

## Policy and Business Outlook

**Vision** : To be the leader in packaging business with the quality and professional service.

**Mission** : We are committed to improving the quality of products and service to serve the customers' needs and ensure their satisfaction with advanced technology and continuously trained employees. We also consider the benefits the society and communities will gain as well as environmental friendliness.

**Sustainability Strategic** : Company and Social that all stakeholders will get positive impact by company performance

## Business Goal

The Company sets the goal to be the leader in manufacturing and distributing business of PET packaging. It aims to manufacture the high-quality, clean and safe products that meet the customers' requirements, leading to the consumers' better quality of life. Furthermore, the Company can deliver the products to the customers on time to ensure their smooth operation. It also focuses on good service by recommending the customers on how to select the proper products for their production process and improve the key production processes to ensure the maximum effectiveness of the drink or sauce filling line.

Also aiming to create long-term and sustainable growth and prosperity for the shareholders, the Company uses over 20 years of experience in PET bottle manufacturing and distribution to maximize the effectiveness of production line, reduce the production costs, and develop the Polyethylene Terephthalate (PET) packaging to serve the customers' needs. It is also the Company's policy to conduct the business with transparency and good governance to ensure the fairness and promote equality among all shareholders. With the corporate social responsibility, it is strongly committed to the communities, consumers and environment.

## The Operational Policy of the Company, Subsidiaries and Affiliates

The Company has neither subsidiary nor affiliate for the investment policy related to its business to enhance its long-term competitiveness. To manage the subsidiaries or affiliates, the Company will appoint the representatives to join those companies' committee in a proper proportion and supervise their operation to ensure the proper direction and maximum benefits of the Company.



Moreover, the investment request must comply with the notice of Capital Market Supervisory Board and the Securities and Exchange Commission, including the related laws, rules and regulations.

## Industry Outlook and Competition

### Key Policies and Nature of Market

#### Competition Strategy

The Company manufactures and distributes high-quality PET packaging for drinking water, juice, vegetable oil, and seasoning sauce based on the customers' requirements. Its product and service quality was widely accepted. Throughout these years, the Company has focused on the manufacturing process, starting from designing the product shapes, finding raw materials, controlling the manufacturing process, monitoring the quality and completion of the items, and punctually delivering the products to ensure that the products meet the customers' needs. In the competition, the Company applies the following strategies:

#### (1) Product Quality

The Company pays attention to the product quality control to ensure that the product specifications match the customers' needs. PET packaging must be clean and safe and does not react with food. The size and capacity must be consistent and meets the requirements to help the customers' bottling process run smoothly. Focusing on product design and high-quality raw materials that meet customers' needs, the Company selects new grade-A plastic resin and will never consider the recycled ones in lower quality. It also supervises and controls each and every manufacturing process as well as the quality of finished products. The quality review of finished products is divided into in two levels: 1) in-process monitoring and control 2) final monitoring and control before the product delivery. This is to ensure that the specifications of delivered products meet the customers' requirements.

Throughout these years, the Company's PET packaging is produced in high-quality process with advanced technology from Japan to be safe for consumers and meet their needs. The manufacturing process is certified with ISO 9001:2015, Recommended International Code of Practice – General Principles of Food Hygiene CAR/RCP, GMP and HACCP by Intertek Certification Ltd.

In addition, the Company collaborates with the customers in designing the packaging to truly serve their usage purpose. It also develops a wide variety of products by creating new mold patterns as new options for the customers.



## (2) Punctual Product Delivery

The Company focuses on the product control and punctual delivery to gain the customers' confidence. Furthermore, it manages the inventory of ready-made products for the regular customers so that the products will be promptly delivered when these customers place an order.



## (3) Stable Manufacturing Process

The Company can manufacture the products that meet the customers' needs in the specific quantity and timeline thanks to the stable manufacturing process. The Company's manufacturing facility is designed as if there are two separate factories. Each has separate public utility system, such as electricity, air pump, water pump and cooling system. If the production problem occurs at any side of factory, the other can continue working to serve the customers. Moreover, as of December 31, 2017, the Company has 35 production lines, which has the capacity with 61.5 million bottles and 20 million pieces preform per month, each of which can interchangeably produce the PET packaging. In case of the machine damage in any line, other lines can substitute for it.



## (4) Improved Production Process to Enhance the Effective Cost Management

Throughout these years, the Company has improved the production process and cost management to enhance the competitiveness and attract the customers to purchase its products. With Cost Plus Pricing used in the industry, the Company can reduce the cost and increase the customers' competitiveness.



As the example of production process, the Company installed the automatic labeling and packing machines of PET packaging, which saves labor cost, reduces the production period, and enhances the items' efficiency.

