

28 February 2022

Attention: The President

The Stock Exchange of Thailand

Subject: Management Discussion and Analysis For the operating results of 2021

PP Prime Public Company Limited would like to deliver the explanation and analysis of the management for the operating results of 2021 as follows:

### Performance overview

In 2021, PP Prime Public Company Limited (“the Company”) and its subsidiaries had total sales of Baht 649.79 million, comprising of aquatic feed business, pet food business, and electric power business was Baht 89.57 million, Baht 538.44 million and Baht 21.78 million, which accounted for 13.79%, 82.86% and 3.35% of total revenue from sales, respectively. Total income was decreased by 54.37% compared to the previous year. The main business had revenue decreased 59.83% compared to the previous year.

In 2021, the Company and its subsidiaries had a total net loss of Baht 186.27 million, decreased 43.48% YoY. The major reason was the Company had impairment loss on assets of Baht 181.83 million.

PP Prime PCL. and its subsidiaries Statement of comprehensive income (Unit: Million Baht)	2021	2020	Change increase (decrease)	Percentage
Revenue from sales	649.79	1,617.64	(967.85)	(59.83)
Other incomes	105.34	37.24	68.10	182.87
<b>Total Revenues</b>	<b>755.13</b>	<b>1,654.88</b>	<b>(899.75)</b>	<b>(54.37)</b>
Cost of Sales	690.00	1,406.99	(716.99)	(50.96)
Selling and Administrative Expenses	186.50	268.29	(81.79)	(30.49)
Impairment loss on assets	-	114.64	(114.64)	(100.00)
Impairment loss on loan	-	67.19	(67.19)	(100.00)
Impairment loss on investment properties	-	32.24	(32.24)	(100.00)
Others	-	7.01	(7.01)	(100.00)
Loss (profit) and reversal of impairment loss TFRS 9	(4.95)	6.44	(11.39)	(176.86)
<b>Total expenses</b>	<b>871.55</b>	<b>1,902.80</b>	<b>(1,031.25)</b>	<b>(54.20)</b>
<b>Loss from operating activities</b>	<b>116.42</b>	<b>247.92</b>	<b>(131.50)</b>	<b>(53.04)</b>
Finance costs	74.46	86.18	(11.72)	(13.60)
<b>Loss before income tax expenses</b>	<b>190.88</b>	<b>334.10</b>	<b>(143.22)</b>	<b>(42.87)</b>
Tax expenses (tax income)	(4.61)	(4.52)	0.09	1.99

Loss for the period	186.27	329.58	(143.31)	(43.48)
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## Explanation and Analysis of Financial Status and Operating Results for 2021

### 1.1 Income

#### Aquatic business selling

In 2021, the Company had revenue from the aquatic feed business of Baht 89.57 million, a 93.23% decrease compared to the previous year.

Due to the situation of Coronavirus Disease 2019 (COVID-19) between 2020 and 2021 affect the company had to stop production and sales. As a result, the revenue from sales decreased in the amount mentioned above. The shrimp farming industry dropped by 90.99 % compared to the same quarter of the previous year, and the fish farming industry dropped by 95.92% compared to the same quarter of the previous year

#### Pet Food Business

The Company had revenue from pet food business equal to Baht 538.44 million, growing approximately 96.79% 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 2021 amounted to Baht 21.78 million, a 1.68% 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 2021, the Company had cost of sales of Baht 690 million, a 50.96% decrease compared to the previous year. It was in line with the lower sales revenue.

### 1.3 Gross profit (loss)

Gross loss in 2021 was Baht 40.21 million, a decrease from the previous year of Baht 250.86 million, or 119.09%.

### 1.4 Selling and administrative expenses

Selling and administrative expenses in 2021 were Baht 186.50 million, a decrease of Baht 81.79 million or 30.49% compared to the previous year. While the Company had impact on the spread of COVID-19, the Company has a policy to control unnecessary expense, resulting in lower selling and administrative expenses.

## 1.5 Net profit (loss)

In 2021, the Company and its subsidiaries had a net loss of Baht 186.27 million or equivalent to Baht 0.13 per share.

## Financial status

### 2.1 Assets

As of 31 December 2021, the Company and its subsidiaries had total assets of Baht 1,615.44 million, a decrease of Baht 274.20 million from 31 December 2020 or a 14.51% decrease, the decreasing was mainly due to sales land and building which the book value equal to Baht 139.53 million, and account receivable Bath 84.80 million decrease in line with the lower sales revenue and collection debt from prior period.

### 2.2 Liabilities

As of 31 December 2021, the Company and its subsidiaries had total liabilities of Baht 1,516.61 million, a decrease from 31 December 2020 by Baht 299.97 million or 16.51%, mainly due to the repayment loan from the financial institute of Baht 201.30 million and payment account payable Baht 87.01 million.

The ratio of debt to equity as of 31 December 2021 and 31 December 2020 are 15.35 times and 24.86 times, respectively.

### 2.3 Shareholders' Equity

As of 31 December 2021, the Company and its subsidiaries have shareholders' equity of Baht 98.83 million, an increase from 31 December 2020 of Baht 25.77 million or 35.27%, mainly from increase capital amount of Baht 182.40 million, loss from operation in 2021 amount of Baht 186.27 million and loss from translate adjustment from foreign currency financial statements amount of Baht 41.57 million.

