

**PP PRIME PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS
DECEMBER 31, 2019
AND INDEPENDENT AUDITOR'S REPORT**

Independent Auditor's Report

To the Shareholders of PP PRIME Public Company Limited

Qualified Opinion

I have audited the financial statements of PP PRIME Public Company Limited and its subsidiaries, which comprise the consolidated and separate statements of financial position and as at December 31, 2019, and the related consolidated and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects on the matter described in the Basis for Qualified Opinion on the Consolidated Financial Statements section of my report, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial position of PP PRIME Public Company Limited and its subsidiaries as at December 31, 2019, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Qualified Opinion

Refer to Note 11 on June 21, 2018, the subsidiary entered into a Memorandum of Understanding (MOU) with the first buyer in the sell agreement of 15 geothermal power plants in Japan at a price of Yen 320 million per plant, a total of Yen 4,800 million. with the subsidiary receiving a deposit of Yen 200 million and the remaining Yen 4,600 million. Buyers will pay within February 2019.

On February 21, 2019, the first buyer transferred the rights and obligations under the Memorandum of Understanding (MOU) to the second buyer. (which has common director with a subsidiary who sells the property) and extended for June 30, 2019.

On February 25, 2019, a subsidiary and the second buyer has entered into agreements, with an agreement that the second buyer will pay second deposit of Yen 400 million and transfer of 25 percent of the second buyer company to the subsidiary company by March 15, 2019 and the subsidiary company will transfer the ownership of four power plants (part of the 15 plants) to the second buyer within 15 days from receipt of payment.

On April 5, 2019, a subsidiary enters into sell agreement of four geothermal power plants (part of the 15 plants) that consisted of P-Power (2 locations) and Lena – 1 (2 locations) with second buyer value Yen 800 million. Buyer will pay Yen 400 million within 2 weeks after contract signing and Yen 400 million within 1 within 1 year after contract signing. With the addition memorandum that second buyer could terminate the sell agreement of four geothermal power plants if the contract is not approved by the Company board of directors. However, until present there is no approval resolution of the board of directors.

On April 11, 2019, the subsidiary received Yen 400 million from the second buyer. The subsidiary received toalling of Yen 600 million and recorded as other current liability.

On July 23, 2019, the subsidiary received an order from the second buyer to transfer Yen 16.96 million (approximately THB 4.75 million) to two companies which are creditors of second buyer. A subsidiary paid according to the order and recorded as other current asset.

According to the minute of board of director meeting No. 22/2019 on December 23, 2019, the company requested the second buyer pay the remaining amount of Yen 4,200 million to the subsidiary within January 31, 2020, informed second buyer that if they do not pay, the company will terminate the sell agreement and forfeit the deposit of Yen 600 million, and to seek new investor, to improve production effectiveness, and acknowledged the unpermitted contract approval of a subsidiary in Japan. A Japanese legal advisor suggested the company that by Japanese law it has to prove the true intention of the contract approval. If it did not present a true intention, this contract becomes invalid. If the company could prove that the first director approved the contract instead of second director, this contract is not binding the subsidiary.

On December 25, 2019 the company issued notice to the second buyer to pay the remaining balance, and confirmed the sell value of Yen 320 million per each geothermal power plant, and rejected proposal from second buyer to purchase four geothermal power plant at Yen 200 million per plant. The notice requested the second buyer to pay the remaining balance of the Memorandum of Understanding (MOU) dated June 21, 2018 of Yen 4,200 million within January 31, 2020 otherwise the company will terminate to sell agreement and forfeit the deposit.

According to the minute of board of director meeting No. 1/2020 on February 5, 2020, the company acknowledged the progress of sell agreement of 15 geothermal power plants, at present the second buyer did not pay the remaining balance to the company, therefore the management will consult with legal council to forfeit the deposit of Yen 600 million.

On February 24, 2020 we acknowledged report of auditor of the subsidiary, the auditor report presented disclaimer of opinion to the subsidiary financial statements as at December 31, 2019 due to could not obtain sufficient appropriate audit evidence to the asset transfer agreement dated April 5, 2019. The consequence of the asset transfer agreement of geothermal power plants in Japan is uncertainty and not finalized, and due to the auditor of the subsidiary in Japan could not obtain sufficient appropriate audit evidence of the asset transfer agreement as presented above. Therefore we could not propose any audit adjustment that needs to adjust due to the consequence of the agreement that has impact to the financial statements, referred to as a limitation by circumstance.

