

28 February 2023

Subject : Management Discussion and Analysis for the operating results of 2022

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 2022 as follows:

Performance overview

In 2022, PP Prime Public Company Limited (“the Company”) and its subsidiaries had total sales of Baht 1,196.04 million, comprising of aquatic feed business, pet food business and electric power plant business was Baht 542.02 million, Baht 643.85 million and Baht 10.17 million, respectively, which accounted for 45.32%, 53.83% and 0.85% of total revenue from sales, respectively. Revenue from sales was increased by 84.06% compared to the previous year.

In 2022, the Company and its subsidiaries had a total net loss of Baht 487.89 million, increased 161.93% compared to the previous year. This was mainly due to an increase in loss from disposal of the subsidiary's assets.

PP Prime Public Company Limited and its subsidiary Statement of comprehensive income (Unit: Million Baht)	2022	2021	Change increase (decrease)	Percentage
Revenue from sales	1,196.04	649.79	546.25	84.06
Other incomes	17.06	12.24	4.82	39.38
Total revenues	1,213.10	662.03	551.07	83.24
Cost of sales	1,188.49	690.00	498.49	72.25
Selling and administrative expenses	203.37	191.89	11.48	5.98
(Reversal) loss of expected credit	16.03	(4.95)	20.98	423.84
(Gain) loss on disposals of property, plant and equipment	227.29	(32.98)	260.27	789.18
Reversal from impairment of assets	(0.55)	-	(0.55)	(100.00)
Other (gain) loss - net	24.70	(60.07)	84.77	141.12
Finance costs	42.33	69.03	(26.70)	(38.68)
Total expenses	1,701.66	852.92	848.74	99.51
Profit (loss) before income tax expenses	(488.56)	(190.89)	(297.67)	(155.94)
Income tax revenue	(0.67)	(4.62)	3.95	85.50
Profit (loss) for the year	(487.89)	(186.27)	(301.62)	(161.93)

Explanation and analysis of financial status and operating results for 2022

1. Operation

1.1 Revenue

Aquatic business selling

In 2022, the Company had revenue from the aquatic feed business of Baht 542.02 million, 505.13% increase compared to the previous year.

In 2021, 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 2022, 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 643.85 million, 19.58% increase compared to the previous year.

Electric Power Plant Business

The subsidiaries in Japan operates the business of producing and distributing electricity from geothermal energy in Japan. Revenue from electricity sales from subsidiaries in January-June 2022 amounted to Baht 10.17 million decrease of Baht 55.30 million compared to the previous year. Because in July 2022, the subsidiaries in Japan have sold 13 power plants from a total of 15 power plants.

1.2 Cost of sales

Most of the Company's cost of sales comes from raw material costs in production. In 2022, the Company had cost of sales of Baht 1,188.49 million is composed of aquatic business selling 505.05 million, pet food business 641.18 million or 76.22% increase compared to the previous year. It was in line with the increase of revenue from sales. Electric power plant business 42.26 million or 6.88% increase compared to the previous year. The increased cost came from repair cost of machine.

1.3 Gross profit (loss)

Gross profit in 2022 was Baht 7.55 million, increase from the previous year of Baht 47.75 million, or 118.78%.

1.4 Selling and administrative expenses

Selling and administrative expenses in 2022 were Baht 203.37 million, a increase of Baht 11.28 million or 5.98% compared to the previous year. The increased expenses came from the company normal operations.

1.5 Loss of expected credit

Loss of expected credit in 2022 was Baht 16.03 million, increase of Baht 20.98 million or 424% compared to the previous year. The increasing was mainly due to from impairment of trade and other receivables.

1.6 Loss on disposals of property, plant and equipment

Loss on disposals of property, plant and equipment in 2022 were Baht 227.29 million, increase of Baht 260.27 million or 789.29% compared to the previous year. In 2022 some subsidiaries in Japan have entered into sales agreements of property, plant and equipment under electricity generation and distribution segment to private companies at total selling price of Baht 78 million. Net book value of Baht 306 million. As a result, the Group recognised loss on disposals of the assets of Baht 228 million.