#### (5) Production Cost Efficiency from Using the Machines of a Single Supplier

The Company currently manufactures PET packaging with the machine ordered from a Japanese manufacturer only, which helps it reduce the cost of parts and machine management. It can reduce the storage of parts because the machines can use parts interchangeably. Furthermore, it is easier to control the manufacturing and maintain the machines.

#### (6) Expert Engineer Team

Valuing the development of production engineer team, The Company sent them to attend the training in the machine factory in Japan. As a result, the current team can efficiently operate and repair the machine, without any help from outsiders. This helps the Company control the production cost very well.



#### (7) Responsibilities and Good Customer Relations

- Ability to increase the production capacity to serve the customers' needs: In some cases, the customers may suddenly need more products in a certain period. The Company can adjust the production line and increase the capacity to suit their needs in a short term.
- Maintaining the long-term customer relations: The Company has developed good relations with customers by properly formulating the sales promotion policy and always supporting the customers' activities. Moreover, it focuses on serving their needs by having enough products available for them and collaborating with them in packaging development to meet their needs. Furthermore, the Company's engineer team is involved in the customers' packing process at their factories.
- Keeping the customers' confidential information: Valuing the customers' confidentiality, the Company makes sure that the technical information related to the products it was hired to produce or other confidential information of the customers, including other information that affects their competitiveness and business conduct, will not be disclosed to outsiders or exploited for personal interest.



### Customer Character and Target Segments

Most customers of Prodigy own well-known brands in each industry as well as general consumers who want high-quality PET packaging that meet the standard. Below are the customer segments:

No.	Customer Segment	Current Customer Character
1	PET juice packaging	The medium and large juice manufacturers in Bangkok and vicinity, without their own bottle-blowing machine.
2	PET drinking water packaging	The medium and large drinking water manufacturers in Bangkok and vicinity, without their own bottle-blowing machine. This segment is hired to produce bottled drinking water for modern trade, hospitals, commercial banks and large restaurants.
3	PET vegetable oil packaging	The large vegetable oil manufacturers, such as Thai Vegetable Oil PCL., which produces A-Ngoon vegetable oil, and Thai Edible Oil Co., Ltd., which produces King rice bran oil
4	PET seasoning sauce packaging	The medium seasoning sauce manufacturers, such as fish sauce, soy sauce, vinegar and lime juice, in Bangkok and vicinity, without their own bottle-blowing machine.
5	Preform	The large to small PET bottle manufacturers that own blowing machine in their line.

The Company's target groups are located in Bangkok and vicinity, near the location of its manufacturing facilities. In case of long-distance transportation, the PET packaging may be damaged or deformed, which will affect the customers' production process.

## Distribution Channels

Currently, the Company sells all products to domestic customers via several distribution channels as below to approach the target customers:

- 1) Distribution via the marketing team: The experienced, knowledgeable and capable marketing team with customer insight directly contacts the customers by visiting them and presenting the products, with the details that meets their needs.  
From this, the team will also learn their recent needs. Sometimes, they coordinate with several departments to present the information that suit each individual customer's requirements.
- 2) Direct contact by customers: Sometimes, the customers directly contact the Company and order the products because they were referred by the existing customers. The Company also promotes the products via website, <http://www.prodigy.co.th>, and uses its trucks as the movable media. Including social network such as Facebook and Line for enables communication even more comfortable.



Throughout these years, Prodigy has delivered the products to the customers in Bangkok and vicinity for free of charge if their order meets the minimum requirement. For the customers in provincial areas, the Company charges for delivery service at actual cost.

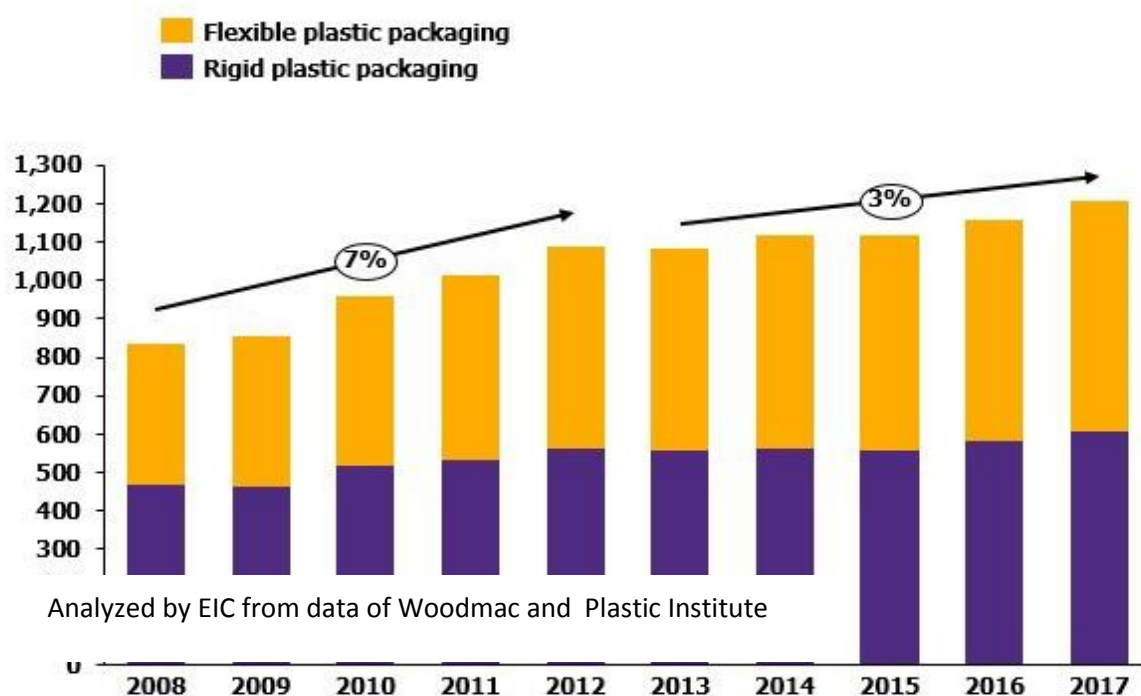
## Certificates and International Standard

