

14 May 2024

Subject : Management Discussion and Analysis For the operating results of the 1Q2024

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 1Q2024 as follows:

**Performance overview**

In the 1Q2024, PP Prime Public Company Limited (“the Company”) and its subsidiaries had total sales of Baht 199.36 million, comprising of aquatic feed business and pet food business was Baht 48.28 million and Baht 151.08 million, respectively, which accounted for 24.22% and 75.78% of total revenue from sales, respectively. Revenue from sales was decreased by 43.73 % compared to the previous year.

In the 1Q2024, the Company and its subsidiaries had a total net loss of Baht 4.98 million, increased 105.30% compared to the previous year. This was mainly due to increase in profit on disposal of property, plant and equipment and profit on exchange rate.

<b>PP Prime Public Company Limited and its subsidiary Statement of comprehensive income (Unit: Million Baht)</b>	<b>1Q2024</b>	<b>1Q2023</b>	<b>Change increase (decrease)</b>	<b>Percentage</b>
Revenue from sales	199.36	354.28	(154.92)	(43.73)
Other incomes	4.98	3.15	1.83	58.10
Profit on disposals of property, plant and equipment	42.79	0.75	42.04	5,605.33
Other profit (loss), net	18.14	(30.37)	48.51	159.73
<b>Total revenues</b>	<b>265.27</b>	<b>327.81</b>	<b>(62.54)</b>	<b>(19.08)</b>
Cost of sales	197.10	351.11	(154.01)	(43.86)
Selling and administrative expenses	47.67	55.17	(7.50)	(13.59)
Loss expected credit loss	12.23	1.71	10.52	615.20
Finance costs	2.02	3.67	(1.65)	(44.96)
<b>Total expenses</b>	<b>259.02</b>	<b>411.66</b>	<b>(152.64)</b>	<b>(37.08)</b>
<b>Profit (loss) before income tax expenses</b>	<b>6.25</b>	<b>(83.85)</b>	<b>90.10</b>	<b>107.45</b>
Expenses tax expenses	1.27	10.13	(8.86)	(87.46)
<b>Profit (loss) for the period</b>	<b>4.98</b>	<b>(93.98)</b>	<b>98.96</b>	<b>105.30</b>

## **Explanation and analysis of financial status and operating results for 1Q2024**

### **1.1 Revenue**

#### **Aquatic business selling**

In 1Q2024, the Company gained revenue from the aquaculture feed business of Baht 48.28 million with decrease of 73.17%, compared to the previous year. Since farmers continues to face the problem of continually falling shrimp prices as well as a slowdown in domestic consumption that is not as expected. The situation of the aquaculture feed business was lower than the previous year. Consequently, sales revenue decreased, compared to the previous year.

#### **Pet Food Business**

The Company gained revenue from the pet food business of Baht 151.08 million with an increase of 2.27%, compared to the previous year. Since the situation of pet food continues to growth rate. As a result, more orders will come in. Consequently, sales revenue increased, compared to the previous year.

### **1.2 Other incomes**

Other incomes in 1Q2024 was Baht 4.98 million with an increase of 1.83 million baht, compared to the previous year, accounting for 58.10%. Mainly caused by the sale of waste materials.

### **1.3 Profit on disposals of property, plant and equipment**

Profit on disposals of property, plant and equipment in 1Q2024 were Baht 42.79 million, an increase of Baht 42.04 million or 5,605.33% compared to the previous year. Due to disposal on power plant in subsidiary's company

### **1.4 Other profit (loss), net**

Other profit, net in 1Q2024 was Baht 18.14 million with an increase of Baht 48.51 million or 159.73%, compared to the previous year. Due to profit on exchange rate in subsidiaries companies.