1.7 Other loss - net

In 2022 other loss-net was Baht 24.70 million, an increase of Baht 84.77 million or 141.12% compared to the previous year. The increasing was mainly due to from loss on exchange rate.

1.8 Finance costs

In 2022 were Baht 42.33 million, a decrease of 26.70 million baht or 38.68% compared to the previous year. The increased from redemption of debentures before their maturity date and repayment long-term loan.

1.9 Net profit (loss)

In 2022, the Company and its subsidiaries had a net loss of Baht 487.89 million or equivalent to Baht 0.075 per share.

2. Financial status

2.1 Assets

As of 31 December 2022, the Company and its subsidiaries had total assets of Baht 1,431.75 million, an decrease of Baht 177.74 million or 11.04% from 31 December 2021, mainly due to from the decrease in the value of land, buildings and equipment from the sale of power plants in Japan in the amount of Baht 268.62 million and increase from trade and other receivables and inventories the amount of Baht 124.01 million and Baht 72.81 million, respectively.

2.2 Liabilities

As of 31 December 2022, the Company and its subsidiaries had total liabilities of Baht 825.62 million, a decrease from 31 December 2021 by Baht 685.04 million or 45.35%, mainly due to the repayment long-term loan from the financial institute of Baht 39.84 million and redemption of debentures before their maturity date of Baht 518.40 million.

The ratio of debt to equity as of 31 December 2022 and 31 December 2021 are 1.36 times and 15.29 times, respectively.

2.3 Shareholders' Equity

As of 31 December 2022, the Company and its subsidiaries have shareholders' equity of Baht 606.13 million, an increase from 31 December 2021 of Baht 507.30 million or 513.31%, mainly from increase capital amount of Baht 946.90 million and loss from operation in 2022 amount of Baht 439.60 million.

Liquidity

In 2022, the Company and its subsidiaries had net cash used in operating activities of Baht 372.72 million, net cash used in investing activities of Baht 45.84 million and net cash generated from financing activities of Baht 342.23 million. The impact of the exchange rate was Baht 43.99 million, resulting in a decrease in cash and cash equivalents of Baht 32.32 million, resulting to remaining of cash and cash equivalents at the end of the period of Baht 45.32 million.

Other matter

Advance payment for construction of geothermal power plants

The advanced payment is a deposit for land to build geothermal power plants. Sumo Power Company Limited, a subsidiary of the Company, paid a deposit of JPY 103 million for land to construct two power plants to two private companies.

Then, Sumo Power Company Limited entered a land transfer agreement for a plot of land located in Beppu, Oita, Japan with the first private company. The first private company transferred the plot of land to the second private company. However, the first private company was obligated to transfer this plot of land to Sumo Power Company Limited. The total asset transfer price was JPY 300 million. Sumo Power Company Limited has already paid the private company JPY 50 million.

On 26 May 2020, Sumo Power Company Limited took legal action against the second company regarding the transfer of ownership of the land and a claim for JPY 1 million in damages from the first company.

On 5 September 2022, the Company assigned the lawyer to withdraw the case and on 14 September 2022, the court judged that the Company's claims were dismissed. Therefore, the case is finalised and completed

Advanced payment for hot spring rights

The advanced payment is a deposit for the royalties from four units of hot spring from the construction of geothermal power plants project, worth JPY 120 million. S-Power Company Limited and Otomeyama Energy Co., Ltd., the subsidiaries, paid the deposit in June 2016.

Advance payment for Riverside Project

The advanced payment is a deposit of JPY 210 million, for a joint venture in a mixed-use real estate project under the Riverside Tower Project ("Riverside Project") in Da Nang, Vietnam. The Company will invest in the amount not exceeding JPY 3,100 million, as part of a joint investment in the project. The Company would have the right to sell and receive all returns from the sale of the project's condominium units, which accounted for at least 50% of the project's total residential area. The Company would be guaranteed a minimum investment return of 6% per year of the Company's total investment. The Company would pay the rest of the investment when the conditions specified in the investment contract were met. However, if the conditions weren't completely fulfilled within the specified period, the Company would have the right to request the deposit be paid back in full.