The Company aims to improve the efficiency of manufacturing and management to become the widely accepted factory that meets the standard. It received the certificates of international standard as below:



## Plastic Industry Outlook and Competition

Under environmental conservation, reducing plastic waste campaigns could not decrease the usage of plastic packaging but only slow down the growth rate from 7% during 2008 – 2012 to 3% during 2013 – 2017. There are approximately 3,000 processed plastic manufacturers in Thailand. Moreover, the petrochemical industry has capacity in 2017 about 32 million tons or ranking the 1<sup>st</sup> of ASEAN and 16<sup>th</sup> of the world. This information indicates the necessary of plastic packaging for food and beverage, especially PET packaging. Which is enough safe to contain food and beverage. Because of the clarity and prevention of gas leakage, PET packaging could help to preserve the food. The property of durability makes PET packaging suitable for the transportation, storage and usage. Moreover, PET packaging is a type of plastic which could be reused and recycled so it is more eco-friendly than other types of packaging.



ที่มา: การวิเคราะห์โดย EIC จากข้อมูลของ Woodmac, สถาบันพลาสติก

Food and beverage plastic packaging is still able to meet the needs of consumers. Due to the current living lifestyle, which is in rush and requires comfortability, consumers tend to use plastic packaging rather than other materials, such as glass, to contain food and beverage. Nowadays, packaging business pays more attention to the study of consumer behavior in order to develop the package which could satisfy the consumers' needs in terms of sustainable and smart packaging. Those could meet the consumers' various lifestyles, which are the key factor to develop the good products.

The plastic packaging manufacturers have not only focused in marketing but also environmental matter such as Carbon Footprint, which is the calculation of carbon-dioxide emission during all production processes. This aspect will be the important trend for packaging industry in the future.

Plastic packaging industry in Thailand is very important to Thailand economy because plastic packaging is considered as the necessarily products for domestic consumption and also exported products, which tend to grow with the same direction of Thailand economy. The plastic packaging business could be categorized by production processes and types of plastic products into 13 categories as follows:

No.	Manufacturing Process	Product Category	Raw Materials (Type of Plastic resin)
1	Blow Molding	Motor oil bottles/shampoo bottles	PP, PE, PET, HDPE
2	Stretch Blow Molding	PET packaging	PET, PP, HDPE
3	Injection Molding	Automotive parts, electronic parts (IC), electric appliances and shelves	Thermoplastic (PP, PE, HDPE, ABS, PS, PC)
4	Blown Film Extrusion	Plastic bags	HDPE, LDPE, LLDPE
5	Film Extrusion	Film (plastic film and adhesive tape)	PP, PE, LDPE, HDPE
6	Sheet Extrusion	Plastic sheets and folders	PP, PE, PS, PMMA
7	Pipe/Tube Extrusion	Pipes, drainpipes and PVC/PE	PVC, PE, PP
8	Profile Extrusion	Rain gutters, window edge cover, wire ways and window frames	PVD Rigid, HDPE
9	Rotational Molding	Water tanks, garbage bins and containers	PVC, PP, HDPE
10	Thermoforming	Food trays and cups	PS, PE, PP, PET
11	Laminating	Snack bags and multi-layer bags	PE, PP
12	Tape Yarn/Filament	Plastic sacks, fertilizer bags and jumbo bags	PP, HDPE, PA6, PA66, PET
13	Compressed Molding	Melamine tableware	Melamine
14	Other (Calendering, etc.)	Other plastic products	Others

Source of information: Department of Alternative Energy Development and Efficiency, Ministry of Energy

Since PET plastic industry mainly depends on domestic market, the shortage demand situation in Thailand 2018 made a direct impact to the industry. So, the year 2018 was another year which the PET plastic industry grew at the decreased rate. Therefore, the supply of PET packaging is over the demand.