### **1.5 Cost of Sales**

Most of the Company's cost of sales is generated from the cost of raw materials in the production. In 1Q2024, the Company had a total cost of sales of Baht 197.10 million, consisting of the cost of selling aquaculture feed of Baht 53.90 million and the cost of selling pet food of Baht 142.37 million with the decrease of 43.86 %, compared to the previous year. This is in accordance with the decreased revenue from food.

### **1.6 Selling and administrative expenses**

Selling and management expenses in 1Q2024 were Baht 47.67 million with decrease of Baht 7.50 million or 13.59%, compared to the previous year. The Company has a policy to control unnecessary expense, resulting in lower selling and administrative expenses.

### **1.7 Finance costs**

Financial cost in 1Q2024 was Baht 2.02 million with decrease of Baht 1.65 million or 44.96%, compared to the previous year. The reason for the decreased in finance costs was mainly from repayment of loans from financial institutions and redemption of debentures before their maturity.

## **1.8 Net Profit**

In 1Q2024, the Company and its subsidiaries experienced a net profit of Baht 4.98 million or a net profit of Baht 0.0080 per share.

## **2. Financial status**

### **2.1 Asset**

As of 31 March 2024, the Company and its subsidiaries owned total assets of Baht 1,049.15 million with a decrease from 31 December 2023, of Baht 85.27 million or an decrease of 7.52%, mainly due to decrease in trade and other current receivables of Baht 46.54 million and decrease in property, plant and equipment of Baht 51.92 million from disposal on power plant in subsidiary company.

### **2.2 Liabilities**

As of 31 March 2024, the Company and its subsidiaries owned total liabilities of Baht 500.27 million with a decrease from 31 December 2023, of Baht 95.79 million, or 16.07%. Due to the sale of the power plant, the deposit received from the power plant sales agreement decreased from the previous year in the amount of Baht 95.87 million.

The ratio of debt to equity as of 31 March 2024, and 31 December 2023, was 0.91 times and 1.11 times, respectively.

### **2.3 Equity**

As of 31 March 2024, the Company and its subsidiaries held shareholders' equity of Baht 548.88 million with an increase from 31 December 2023, of Baht 10.52 million or 1.95%. Mainly caused the exercise of convertible debentures into ordinary shares during the period in the amount of Baht 17.93 million.

## **Liquidity**

In 1Q2024, the Company and its subsidiaries owned a net cash flow generated from operating activities of Baht 39.77 million, cash flows used in investing activities of Baht 4.57 million, cash flows generated from financing activities of Baht 1.07 million, and the impact from exchange rates decreased by Baht 17.89 million. Therefore, the Company's cash and cash equivalents increased by Baht 18.37 million. As of 31 March 2024, the Company and its subsidiaries held cash and cash equivalents at the end of Baht 31.50 million.

## **Other**

### **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 unsold condominium units. 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 consider 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. Currently, it is in the process of examination of evidence relating to the memorandum of understanding. Currently, it is in the process of examination of evidence relating to the memorandum of understanding.

On 12 May 2023, the court considered the evidence of PPSN Co., Ltd. relating to the payments for the construction of wind power plants to Aura Green Energy Co., Ltd. Currently, it is in the process of examination of evidence relating to the payments. The court scheduled for the next hearing on 21 December 2023.

On 30 April 2024, the court considered the evidence of PPSN Co., Ltd. relating to the payments for the construction of wind power plants to Aura Green Energy Co., Ltd. again. Currently, it is in the process of examination of evidence relating to the payments. The court scheduled for the next hearing on 3 June 2024.

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

Loan from Aulux Power Co., Ltd. amount of THB 0.24 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 72.18 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 recognized in the financial statements.

#### **Advance received from sales contract of geothermal power plants**

On 21 June 2018, the Company entered a preliminary agreement on the sale of 15 geothermal power plants, which are commercially operated. The total purchase price was approximately JPY 4,800 million and was paid to Relocation House Corporation (Relocation Group), a company established under Japanese law (the buyer). The Company considered disposing the power plant projects by either selling shares in the Company's subsidiary who owned the power plant projects or disposing of the assets of the power plant projects. The Company received a deposit of JPY 200 million. According to a preliminary agreement (Memorandum of Understanding), the buyer (Relocation Group), was required to pay the remaining amount of JPY 4,600 million by February 2019.