On 2 July 2018, the Company entered a memorandum of understanding with the joint investment company's shareholders. The shareholders agreed to transfer all their shares to the Company at its par value (JPY 10 million) as collateral for the Company's JPY 210 million deposit payment. The Company has already paid JPY 10 million for the shares used as collateral.

On 30 July 2019, the Company issued a letter to cancel the investment and requested for the deposit to be refunded in full. This is due to the delay in the development of the project and the higher cost of developing such a project.

In November 2019 and May 2020, the Company received JPY 171 million and JPY 5 million of the deposit, respectively, as a refund with JPY 44 million remaining. The Company was in the process of collecting the rest of the money and would continue to take legal action.

Advanced payment for wind power plant

The advanced payment is for investment in the construction of seven units of wind power plants in Japan, with a total value of JPY 247 million. In 2017, the Group's subsidiary paid the advance payment of JPY 232 million to Aura Green Energy Co., Ltd. (a Japanese juristic person joint venture with PPSN Co., Ltd.). The seven wind power plants were in operation and have made sales revenue since 2017.

In December 2019, the Company assigned its legal advisor to send a notice to Aura Green Energy Co., Ltd. regarding the transfer of ownership in the wind power plants but Aura Green Energy Co., Ltd. opposed that the power plants had been handed over to the subsidiary, which doesn't match the facts. As at 30 May 2022, the Company filed Aura Green Energy Co., Ltd., the contracting party, to hand over the power plants and any electricity charges received earlier to the Group's subsidiary.

Subsequently, on 24 October 2022, Aura Green Energy Co., Ltd. filed a counter argument by referring to a memorandum of understanding dated 25 June 2022 which specified that PPSN Co., Ltd. does not have any claims against Aura Green Energy Co., Ltd. and will withdraw the lawsuit. However, the Company's legal advisor gave the opinion to file a counter argument for the validity of the memorandum of understanding. The court scheduled for the next hearing on 29 March 2023.

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

Loan from Aulux Power Co., Ltd. amount of THB 0.26 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 78.14 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.

The Group's management has assessed the expected credit loss of short-term borrowings by considering the ability to pay the debt of those related parties. As a result, the Company has a risk for uncollectible borrowings in the total amount. Therefore, the loss allowance for short-term borrowings were recognised in the financial statements.

Industry Situation

Summary of Shrimp Industry Situation 4Q2022

The situation of shrimp farming in 4Q2022, the weather is quite variable during the end of the rainy season and the beginning of winter. There is a fairly severe outbreak of red and white spot disease. Occurs in salty areas particularly in the eastern and southern regions. The central region has experienced flooding since the middle of the month October-December 2022 in the area of Suphan Buri-Nakhon Pathom Province. As for white poop disease, it continues, especially in fast-growing species will cause damage at 30-45 days of age and fed through will have a low survival rate of 30-40%. Farmers therefore slowed down shrimp farming. Farming has declined with shrimp about 30% of the total area causing the price of white shrimp to tend to increase continuously. Most of the farming is still white shrimp 90%. Farming is short, has high productivity and has more support markets, black tiger shrimp farming has increased the farming area from 5% to 10% of the total area. to raise shrimp for export to China. The reason is because the price is better than white shrimp. The rest is lobster farming in the central region and Chachoengsao province, where the price is relatively lower because lobsters are consumed domestically people have no purchasing power.