Due to the anti-dumping policy on Chinese PET Resin in Japan, Japanese plastic manufacturers chose to purchase PET Resin from Thailand instead. As a result that the PET Resin producers in Thailand intended to focus in exporting rather than domestic market, the plastic packaging manufacturers in Thailand need to import their raw materials from abroad. In addition, the prices of raw materials are much fluctuated owing to the fluctuation of world crude oil price. Early of 2018, PET Resin price has been very high, which directly affected the company's cost and profit. However, the company has price adjustment referred to the real costs and good stock management of PET Resin, which is our main raw material.

### **Key Factors that Impact the Plastic Industry**

#### **Domestic Drinks Market**

In the first quarter of 2018, Thailand economy was in the recovery period. However, the recovery was only concentrated in the large enterprises, especially exporting and tourism sectors, which are the main drivers of Thailand economy. Besides, in the second half of 2018, the economic situation gradually grew because of many negative factors such as Trade War between USA and China, rising of Thai Baht, global economic fluctuation, tax increases and weaken price of agricultural products.

The purchasing power of consumer was low as a result of economic problem and weaken price of agricultural products. People carefully spent their money because the household debt problem and high oil prices reduced the consumer confidence.

The low purchasing power pressurized most businesses in Thailand, especially beverage sector, since the consumers could reduce their needs of it compared to other household expenses such as utility expenses and other household goods.

The domestic beverage industry, both alcoholic and non-alcoholic drinks, in 2018, is very competitive. The growth is limited or considered as decreases when is compared to the same period of last year. However, following factors could promote the beverage market.

1. On account of high competition in non-alcoholic drink sector, many marketing campaigns have been launch to reach their target group, who likely to drink water contained in bottles. These could make the repetition to purchase drinking-water bottles.

2. High temperature in Thailand makes many beverages such as drinking water, soda, fruit juices, ready-to-drink tea and electrolyte drinks to gain the benefits from the high frequency to consume.
3. The expansion of urban society and increase of income per capita have increased the needed quantity of packaging especially plastic packaging for food and beverage.
4. The expansion of smaller household due to an increase in single and married without child couples that lead to an increase in demand for individual packaging products that are suitable for household consumption and for travelling.



The drinking water market in Thailand is important to Thailand economy because of the change of current consumer behaviors, which require the comfortable and instant. This trend has a positive effect to the drinking water bottle market to be popularized which could be proofed by many selling channels across the country.

According to the research, PET bottles are accounted for 90% of the drinking-water bottle market. Moreover, the drinking-water bottle market grows at 10% last year, which means there are still opportunities for the PET bottle manufacturers in Thailand.



Resource: <http://marketeer.co.th>

### The Industry Outlook of Cooking Oil and Fat in Thailand

Cooking oil and fat is necessary for the domestic consumption, both in household and restaurants. Currently, many brands of cooking oil and fat serve various needs of customers via convenient distribution channels. Moreover, the consumers today become more health conscience. These factors therefore promote the continued growth in the market of cooking oil and fat.



vegetable oil.

The consumption of cooking oil and fat increased thanks to the consumers' growing health consciousness nowadays. Consuming less animal fat to keep the cholesterol level down, they turn to more vegetable oil, which benefits the vegetable oil market. Currently, the consumers plan their expense for vegetable oil to prevent the disadvantage from animal oil consumption and oil reuse. This shows the future growth of

### Product and Service Provision

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The Company's manufacturing facility is located in Bangkrabao sub-district, Nakornchaisri district, Nakornpathom province. The property of 17-rai and 93 sq. wa consists of the office, warehouse and production line with key machines, namely injection machine and blowing machine. The manufacturing facility was designed like two adjacent factories with separate electric system. If any problems occur in the production line of one factory, the other can still continue. Below is the Company's maximum production capacity from 2016 to 2018.

	2016	2017	2018
Maximum production capacity (million plastic bottles per month)	60.00	61.50	61.50
Maximum production capacity (million preform per month)	-	-	20.00
Ratio of average machine usage (%)	59	55.6	40.52

*Remark: The Company operates in three shifts, eight hours per shift, and 26 working days per month.*

## Raw Material

The Company's main raw material is PET resin purchased from the domestic manufacturers, such as Indo Rama Polymers PCL., Thai-MC Co., Ltd. and Mitsui and Company (Thailand) Co., Ltd. During the past more than 10 years, the Company never faced the problem of raw material shortage.