Subsequently, in February 2019, Relocation Group transferred its rights and obligations under the preliminary agreement to Beppu Forest Power Co., Ltd. (BF Power), who shared directors with the asset seller subsidiary until 30 June 2019, and PPSN Co., Ltd. (PPSN), a subsidiary. BF Power entered a contract to purchase 15 power plant projects ("Power Plant Project") (Contract No. 1) on 25 February 2019. It was agreed that BF Power would pay a deposit of JPY 400 million and transfer 25% of BF Power's shares to PPSN on 15 March 2019. PPSN would transfer ownership of four power plants (part of the 15 plants above) to BF Power within 15 days of completing the payment.

On 5 April 2019, PPSN entered a contract to sell four power plants (Contract No. 2) to BF Power at a total price of JPY 800 million. This involved JPY 400 million to be paid within two weeks of the contract date and another JPY 400 million to be paid within one year of the contract date. PPSN has already received the deposit of JPY 400 million. The Group received a total deposit of JPY 600 million, represented as deposit received, and the transfer must be approved by the Board of Directors. The memorandum stated that BF Power has the right to terminate the contract if the transfer wasn't approved by the Board of Directors. The contract was created for four parties: BF Power, PPSN, Lena Power Station No.1 LLC (LENA) and the Company. BF Power and PPSN were the only party to sign the contract. The Company's legal advisor gave the following opinions on the second contract as follows .:

1. If LENA could prove that it didn't authorise PPSN to sign the contract on its behalf, LENA wouldn't be bound to the contract.
2. If the Company could prove that it didn't authorise PPSN to sign the contract on its behalf, the Company wouldn't be bound to the contract.

The second former director at that time confirmed he didn't sign the contract, but the first former director signed it on his behalf. The legal advisor in Japan advised that this is a matter of true intention of entering a contract, according to Japanese law. If it conflicted with the intention of a signatory, this contract would be void. If it could be proven that the second former director didn't sign this contract, but the first former director signed it, this contract wouldn't be binding for PPSN.

In December 2019, the Company sent a notice requesting BF Power to pay the remaining amount of JPY 4,200 million to the Company by 31 January 2020. If BF Power failed to pay the rest of the money, the Company would exercise their right to terminate the contract and confiscate the deposit of JPY 600 million. The Company confirmed that they would sell the power plants at JPY 320 million each and didn't accept the contract that BF Power made later to buy the four power plants at JPY 200 million each.

During January 2020, PPSN and LENA were notified by the electricity buyers of subsidiaries in the electricity generating group totaling four power plants that the electricity charges paid to the subsidiaries for the period of January 2020 onwards has been placed at the Oita Legal Affairs Bureau, which currently has money deposited in the amount of JPY 11,383,944 and JPY 16,599,528.

On 18 June 2020, PPSN received a letter from BF Power referring to the second contract dated 5 April 2019 by BF Power to cancel the purchase of two power plants owned by LENA, a subsidiary of the Company. On 17 July 2020, PPSN received "a summons to report on the date of the first verbal statement and a request letter for a response letter" from BF Power. It demanded that PPSN should pay BF Power JPY 40,540,542 plus 3% of accrued interest per year, starting from 2 May 2020 until the payment was completed, and the cost of litigation. However, "the summons to report on the date of the first verbal statement and a request letter for a response letter" required PPSN to submit the testimony on 27 August 2020.

On 6 August 2020, PPSN received two copies of an order for a temporary seizure of assets from the Tokyo District Court in Japan. The orders are summarised below.