## Liquidity

In 2021, the Company and its subsidiaries had net cash flows used in operating activities of Baht 137.63 million, cash flow from investing activities of Baht 229.24 million, cash flows used in financing activities totaling Baht 10.78 million, and the impact of the exchange rate decreased Baht 41.58 million, resulting in an increase in cash and cash equivalents of Baht 39.25 million, resulting in remaining of cash and cash equivalents at the end of the period of Baht 77.64 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, 2021 PPSN Company Limited apply for assets sharing for a private company to claim the deposit 50 million JPY, which on September 24, 2021, a subsidiary received from the 1st sharing asset amount of Yen 500,000. However, the legal advisor said that there is an opportunity to earn more money from the distribution of assets but the exact time period is unknown because the process is in court and is waiting for auction.

**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.

Currently, the company will send the demand notice if the party still ignore the company will take legal action.

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

Loan from Aulux Power Co., Ltd. amount of THB 0.30 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 90.87 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 4Q2021**

In the November 2021 has the shrimp production from farming to the market 19,453.18 tons the quantity has decreased from last month 23,494.99 tons and decreased 12.06% when compare the last year at the same month. The shrimp production separated to The Pacific White Shrimp 18,072.92 tons (92.90%) and Tiger Prawns 1,380.24 tons (7.10%), to separate by geographic the north of southern 30.18%, the southern Andaman coast 25.76%, the eastern 16.04%, Gulf of Thailand coast 15.09% and Middle 12.93%.

The proportion for shrimp farming, the farmer still feed the Pacific White Shrimp around 90% because it short rearing period, high productive and have the market, the Tiger Prawns 5%, and the remaining feed the Giant Freshwater Prawns in the middle area and Chachoengsao province. For the farming of shrimp in Quarter 4'21 has decreased because of flood in the middle area and spread of white spot disease in the southern and eastern area, it has effect to decline price continuously

The export and import of Thailand since January to November 2021, Thailand was imported the shrimp 39,984.89 tons amount 5,692.89 million Baht, it was increased by 79.12% and 103.58% respectively when to compare with the same period of previous year. Thailand was exported the shrimp 140,635.25 tons amount 44,895.16 million Baht, it was increased by 1.71% and 9.15 respectively when to compare with the same period of previous year. If consideration from the proportion of export, found that the main market of export of Thailand are USA 31.70%, Japan 24.73%, China 16.04% South Korea 6.65%, Taiwan 3.89% and other counties 16.99%.

#### **Shrimp Industry Outlook 1Q2022**

For the production of shrimp in overview of this year, it has 280,000 tons, it has increased from previous year 4% and expect in shrimp production in 2022 around 300,000 tons. The production of shrimp has decreased since 2002 to current year because of disease and uncertainty plan of government to develop the shrimp industry, it is the important factor that effect to Thailand cannot be the leader for producing shrimp of the world that was be No.1 in 10 years ago

During January to February 2022, the farmer slowed down to farm new crop of shrimp to avoid the white spot disease. The expectation, farmer will feed the shrimp in March 2022 on going which it has the

suitable temperature and the salinity of water is increased, it affects the survival rate and growth rate. From Quarter 4'21, the price of shrimp has increased continuously in the 5 years as the result of farmer has the incentive to feed the shrimp increased 10% – 15%

The world situation Thailand was No.1 for producing and exporting of the world, making the money to country 100,000 million Baht per year, but nowadays it loses Vietnam. The overview of industry feed the shrimp of the world, The America region that was the underdog, but it has overtaken Thailand by Ecuador. In Asia region, Vietnam is the star. The expectation the production of shrimp of the world in year 2022 will be increased 8% - 10% if the world economic is stable as current situation.

#### **Summary of Fish Farming Situation 4Q2021**

Even it has turned into rainy season, the level of water has slightly increased, but it is not enough for the Northern area and Northeast area, it has effect to market in some area. The level of natural water has increased, it is better for feeding. The most of farmer still feed the tilapia 70% because it has the market and more popular for consumer than other type catfish 10% and other fish 10%. Overview has better than Quarter 3'21, but still have the problem lack of fish fry to the farmer wants and the fish feed increased 3% - 6% because of the main raw material price has increased continuously, it has effect to the farmer slowed down the feed

The price of fish has increased from previous Quarter the tilapia price at 70 – 75 Baht/kg, catfish price at 45 – 48 Baht/kg, and Asian seabass price same as Quarter 3 at 55 – 60 Baht/kg.

The most of tilapia has domestic consumer around 95% and export 5% in the frozen form which is the small size, cheap price, and it has the low market share in USA which the big consumer of the world just 1% of the amount of tilapia product that imported by USA.

#### **Fish Farming Trends 1Q2022**

From the lack of level of rain, the drought will be return, the level of water in dam it has decreased that effect to farm and market in some area. In the middle area, the level of drainage from the dam has decreased. The farmer still face to lack of fish fry. Moreover, the trend of price will be increased from previous Quarter because of increase in price of raw material and lack of some raw material in the market therefore the feed will be stable

#### **Summary of Pet Situation Quarter 4Q2021**

Under the return of spread of COVID-19 situation in the end of the year. However, the pet must be usually consume food and the owner treat the pet as the member of family, it affects to buy the reserve pet food same as other necessary goods. The market of pet food in domestic has the minor impact. The people

can buy the pet food in convenient store and wholesales, the airline business has operated therefore the export pet food to Asian which a big market has increased

#### **Pet Food Trends Quarter 1Q2022**

The pet food market in domestic will increase from previous Quarter around 10% -15%, even the decline of economic, but owner pet in domestic want the convenient and reduce the time of prepare the food therefore the pet food still popular especially dry food that has 80% of market share the other is wet food

The export market of Southeast Asia has growth. The market in Europe and America have exported continuously, even it has the problem to spread of COVID-19, but the severity has decreased, so it does not hinder to export. The China and Japan is the big market in Asia, it still want the pet food continuously, that effect to the exported will be increased.

Yours sincerely,

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