## Customer Contact (in case that the customers need the available standard PET packaging)

1. The Company submits the samples of each PET bottle and proposes the quotation for the customers' consideration.
2. The Company discusses with the customers to agree upon the details of prices and conditions.
3. If the customers agree on the products and conditions, the Company will start manufacturing for commercial purpose and deliver the products as ordered.

## Customer Contact (in case that the customers need the specific PET packaging)

1. The Company submits the details and past performance for the customers' consideration.
2. The Company allows the commercial site visit to assure the customers that its operating and manufacturing system meets the acceptable standard.
3. Technical evaluation is conducted to assess the Company's potential, capacity and quality in manufacturing the specific parts to meet the requirements.
4. The customers send the details of work, including the material types, shapes, dimensions and quantity, to the Company so that it can study the details, prepare the quotation, provide samples, and plan the production.
5. The Company studies the information and conducts cost analysis to propose the quotation to the customers.
6. The Company discusses with the customers to agree upon the details, price and conditions.
7. When the customers agree with the price, the Company will make the final sample and propose the production plan.
8. The customers review the accuracy of proposed samples and production plan.
9. If the customers agree with the samples and production plan, the Company will start manufacturing for commercial purpose and deliver the items as planned.

## Risk Factors

### Operational Risks

#### 1. Fluctuating Price of PET Resin

In 2018, crude oil prices on world markets have fluctuated greatly. Impacting resin prices, especially plastic PET (Pet Resin), a key raw material in the production of packaging, PET bottles, as is the continued refining of crude oil and natural gas, the price of raw materials such movements in a manner consistent with the price of oil and natural gas prices in the world market. However, although the company will purchase nearly all of these manufacturers in the baht currency. However, raw material prices are likely to move in the same direction woven material prices on the world market with trade dollars. With the fluctuations that vary according to market conditions and other factors. Due to the continued upward trend of PET resin price since the first year 2018.

So if the price of raw materials rose rapidly to death is likely to affect margins and financial position of the company. However, the company will negotiate rising price with customers as the cost of plastic resin that changes to the company to inform the rising price each time. The company consider to changing prices in raw material prices and commercial conditions of each customer, they will tolerate.

Although changes in the prices of key raw materials such are beyond the Company's control. But the company was monitoring the situation of raw material prices in the global market closely. By providing a special team to track and analyze trends in raw material prices, raw material prices during the period. Including the assessment of the need for raw materials during the period. To allow companies to manage the procurement of raw material efficiency.

#### 2. Substandard Product Quality

The Company manufactures and distributes PET packaging that contains drink and other seasoning sauce. In the production process, the cleanliness must be taken into consideration and the packaging must not react with the products inside. Furthermore, it must consider the consumers' safety as top priority. If PET packaging does not meet the standard, is not clean, reacts with the products inside, or harms the consumers, the Company may face the lawsuit for a significant amount of damage. To use the Company's PET packaging in filling process, the bottle shape, size and volume matter. If the Company's products do not meet the requirements, the customers may not be able to use them in the automatic filling line and the Company is obligated to replace the products. This will affect the Company's performance and financial status.

However, the Company considers the quality as the key manufacturing factor, starting from selecting raw materials, using advanced and precise machine, and having the comprehensive process of quality review. Since its products are mostly related to food and beverage, the Company values the safe manufacturing control that

meets the international standard. It therefore produces the items in compliance with the standard of GMP, HACCP and ISO 9001:2015 by Intertek Certification Ltd., which are the respectable manufacturing criteria. It also manages the basic environment of production process, such as controlling personal hygiene, controlling pests and animal vectors, and designing the factory structure as well as machinery and manufacturing equipment, which puts more focus on preventive than corrective measure. Moreover, it serves as the basic system of food safety. Throughout these years, the Company never had serious issues about the product quality.

### **3. Competition in the Manufacturing and Distributing Business of PET Packaging**

The consumer behavior tends to keep changing and it is not difficult to enter the manufacturing and distributing business of PET packaging because the raw materials are easy to buy and the manufacturing machines can be found anywhere. Therefore, the Company has several competitors in the market, which may lead to fiercer competition. In addition, the existing customers may consider producing PET packaging by themselves, which will pose the negative impact on the Company's performance and financial status.

Despite numerous competitors in the market, the Company has many major customers who regularly order its products. They are in the manufacturing and distributing business of bottled drinking water, juice, vegetable oil and seasoning sauce, which requires the containers whose quality meet the standard and requirements. The packaging must also focus on the cleanliness and safety. Currently, the Company enhances its competitiveness by increasing the production quality, properly controlling the production cost, focusing on the punctual product delivery, and paying attention to customer service. As the strength, the Company can design, make, and maintain the molds of PET packaging in the factory, which provides flexibility to serve the customers' needs in the designing and mold-making process. Furthermore, it has the expert internal engineer team that was trained by the foreign machine manufacturers. More importantly, the Company has high production capacity, leading to economy of scale that prevents the customers from producing PET packaging by themselves if the production amount is not high enough.