1. According to order no. 1 for the temporary seizure of assets, the court ordered the temporary seizure of two of PPSN's plots of land where one power plant is located (power plant unit B). BF Power was required to place a guarantee of JPY 300,000. If PPSN could pay a security deposit of JPY 1,404,131, PPSN could request to suspend or withdraw the order.

2. According to order No. 2 on the temporary seizure of assets, the court ordered the temporary suspension of revenue from the sale of electricity generated by power plant unit B from 17 July 2020 to 16 July 2021. It also required BF Power to pay a guarantee of JPY 7.90 million. If PPSN could pay a security deposit of JPY 39,433,306, PPSN could request to suspend or withdraw the order.

In response, the Company assigned a lawyer to the case to file a petition to counter the two orders.

On 8 June 2021, an offset of debt and expenses of JPY 40.5 million was added with the next hearing date scheduled on 26 July 2021, which BF Power didn't file a counter argument as it was in the process of settlement negotiations. The next hearing date was scheduled on 20 January 2022.

During 2023 and 2024, the Company is still in the process of settlement negotiation with BF Power for the sale of a power plant of PPSN. However, the conditions and obligation of the mentioned purchase have been continuously presented in the next court hearings and still could not be finalised.

On 10 January 2024, The Company presented the conditions and obligation of the mentioned sale agreement to BF Power for consideration. BF Power proposed to change some conditions. The settlement agreement was signed by both parties on 29 February 2024. The subsidiary has transferred power plants to BF Power in the exchange of deposit amounting to JPY 400 million, equivalent to Baht 95.88 million, that received from BF Power on 11 April 2019. According to conditions in the agreement, the Company transferred power plant at total selling price of JPY 363.64 million, equivalent to Baht 87.16 million and net book value of JPY 185.11 million, equivalent to Baht 44.37 million. As a result, the Group recognised gain on disposals of the assets of JPY 178.53 million, equivalent to Baht 42.79 million in the consolidated statements of comprehensive income during the period. The electricity charges which the electricity buyers of subsidiaries placed at the Oita Legal Affairs Bureau belong to BF Power and LENA in the amount of JPY 11,383,944 and JPY 16,599,528, respectively. The subsidiary also complied with other conditions specified in the agreement already. Consequently, BF Power has withdrawn the lawsuit relating to the power plant sale contract with the subsidiary. As a result, the dispute between the subsidiary and the buyer in the geothermal power plant sale contract in Japan finalised.

#### **Summary of Shrimp Industry Situation in 1Q2024**

The worldwide shrimp market has not yet recuperated from the ongoing decline in shrimp prices after the outbreak. The accumulation of excess inventory is worsened by increasing production and transportation costs. Shrimp problems in various countries are as follows:

1. India, shrimp has been heavily accused of using child and female labor. Also, shrimp farms in India destroyed the environment, namely mangrove forests, and wastewater was released without any treatment.

2. China, shrimp faced the ASC (Aquaculture Stewardship Council) announcement to withdraw from China. China may not be in trouble since it doesn't export shrimp much, but it affects the image and it would not be exported. In addition, a translucent post-larvae disease was found in shrimp that was so severe that the shrimp were damaged and difficult to recover. Therefore, it may be necessary to import more shrimp from various countries.

3. Vietnam, shrimp encountered Translucent post-larvae Disease (TPD) that caused all the shrimp to die and made it difficult to revitalize production.

4. A large amount of residue that keeps shrimp fresh was found in Ecuador, causing China to ban imports. If this problem still cannot be solved, it would be more difficult to enter the American market.

5. The USA plans to collect a shrimp import fee at the rate of 18,000 baht per 2.3 tons and the fee at a progressive rate is collected. This would affect shrimp imports from all countries.

6. Indonesia is reaching other markets and the Indonesian government fully promotes shrimp exports.

7. Thailand continues to face the problem of continually falling shrimp prices as well as a slowdown in domestic consumption that is not as expected whereas more tourists were present during the first quarter.