Shrimp Industry Trends 1Q2023

Outlook for the first quarter, from January to February 2023, agriculture still slows down the new shrimp stock to avoid the red white spot epidemic. Farming shrimp are released in late February - March 2023, when the weather conditions are quite suitable. The salinity of the water has increased affect the survival rate and the full growth of shrimp, which in many farms with the potential for raising There is an increase in the density of raising. 150,000-250,000 birds/rai. In 1Q2023, the output may decrease by 10-15% due to the quarter 4/2022 ago resulting in the problem of farming loss, these factors are still unresolved problems. Including the problem of adjusting the cost of raw materials with continually rising prices causing the price of ready-made shrimp feed to adjust the price 3 times in 2022, causing the production cost to rise. Although at this time shrimp prices may still increase. The reason is due to the reduced productivity mentioned above. This causes shrimp farmers to control production costs more difficult. Including the price of produce may drop again after the produce enters the market in April 2023, causing farmers to be unsure of both the price and the market, thus postponing farming further.

Summary of Fish Farming Situation 4Q2022

From the end of the third quarter of 2022, some small-scale fish farmers have begun to postpone farming. From continuously increasing the price of ready-made aquatic animal feed This, together with the fluctuating weather conditions, made it an obstacle to farming. As a result, the amount of output in some areas tends to be insufficient to meet the market demand. As for the price mechanism of aquatic animal products, there is a tendency to increase. As a result, in 4Q2022, large potential farmers began to expand their farming business. Accelerate the release of aquatic animals in order to have enough production to meet the demand during the New Year festival. At the end of the 4th quarter of 2022 to the beginning of the 1st quarter of 2023 (New Year's Eve). The demand for fish consumption has increased compared to 2020-2021 due to the outbreak of the COVID-19 epidemic that has affected fresh markets, restaurants or establishments together with the festive traditions are controlled in a limited area. As a result, the price of aquatic products in the 4th quarter began to increase from the 3rd quarter in terms of tilapia. As for the catfish and ruby fish, the prices remain unchanged.

Fish Farming Trends 1Q2023

Higher consumption of fish products at the end of the fourth quarter of 2022. As a result, the amount of fish production (Fish weighing no more than 3 kilograms) sent to the market in the beginning of the 1st quarter of 2023 has decreased small farmers who slowed down the farming system in the late 3rd quarter of 2022 and 4th quarter of 2022 began to adjust and restore the farming system fish. As for large farmers, they will procure and gradually release quality seedlings to the full system in order to increase the amount of fish production to meet the demand for fish consumption in the early 2nd quarter of 2023.

Summary of Pet Situation Quarter 4Q2022

The pet food market continues to grow. The domestic pet market is likely to grow 10-15% higher than in 4Q2022. However, pets still need to be consumed regularly. In addition, the pet caregiver gives importance to pets as family members causing the purchase of pet food as a reserve. As with other necessities, the domestic pet market has little impact people can go out and pay in pet food, convenient in both retail stores and wholesale department can trade as usual Airlines started flying again making exports to neighboring countries in ASEAN, which is a big market Both Malaysia, Indonesia and Singapore, and exports to both Europe and America, but exports at the end of the year have decreased in volume. In 4Q2022, exports began to stabilize because entering the festivals in America, Europe and China.

Pet Situation Trends 1Q2023

Domestic pet raising also requires convenience. and shorten the time of taking care of feeding, Therefore, ready-to-eat food is still popular, especially dry animal feed. Which shares 80% of the market share, the rest is wet food export market the whole of Southeast Asia grew up. As for the European and American markets, there is a continuous export volume of pet food, growing 15%. As for the pet food production business outlook (Pet Food) in 4Q2022, growth is expected to be similar to the previous quarter. The sales this year are not much production capacity of 42,000 tons of wet food, 20,000 tons of pellet food, 75% of total production capacity is now used. Currently, the main markets are still the United States and China. Consumers treat animals with love and bond causing the need for more equipment for raising animals, such as other types of animal feed, which are more diverse than the conventional feed type pellets or wet food and the most popular types of pets are expected to be 1. Cats 2. Small Animals 3. Dogs 4. Fish 5. Birds, respectively.

Yours sincerely,

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