

13 August 2024

Subject : Management Discussion and Analysis for the operating results of the 2Q2024

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 2Q2024 as follows:

**Performance overview**

In the 2Q2024, PP Prime Public Company Limited (“the Company”) and its subsidiaries had total sales of Baht 191.07 million, comprising of aquatic feed business and pet food business was Baht 49.06 million and Baht 142.01 million, respectively, which accounted for 25.68% and 74.32% of total revenue from sales, respectively. Revenue from sales was decreased by 49.04 % compared to the previous year.

In the 2Q2024, the Company and its subsidiaries had a total net loss of Baht 49.09 million, increased 5.68% compared to the previous year. It is mainly caused by the loss from the exchange rate and the increase in employee compensation.

<b>PP Prime Public Company Limited and its subsidiary Statement of comprehensive income (Unit: Million Baht)</b>	<b>2Q2024</b>	<b>2Q2023</b>	<b>Change increase (decrease)</b>	<b>Percentage</b>
Revenue from sales	191.07	374.91	(183.84)	(49.04)
Other incomes	2.61	7.52	(4.91)	(65.29)
Profit (loss) on disposals of property, plant and equipment	0.01	(0.04)	0.05	125.00
Reversal of expected credit (loss)	6.17	(6.41)	12.58	196.26
<b>Total revenues</b>	<b>199.86</b>	<b>375.98</b>	<b>(176.12)</b>	<b>(46.84)</b>
Cost of sales	182.16	355.64	(173.48)	(48.78)
Selling and administrative expenses	43.82	62.53	(18.71)	(29.92)
Other loss, net	19.86	1.21	18.65	1,541.32
Finance costs	1.75	3.32	(1.57)	(47.29)
<b>Total expenses</b>	<b>247.59</b>	<b>422.70</b>	<b>(175.11)</b>	<b>(41.43)</b>
<b>Loss before income tax expenses</b>	<b>(47.73)</b>	<b>(46.72)</b>	<b>(1.01)</b>	<b>(2.16)</b>
Expenses (Incomes) tax expenses	1.36	(0.27)	1.63	603.70
<b>Loss for the period</b>	<b>(49.09)</b>	<b>(46.45)</b>	<b>(2.64)</b>	<b>(5.68)</b>

## **Explanation and analysis of financial status and operating results for 2Q2024**

### **1.1 Revenue**

#### **Aquatic business selling**

In 2Q2024, the Company gained revenue from the aquaculture feed business of Baht 49.06 million with decrease of 82.34%, 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 142.01 million with an increase of 46.13%, 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 2Q2024 was Baht 2.61 million with an decrease of Baht 4.91 million, compared to the previous year, accounting for 65.89%. In 2023, the company mostly received a risk insurance claim from an insurance company of Baht 3.83 million. Such transaction is not found in this year, causing a decrease in revenue.

### **1.3 Reversal of expected credit (loss)**

Reversal of expected credit (loss) in 2Q2024 were Baht 6.17 million, an increase of Baht 12.58 million or 196.26% compared to the previous year. It is caused by the reversal of the allowance for receivables from the payment in 2024.

### **1.4 Cost of Sales**

Most of the Company's cost of sales is generated from the cost of raw materials in the production. In 2Q2024, the Company had a total cost of sales of Baht 182.16 million, consisting of the cost of selling aquaculture feed of Baht 50.13 million and the cost of selling pet food of Baht 132.03 million with the decrease of 48.78%, compared to the previous year. This is in accordance with the decreased revenue from food.

### **1.5 Selling and administrative expenses**

Selling and management expenses in 2Q2024 were Baht 43.82 million with decrease of Baht 18.71 million or 29.92%, compared to the previous year. The company has a policy to control excessive costs and reduce the employees, leading to a decrease in sales and administrative expenses of approximately Baht 29 million. However, due to the employee decline, the company has to pay employee compensation, causing more expenses of approximately 10 million baht. Therefore, sales and administrative expenses decreased as described earlier.

### **1.6 Other loss, net**

Other loss, net in 2Q2024 was Baht 19.86 million with an increase of Baht 18.65 million or 1,541.32%, compared to the previous year. It is mostly caused by the Group's exchange rate loss in the second quarter.

### **1.7 Finance costs**

Financial cost in 2Q2024 was Baht 1.75 million with decrease of Baht 1.57 million or 47.29%, compared to the previous year. The reason for the decreased in finance costs was mainly from repayment of loans from financial institutions and payment of debentures due in 2Q2024.

### **1.8 Net Profit**

In 2Q2024, the Company and its subsidiaries experienced a net profit of Baht 49.09 million or a net profit of Baht 0.077 per share.

## **2. Financial status**

### **2.1 Asset**

As of 30 June 2024, the Company and its subsidiaries owned total assets of Baht 944.02 million with a decrease from 31 December 2023, of Baht 190.40 million or an decrease of 16.78%, mainly due to decrease in trade and other current receivables of Baht 126.40 million. It is due to the Company's receipt of payment for finish goods and the sale of power plants in Japan and decrease in property, plant and equipment of Baht 62.44 million from disposal on power plant in subsidiary company and depreciation.