### **Shrimp Industry Trends in 2Q2024**

1. In Q2, summer caused the water to be very hot during the daytime, leading to reduced growth and shrimp consumption.
2. The release of new shrimp is expected to decrease due to the falling price situation and no improvement has not yet been seen.
3. The domestic consumption market has slowed down.
4. There is an outbreak of White Fences Syndrome, leading to the shrimp not growing and dying.
5. Energy costs increase during the summer.

### **Summary of Fish Industry Situation in 1Q2024**

Nile tilapia in Q1/2024, since farmers increased the amount of tilapia stocking per pond during October of last year and used tilapia species from new sources that have a fast growth rate, this led to a short farming time and the overall amount of tilapia production increased.

Catfish in Q1/2024, The number of catfish decreased due to fewer farmers raising them. This is a result of 2 causes: 'drought' and 'expensive food'. The 'drought' problem is one of the key factors since most catfish must be raised in clay ponds, using a lot of water to fill the pond. During dry weather, water costs would increase. Farmers cannot bear the burden. Therefore, catfish farming decreased. Another factor is the relatively high 'price of food' used to raise them which is likely to continue to increase since catfish are carnivores, fed with ready-made pellet food or fresh food.

Sea bass is the expand as production from domestic aquaculture is to increase. As for the retail price, it is the remain stable due to positive factors in energy costs and inflation that remain high. Meanwhile, the wholesale price of sea bass is expected to decrease due to increased cumulative import volume and the amount of domestic produce entering the market in large quantities.

### **Fish Industry Trend in Q2/2024**

On the whole, the fish industry in Q2 faced the problem of high production costs with rising water temperatures during the summer. This caused the fish to eat less food, leading to a slower growth rate and increased fish fatality rates. Also, fish were imported from neighboring countries. Therefore, domestic prices continue to fall. Most farmers delayed fish breeding during the summer while some areas experienced drought and water was insufficient for fish farming.

### **Summary of Pet Industry Situation in 1Q2024**

The Thai pet market in 2024 to have a value of approximately 75 billion baht with an increase of 12.4% from 2023 due to the expansion of the raising model in the dimension that changes perspectives and general raising behavior to raise pets like children to the pets that have followers through social media. That drives up the cost of caring for pets significantly. Owners would have an average pet expense burden of 41,100 baht per pet per year. This is higher than free raising which costs around 7,745 baht per pet per year. The pet food and animal care services group benefited from such megatrends. As a result, the pet food market expanded to a value of nearly 44.6 billion baht, and the value of animal treatment was worth 6.64 billion baht in 2024. Another group is pet equipment and pet care services that will benefit. It is estimated that the value is 22.9 billion baht and 0.66 billion baht, respectively. The research results of the pet market in Thailand showed that cat product sales accounted for 63% of total pet product sales, with cat food, cat treats, cat litter, and cat toilets being the top-selling products across all pet categories since products for cats are more diverse and meet the needs of owners more than other pets. People who raise exotic animals such as fish, rabbits, and birds are continuing to grow. This can be seen from the fact that spending on exotic pet products grew more than 50%, while sales of cat and dog products grew 8% and 6%, respectively.

### **Pet Industry Trends in 2Q2024**

The pet industry market in Q2 is expected to continue to be stable since there are still orders from abroad continuously and the overall market still has a good growth rate. If classified according to the age of the owner, the Baby Boomer is the least pet-owning group of all age groups, Gen X has the highest proportion of fish and bird owners among all pets since it does not create much of a burden for the owner. They are pets that make the home lively and also help to enhance the auspicious based on belief. For the Gen Y generation, the highest proportion was cats out of all animals since they are an age group that lives a hectic life and likes to live in condos. Raising a cat is therefore the perfect choice for animal lovers in their productive years, while Gen Z owns dogs the most with the highest growth in spending from all age groups up to 46%.

Yours sincerely,

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