

14 November 2022

Subject : Management Discussion and Analysis For the operating results of the 3Q2022  
 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 3Q2022 as follows:

**Performance overview**

In 3Q2022, PP Prime Public Company Limited (“the Company”) and its subsidiaries had total sales of Baht 366.58 million, comprising of aquatic feed business and pet food business was Baht 164.32 million and Baht 202.26 million, respectively, which accounted for 44.83% and 55.17% of total revenue from sales, respectively. Revenue from sales was increased by 62.61% compared to the previous year.

In 3Q2022, the Company and its subsidiaries had a total net loss of Baht 285.19 million, increased 4,245.20% compared to the same quarter of the previous year. This was mainly due to an increase in loss from disposal of the subsidiary's assets.

| <b>PP Prime Public Company Limited and its subsidiary<br/>Statement of comprehensive income<br/>(Unit: Million Baht)</b> | <b>3Q2022</b>   | <b>3Q2021</b> | <b>Change<br/>increase<br/>(decrease)</b> | <b>Percentage</b>  |
|--|-----------------|---------------|---|--------------------|
| Revenue from sales   | 366.58          | 225.43        | 141.15                                    | 62.61              |
| Other incomes  | 2.44            | 1.76          | 0.68                                      | 38.64              |
| <b>Total revenues</b>  | <b>369.02</b>   | <b>227.19</b> | <b>141.83</b>                             | <b>62.43</b>       |
| Cost of sales  | 391.75          | 227.14        | 164.61                                    | 72.47              |
| Selling and administrative expenses  | 60.55           | 49.27         | 11.28                                     | 22.89              |
| Loss (profit) expected credit loss   | (6.36)          | (5.54)        | (0.82)                                    | (14.80)            |
| Loss (profit) on disposals of property, plant and equipment  | 228.18          | (33.11)       | (261.29)                                  | (789.16)           |
| Loss on exchange rate, net   | (33.43)         | (28.93)       | 4.50                                      | 15.55              |
| Finance costs  | 11.72           | 17.46         | (5.74)                                    | (32.88)            |
| <b>Total expenses</b>  | <b>652.41</b>   | <b>226.29</b> | <b>426.12</b>                             | <b>188.31</b>      |
| <b>Profit (loss) before income tax expenses</b>  | <b>(283.39)</b> | <b>0.90</b>   | <b>(284.29)</b>                           | <b>(31,587.78)</b> |
| Income tax expenses  | 1.80            | (5.98)        | 7.78                                      | 130.10             |
| <b>Profit (loss) for the year</b>  | <b>(285.19)</b> | <b>6.88</b>   | <b>(292.07)</b>                           | <b>(4,245.20)</b>  |

## **Explanation and analysis of financial status and operating results for 3Q2022**

### **1.1 Income**

#### **Aquatic business selling**

In 3Q2022, the Company had revenue from the aquatic feed business of Baht 164.32 million, a 194.06% decrease compared to the previous year.

In 3Q2021, 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 3Q2022, 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 202.26 million, growing approximately 22.20% compared to the previous year.

#### **Electric Power Plant Business**

The subsidiaries in Japan have sold 13 power plants from a total of 15 plants, resulting in 3Q2022, the subsidiaries haven't income from the business of producing and distributing electricity from geothermal energy.

### **1.2 Cost of sales**

Most of the Company's cost of sales comes from raw material costs in production. In 3Q2022, the Company had cost of sales of Baht 391.75 million is composed of aquatic business selling 146.77 million, pet food business 201.35 million or 61.71% increase compared to the previous year. It was in line with the increase sales revenue and electric power plant business 43.63 million or 267.88% increase compared to the previous year. The increased cost came from repair cost of machine.

### **1.3 Gross profit (loss)**

Gross loss in 3Q2022 was Baht -25.17 million, a increase from the same quarter of the previous year of Baht 23.46 million, or 1,371.93%.

### **1.4 Selling and administrative expenses**

Selling and administrative expenses in 3Q2022 were Baht 60.55 million, a increase of Baht 11.28 million or 22.89% compared to the previous year. The increased cost came from the company normal operations.

### **1.5 Loss (profit) on disposals of property, plant and equipment**

Loss (profit) on disposals of property, plant and equipment in 3Q2022 were Baht 228.18 million, a increase of Baht 261.29 million or 789.16% compared to the previous year. Due to 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.

## **1.6 Net profit (loss)**

In 3Q2022, the Company and its subsidiaries had a net loss of Baht 285.19 million or equivalent to Baht 0.028 per share.

## **2. Financial status**

### **2.1 Assets**

As of 30 September 2022, the Company and its subsidiaries had total assets of Baht 1,520.26 million, an decrease of Baht 89.23 million or 5.54% from 31 December 2021, the difference arose 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 197 million orders from the end of 2021.

### **2.2 Liabilities**

As of 30 September 2022, the Company and its subsidiaries had total liabilities of Baht 938.01 million, a decrease from 31 December 2021 by Baht 572.65 million or 37.91%, mainly due to the repayment loan from the financial institute of Baht 30.89 million and redemption of debentures of Baht 458.40 million.

The ratio of debt to equity as of 30 September 2022 and 31 December 2021 are 1.61 times and 15.29 times, respectively.