Material Uncertainty Related to Going Concern

I draw attention to Note 1.2 of the consolidated financial statements relating to the going concern of the Group. The consolidated statements of financial position. As at December 31, 2019, the group has current liabilities exceeds current assets amounting to Baht 1,257.20 million (the company Baht 1,557.37 million), and the group of the company had continuous operating loss. In addition, as at December 31, 2019 the group of company had debt to equity ratio of 5.27 which is higher than stated in the loan covenant of the loan agreement. Thus the group of company has to request the waiver from creditors, if the creditors did not approve the group of company has to seeking for fund to repay loan as said. Situation and circumstance and note number 1.2 indicated the material uncertainty exists that may cast significant doubt on the Group of company ability to continue as a going concern. Hereby, my opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matters	Audit procedures respond risk
<p>Compliance with covenants stipulated in loan/debenture agreements</p> <p>As at 31 December 2019, the Group had loans from financial institutions and debentures totaling Baht 1,248 million (63 percent of total liabilities) (Separate financial statements: Baht 1,248 million (64 percent of total liabilities)), which are significant accounts. Under the loan/debenture agreements, the Group is required to comply with certain covenants, as discussed in Note 26 to the financial statements. If the Group is unable to comply with those covenants, it may result in the loans and debentures being called by the lenders/debenture holders, and the reclassification of the liabilities from non-current liabilities to current liabilities, impacting the going concern of the Group.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> - I read the loan/debenture agreements and gained an understanding of and assessed the process by which compliance with the covenants specified in the contracts is monitored by management. - I also examined documentation related to compliance with both the non-financial and financial covenants, including testing the financial ratio calculations to assess whether they complied with the covenants in the loan/debenture agreements. - I reviewed the disclosure of information on conditions of loan/debenture agreements in the notes to the financial statements.

Key Audit Matters	Audit procedures respond risk
<p>Impairment of power plant in Japan, goodwill and loan to related companies</p> <p>As of 31 December 2019, the Group has investments in geothermal power plants projects in Japan, with carrying amounts totaling Baht 564.84 million, after deducting impairment provision of Baht 385.97 million (Note 11).</p> <p>The group of company has goodwill from business combination of THB 6.42 million, net of impairment provision of THB 274.15 million (Note 22)</p> <p>In addition, the Company has loans to related companies amounting to Baht 63.23 million after deducting impairment provision of Baht 89.78 million (The separate financial statement of THB 347.03 million, net of impairment provision of THB 317.57 million) presented in the separate financial statements. The loans to subsidiaries are for investment in the power plants project in Japan. (Note 6.2)</p> <p>These transactions are significant to the consolidated and separate financial statements. I have focused my audit on the consideration of the impairment of goodwill, the geothermal power plants project in Japan and loans to related companies (subsidiaries) because the assessment of impairment based on the estimated recoverable amount is a significant accounting estimate requiring management to exercise a high degree of judgment in identifying the cash generating units, estimating the cash inflows that are expected to be generated from that group of assets in the future, and setting an appropriate discount rate. There is thus a risk with respect to the amount of impairment loss on goodwill from business combination, the geothermal power plants project and loans to related companies.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> - I assessed the identification of cash generating units and the financial models selected by management by gaining an understanding of management’s decision-making process and assessing whether the decisions made were consistent with how assets are utilised. - I tested the significant assumptions applied by management in preparing estimates of the cash flows expected to be realised from all power plant projects, by checking those assumptions to information from various sources. - Comparing cash flow projections to actual operating results in order to evaluate the exercise of management judgment in preparing the cash flow projections. - I also evaluated the discount rate applied by management through analysis of the moving average finance costs of the industry. I tested the calculation of the realisable value of the projects. - reviewed the disclosures made with respect to the impairment assessment for goodwill and unallocated costs of business acquisition and loans to related companies.

Key Audit Matters	Audit procedures respond risk
<p>Allowance for doubtful accounts</p> <p>The adequacy of allowance for doubtful accounts is one of key matters that the management is required to make significant judgement in determining the recoverable amount of trade accounts receivable, which is an inherently uncertainty involving various factors including the current status of receivable, the payment histories, liquidity, expected ability of debtors' payment.</p> <p>Also, as at 31 December 2019, the Company had trade accounts receivable amounted to Baht 285 million and allowance for doubtful accounts amounted to Baht 97 million (net amount was 12 percent of total assets) of the Group.</p> <p>Therefore, I pay particular attention to the adequacy of allowance for doubtful accounts of trade accounts receivable. Accounting policies and details of trade accounts receivable and allowance for doubtful accounts were disclosed in Notes 4 and 9 to the financial statements, respectively.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> • Understand the process of accounting records, contracting, follow-up debt, collection of debt, and the basis of estimate of allowance for doubtful accounts to perform substantive procedures; • Perform substantive testing as follows: <ul style="list-style-type: none"> - Send the confirmation requests to trade accounts receivable at the end of year; - Verify the analytical overdue receivable aging report and corroborated on whether these items were classified in the appropriated arrear bracket, and recalculated allowance for doubtful accounts; - Verify the subsequent collection from receivables after the reporting period; - Review the financial position and performance of the major customer to be long-term overdue in debtor file, the latest financial information and other information to be necessary in order to consider the debtors' ability to make payment; - Review the adequacy of disclosures in note to the financial statements.

Emphasis of Matter

I draw attention to Note 11 on February 21, 2019, the first buyer. Transferred the rights and obligations under the Memorandum of Understanding (MOU) in the sale of 15 geothermal power plants in Japan to the second buyer (which has common director with a subsidiary who sells the property) And extended to 30 June 2019.

I draw attention to Note 4.21 describing the effect of the change in accounting policies of Land revaluation which are measured at revalued amount. My opinion is not modified in respect of these matters.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards from the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Jadesada Hungsapruerk

(Mr. Jadesada Hungsapruerk)

Certified Public Accountant

Registration No. 3759

Karin Audit Company Limited

Bangkok, Thailand

March 30, 2019