situation of Covid 2019 subsides and the situation of fish farming and the shrimp returned to normal.

4. The reason that the company has gross losses from operations in all businesses along with guidelines for correcting the operating results

In 2021, for the six-month period ended June 30, 2021, the Company still had a gross profit from the pet food business of 3 million baht, while the Company had a gross loss in the feed business of 10 million baht and the electricity business of 6 million baht. The gross loss in the feed business was caused by the consumption of shrimp food. And fish have been steadily decreasing since the covid 2019 epidemic, causing farmers to slow down shrimp farming. and fish in the last two quarters and there is competition in the shrimp feed production and distribution industry. and higher fish because the supply is higher than the demand together with the increase in the price of raw materials such as soybean meal Corn protein, corn kernels, wheat bran and fish meal, etc., since the end of 2020.

As a result, sales revenue decreased. as opposed to cost of sales that is not reduced by sales revenue including raw material prices that have increased since the end of 2020, such as soybean meal Corn protein, corn kernels, wheat bran and fish meal, etc., including labor and production costs which is a fixed cost such as labor cost Property depreciation, etc. that the company is still responsible for the expenses in this section. Some of the expenses are allocated to the pet food business. As a result, the pet food business had a gross profit of only 3 million baht. The gross loss for the power plant business was 6 million baht as a result of only 5 power plants that recognized revenue (10 plants in the process of litigation and awaiting repairs) from a total of 15 power plants, resulting in the Company's income from selling electricity is insufficient to cover the cost of the power plant. mostly depreciation which is a fixed cost



However, if the epidemic situation of Covid 2019 improves, the company believes that farmers will increase shrimp farming. and more fish There will be demand for shrimp and fish feed, which are the company's main products. This will allow the company to use the existing production capacity to increase the cost of production. When the economic situation improves including cost reduction measures that have already been implemented and the Company believes that the Company will receive a credit line. for further business operations.

Please be informed accordingly.

Yours sincerely,

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