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### **4. Over-Dependence on Large Customers and Customer Concentration Risk**

Currently, the Company manufactures and distributes PET packaging for the industry of bottled drinking water, juice, vegetable oil, and seasoning sauce. which came from the related parties, namely Thai Vegetable Oil PCL. and Thai Edible Oil Co., Ltd. Normally, the Company does not make the long-term purchase agreement with the customers. Therefore, losing those large customers may affect the Company's performance and financial status.

Nevertheless, the Company focuses on the product quality, sets the competitive price, and always delivers the products on time, which lays the foundation of good customer relations. Thai Vegetable Oil PCL. has been ordering Prodigy products since the Company's establishment. Moreover, Thai Vegetable Oil PCL. is its major shareholder, with 31.85% share as of August 24, 2017. Throughout these years, the Company has tried to reduce

the risk from being overly dependent on a single customer by diversifying the source of income and increasing the income ratio in other groups.

#### 5. Change in Government Policy

Nowadays, the environmental factor is highly valued by the public and private organizations worldwide. In some countries, packaging is taxed to reduce the usage of non-environmentally friendly and hard-to-reuse packaging. The levels of taxation vary depending on the materials used, such as glass, can, plastic and paper. The countries enforcing the taxation include Germany, Ireland and the United Kingdom. If Thailand uses this law, it may affect the Company on higher cost, selling prices and competitiveness. However, the country has not enforced this law.

#### 6. Investment in the Company's Future Projects

The Company's project for investment injection preform machine and blowing machine that increase the production line for supporting the customer's needs. The success of future projects depends on various factors, including the consumers' needs, cost and source of fund, risk of related law and regulations and domestic and global technological, political and economic change. These factors may impact the Company's performance and financial status.

#### 7. Risk from the trend of reduce using plastic in Domestic and abroad

Currently, the trend reduce using plastic for reducing the volume of plastic waste that get feedback by both the public and private sectors in Domestic , so the some producers have adapted packaging which supported 4R trend (reuse, reduce, recycle and replace). The several all of government and private sector have set this campaign, it's determined measure for seriously abidance such as the hospitals in the Department of Medical Service Ministry of Public Health that they have stopped using a plastic bag for storing medicines in every unit and promote the campaign that the patients should bring a cloth bag for storing medicines or the large producer of soft drink announced using the recycle packaging for products.

But limited for operation especially, in Thailand, the using recycle plastic (rPET) packaging contain food and beverage, Notification of the Public Health ( No.295) No.8 It's prohibited to use plastic container made from re-used plastic exempt using for packaging fruits with peel. That's limited and unclearly for operating. Thus, plastic packaging producers haven't lacked of confidence form the government.

## Nature of Business

### *Business Outlook*

The Company manufactures and distributes PET packaging to the customers, who will take care of the filling process themselves. The Company can produce several shapes and sizes of bottles, ranging from 60 to 6,000 ml., based on customers' needs. The standard and specific shapes can be produced for each individual customer. The PET packaging can be divided into four categories, namely juice, vegetable oil, drinking water and seasoning sauces. Below are details of each category:

- 1) **PET juice packaging:** The Company manufactures and distributes PET juice packaging, with the size ranging from 200 to 1,000 ml. (weight from 13 to 56 g.).
- 2) **PET vegetable oil packaging:** The Company manufactures and distributes PET vegetable oil packaging, with the size ranging from 250 to 5,000 ml. (weight from 15 to 110 g.), to the manufacturer and distributor of vegetable oil. Its key customer is Thai Vegetable Oil PCL., under the trade mark of "A-Ngoon", and Thai Edible Oil Co., Ltd., under the trademark of "King".
- 3) **PET drinking water packaging:** The Company manufactures and distributes PET drinking water packaging, with the size ranging from 350 to 6,000 ml. (weight from 13 to 110 g.).
- 4) **PET seasoning sauce packaging:** The Company manufactures and distributes PET seasoning sauce packaging, with the size ranging from 60 to 2,000 ml. (weight from 6 to 67 g.).
- 5) **Preform group** for the customers to blow bottle themselves

The company produce and distribute preform to the customers who blow bottle themselves or their blowing machine. At present, there are 2 size for preform as 13.5 g and 31 g. The company launched them in second quarter of 2018. The company has emphasized the expansion the customers' base in the out of town especially drinking water group that have been continuous growth.

The production process of PET packaging was in high standard, with advanced Japanese technology. Safe for the consumers and meets their needs, this process is certified with ISO 9001: 2015, Recommended International Code of Practice-General Principles of Food Hygiene CAR/RCP and GMP food safety management system and HACCP by Intertek Certification Ltd. The Company always pays attention to the quality control to make sure that the delivered products have high-quality; therefore, it has the quality assurance policy. Currently, its manufacturing facility is located in Bangkrabao sub-district, Nakornchaisri district, Nakornpathom province. On the property of 17 rai and 93 sq. wa, the facility has the production capacity of 61.5 million plastic bottles per month. In 2018, the

Company had the average production capacity at 61.5 million pieces per month and preform 20 million pieces per month.