### **2.3 Shareholders' Equity**

As of 30 September 2022, the Company and its subsidiaries have shareholders' equity of Baht 582.25 million, an increase from 31 December 2021 of Baht 483.42 million or 489.14%, mainly from increase capital amount of Baht 905.95 million, loss from operation in 2022 amount of Baht 422.53 million.

## **Liquidity**

In 3Q2022, the Company and its subsidiaries had net cash used in operating activities of Baht 240.71 million, net cash used in investing activities of Baht 26.15 million and net cash used in financing activities of Baht 319.62 million. The impact of the exchange rate was Baht 7.48 million, resulting in an increase in cash and cash equivalents of Baht 60.24 million, resulting to remaining of cash and cash equivalents at the end of the period of Baht 137.88 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 subsiding received from the 1st sharing asset amount of Yen 500,000.

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

### **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 0.26 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 78.59 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 3Q2022**

Shrimp farming tends to slow down due to waiting to see the market price situation by the price of white shrimp at Talay Thai Market, Samut Sakhon. There is a tendency to decline continuously. The rearing is quite difficult, the rearing is not very successful because when white feces syndrome diseased, the shrimp will gradually die, the survival rate is low. This was due to the breeding that caused the shrimp to grow too quickly lower the immune system. Therefore, farmers replaced disease-resistant shrimp strains rather than fast-growing species and reduce the density of raising and from the inclement weather due to quite heavy rainfall, some areas have White spot disease (WSD) and Early Mortality Syndrome (EMS). As a result, farmers have switched to raising more giant tiger prawn, from 10% to 15-20% of the total raising area because the price is better than white shrimp when comparing the size and the export of black tiger prawns to China can be exported more, there is also a market to support the produce by selling boiled shrimp in front of the factory. The lobster culture is also mixed with white shrimp in the central region, lobster selling prices have also declined because it is a domestic consumer market with reduced purchasing power and at the end of the 3rd quarter, some areas in the central region faced flooding causing the amount of raising to decrease as well.

In the 4th quarter, new shrimp imports are expected to decline because it is the end of the rainy season and early winter and this year due to heavy rainfall at the end of the 3rd quarter, it is expected that the cold will be relatively faster. Which is at risk of outbreak of red white spot virus (WSSV) affecting severe shrimp damage, but it is expected that farmers will still have a higher raising volume compared to 2021 at the same time. It is estimated that 30-40% of the area is

cultivated because the vanami shrimp selling price in late September 2022 has increased. This is an incentive for farmers to add more shrimp because in the 4th quarter, the cold storage has opened orders for export and need produce for distribution during christmas and New Year in European and American markets It is expected that the price trend will continue to increase which was in high demand at that time as for the market of black tiger prawns, shrimp can be exported to the Chinese market and Hong Kong during Chinese new year festival which is the best price in the year.

### **Summary of Fish Farming Situation 3Q2022**

Since the middle of the 2nd quarter began to enter the rainy season, the rainfall that began to fall in about May, resulting in the amount of water in natural water resources and above the dam Therefore, it is an appropriate period for nursery for young aquatic animals and the aquaculture has suitable conditions to be able to feed in areas with increased density, so farmers began to gradually release new breeds. In order to have aquatic animal products in accordance with the market demand. During the 3rd quarter, the increase in aquatic animals from the 2nd quarter resulted in an increase in the demand for food among farmers. Although the amount of fish feed prices increased. Farmers still have regular fishing, the proportion of farming also focuses on tilapia and tilapia 70%, catfish 20% and other fish 10% of the area.

Due to the situation, the price of the finished aquaculture feed has increased during the 3rd quarter and the price of the aquaculture production remained stable. As a result, aquaculture farmers with financial potential and professional expertise. It is necessary to develop a better farm management system such as finding quality offspring and use more quality aquaculture feed. This is the part that will increase the efficiency of aquaculture to be profitable so that the investment in the aquaculture business can continue to run, smallholder farmers or farmers with poor farm management systems will begin to gradually reduce their fish stocks or reduce the amount of raising. As a result, aquaculture farms with good farm management systems in that area expand the business, increase the amount of farming in order to be consistent with the demand for aquatic animal products to meet the market demand continuously.

### **Summary of Pet Situation Quarter 3Q2022**

During the 3rd quarter, the domestic pet market was able to export more. The volume increased from the second quarter of 10%, as Thailand is a quality production base and is recognized abroad and ready meals are also popular. Which are both in the pellet form of pet food wet pet food including veterinary clinics and snack group but in the past, the wet food and snack food category for cats has grown exponentially. The Correspond to the population that has more cats, the export volume varies with the population. The export market is still Europe, Japan, the Middle East and neighboring countries in ASEAN, which is a big market. Both Malaysia, Indonesia and Singapore have continued to do more.

The online marketplace is still the main consumer channel in today's market for the factors that consumers choose to buy online pet products are convenient, time-saving. Trust in an ecommerce platform There are many promotional activities, etc. and factors that consumers choose to buy pet products via Offline channels include seeing products immediately , ensure safety have confidence that you will receive the correct product can inquire good after sales service trust the shop owner, etc.

The pet market in the 4th quarter is expected to have higher sales volume than the 3rd quarter. Export sales tend to increase by about 3-5% because animals are still popular and is affected by the seasons or less weather conditions than

aquatic animals, so during the month October-November 2022, stock orders to close sales of 2022 and during the month, the balance continued to be stable from the end of the 3rd quarter and decreased during the month of December.

Yours sincerely,

**PP Prime Public Company Limited**

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