### **2.2 Liabilities**

As of 30 June 2024, the Company and its subsidiaries owned total liabilities of Baht 425.56 million with a decrease from 31 December 2023, of Baht 170.49 million, or 28.60%. 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. This includes the payment of long-term loans from financial institutions by 63.73 million baht and the debentures due on 8 May 2024, by 33.99 million baht.

The ratio of debt to equity as of 30 June 2024, and 31 December 2023, was 0.82 times and 1.11 times, respectively.

### **2.3 Equity**

As of 30 June 2024, the Company and its subsidiaries held shareholders' equity of Baht 518.46 million with a decrease from 31 December 2023, of Baht 19.90 million or 3.70%. It is mostly due to the operation performance for the six-month period, which had a net loss of 37.58 million baht, but during the year, the right to convert debentures into common shares was exercised by 17.93 million baht, leading to a net decrease in shareholders' equity as described earlier.

## **Liquidity**

In 2Q2024, the Company and its subsidiaries owned a net cash flow generated from operating activities of Baht 50.81 million, cash flows generated from investing activities of Baht 2.61 million, cash flows used in financing activities of Baht 58.65 million, and the impact from exchange rates decreased by Baht 2.42 million. Therefore, the Company's cash and cash equivalents decreased by Baht 7.65 million. As of 30 June 2024, the Company and its subsidiaries held cash and cash equivalents at the end of Baht 5.48 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.

On 17 June 2024, the court requested PPSN Co., Ltd. and Aura Green Energy Co., Ltd. to submit additional documents relating to the payments and delivering of the power plant. The Court scheduled the next hearing on 7 August 2024.

On 7 August 2024, the court considered the additional submitted documents. Aura Green Energy Co., Ltd. withdrew the argument relating to the memorandum of understanding. The Court scheduled the next hearing on 12 September 2024. Also, the court designated the next hearing for witness examination on 10 October 2024.

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

Loan from Aulux Power Co., Ltd. amount of THB 0.23 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 58.53 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 2Q2024**

The shrimp price has been severely worse since the beginning of the year, especially shrimp of 60-100 unit per kilogram (kg), which are mostly the products of small farmers who have suffered the most in many years. The selling price is 30-50 baht/kg which is lower than the production cost without a sign of increase. Therefore, farmers did not dare to raise shrimp fry due to uncertainty about the price and lack of money.

Moreover, farmers are worried about Translucent Post-larvae Disease (TPD), which was first found in China before spreading. At present, TPD has caused severe damage to shrimp farming in Vietnam. It usually occurs in the PL4-PL7 stage, with a mortality rate of 90-100% within just 1 day after they show symptoms. Nevertheless, when antibiotics are used in the nursery, the severity is lessened, but the shrimp are still infected. When released into the pond, the shrimp become sick again and die within a few days or 1 month.

### **Shrimp Industry Trends in 3Q2024**

China has reduced shrimp imports from Ecuador, its largest shrimp exporter, and increased imports from Vietnam. Vietnam has to compete on price with its competitors. However, many buyers in China consider Vietnamese shrimp as higher quality than Ecuadorian and Indian shrimp and pay for higher prices.

Additionally, US shrimp industry experts reported that sales of fresh and frozen seafood in the US market are expected to stay steady in 2024 after facing significant difficulties in 2023 due to inflation and economic consumer spending. Compared to some of the major shrimp import countries of the US, such as India, Ecuador, and China, Vietnam shows more potential, especially when diplomatic relations between Vietnam and the US are developing pleasingly. Processed shrimp products account for 40 - 45 percent of the total shrimp export value per year. Vietnamese enterprises portrayed adequate processing skills. This is a competitive advantage for Vietnamese shrimp in the Japanese market. However, more efforts should be made since competition from other countries is still intense. Vietnamese shrimp export trend shows signs of recovery. Vietnam also has the advantage of entering into trade agreements with several major export partners with major export markets with high levels of free trade of goods at almost 100% . Vietnam would have an advantage in exporting compared to other countries that do not have such agreements. Apart from a competitive advantage in terms of raw material sourcing compared to other countries in shrimp exports, aquaculture farmers also need to cooperate with various business sectors to study the market and manage production appropriately to provide enough production to meet market demand so that Vietnam's aquatic animal exports can grow further in 2024.

The trend of processed shrimp consumption is growing in many markets. This is an opportunity for Thai products. Thailand has the potential to be a food producer using modern production technology with international quality standards to develop products that meet the needs of markets. Thai entrepreneurs retain high potential in various food processing technologies according to the market trend of increasing range of processed shrimp. Meanwhile, Vietnam still prioritizes exporting mostly chilled and frozen shrimp, Thai entrepreneurs can use Vietnam as a source of raw materials for further processing for export.

### **Summary of Pet Industry Situation in 2Q2024**

The Thai pet market in Q2/2024 has grown constantly from the increasing number of pets in households, especially in families and working-age people without children. Also, the awareness of pet health and nutrition is a major factor driving market growth, leading to a pet food growth rate of approximately 10-12% per year in Thailand.

### **Pet Industry Trends in 3Q2024**

The pet industry market in Q3 still holds domestic purchasing power and constant orders from abroad, and the overall market still has a promising growth rate. In addition, the pet food industry in Thailand has grown enormously in Q3/2024 due to the increase in pets and the shift to premium and specific pet foods. This includes the significance of people caring for their pets, leading to increased spending on premium and nutrient-packed pet foods.

Yours sincerely,

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