The Company mainly distributes PET packaging to the key target groups in Thailand. It directly sells the products to the manufacturers and distributors of bottled drinking water, juice, vegetable oil, seasoning sauce and preform. In order that, the Company also provides the product delivery service for the customers in Bangkok and vicinity and expansion to other provinces especially, preform launched in the second quarter 2018. The company free of charge if their order meets the minimum requirement. For the customers in provincial areas, it charges for delivery service at actual cost

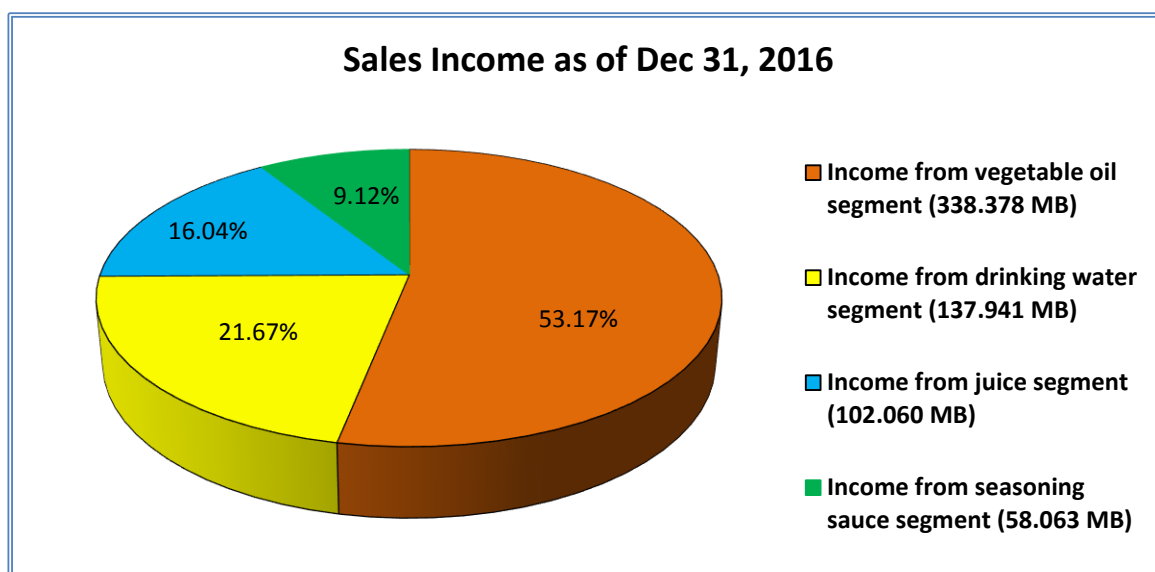


## Income Structure

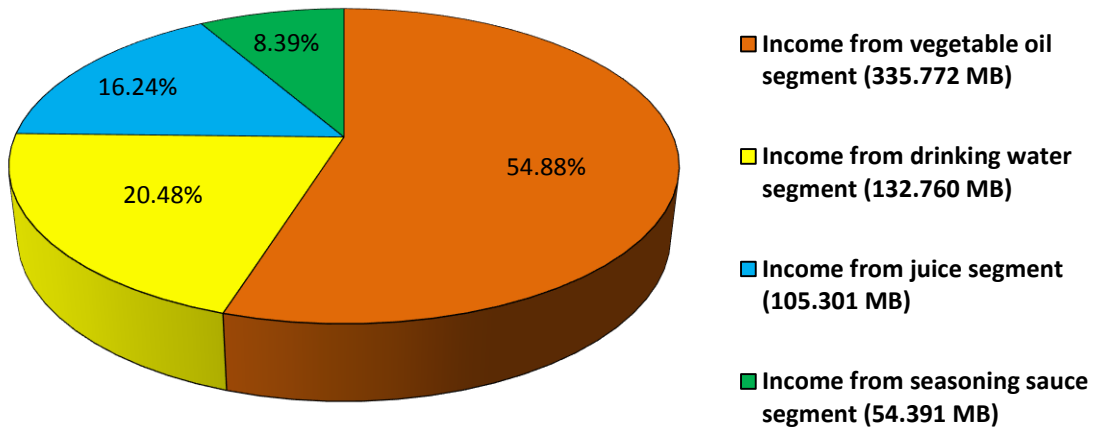
The company mainly earned income from the customers in juice, vegetable and drinking water segment, as well as seasoning sauce and preform without overly depending on any single group. The company earned income each a group below shows the details of the Company's income structure:

	Dec 31, 2016		Dec 31, 2017		Dec 31, 2018	
	Income (MB)	%	Income (MB)	%	Income (MB)	%
Income from vegetable Oil Segment	338.378	53.17	355.772	54.88	355.148	50.74
Income from drinking water Segment	137.941	21.67	132.760	20.48	108.634	15.52
Income from juice Segment	102.060	15.04	105.301	16.24	139.751	19.96
Income from seasoning sauce and other Segment	58.063	9.12	54.391	8.39	75.848	10.84
Income from preform segment	-	-	-	-	20.602	2.94
<b>Sales Income</b>	<b>636.442</b>	<b>100</b>	<b>648.224</b>	<b>100</b>	<b>699.983</b>	<b>100</b>

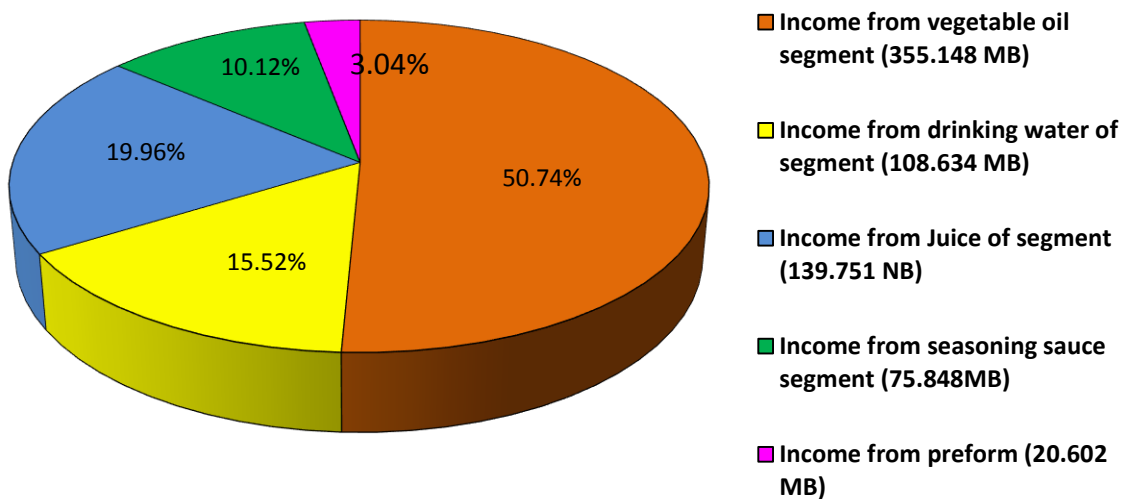
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**Sales Income as of Dec 31, 2017**



**Sales Income as of Dec 31, 2018**



## Business Conduct of Each Product Line

The Company manufactures and distributes Polyethylene Terephthalate packaging ("PET packaging") to the customers, who take care of the filling process themselves and preform to the customers who take of the blowing bottles themselves.

## Product Specifications

The Company manufactures and distributes plastic PET packaging in various shapes and sizes based on the usage requirements of customers, who are well-known brands in several industries as well as general consumers. The products, with sizes ranging from 60 to 6,000 ml., PET resin as the key raw material in the production process.

The Company produces PET packaging with different details for each customer depending on the purpose of use. Its specifications vary, such as shape, size, color, raw materials, special property of raw materials and label.

The products are divided into four categories based on the usage, namely PET juice packaging, PET vegetable oil packaging, PET drinking water packaging, PET seasoning sauce packaging and Preform. Below are the details of each category:

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### PET Juice Packaging



The Company manufactures and distributes PET juice packaging, with sizes ranging from 200 to 1,000 ml. (weight from 13 to 56 g.). The packaging is available in transparent and opaque white to preserve the photosensitive drinks. The income earned from this segment accounts for 15.04%, 16.24% and 19.96% of gross income in 2016, 2017 and 2018 respectively.

#### PET Vegetable Oil Packaging



The sizes of PET vegetable oil packaging range from 250 to 5,000 ml (weight from 15 to 110 g.). The key customers are in vegetable oil segment, namely Thai Vegetable Oil PCL., under the trademark of “A-Ngoon”, and Thai Edible Oil Co., Ltd., under the trademark of “King”. The income earned from this segment accounts for 53.17 %, 54.88% and 50.74 % of gross income in 2016, 2017 and 2018 respectively.

#### PET Drinking Water Packaging



The Company manufactures and distributes PET drinking water packaging in transparent and transparent blue, with sizes ranging from 350 to 6,000 ml. (weight from 13 to 110 g.). The income earned from this segment accounts for 21.67%, 20.48% and 15.52% of gross income in 2016, 2017 and 2018 respectively.

## PET Seasoning Sauce Packaging

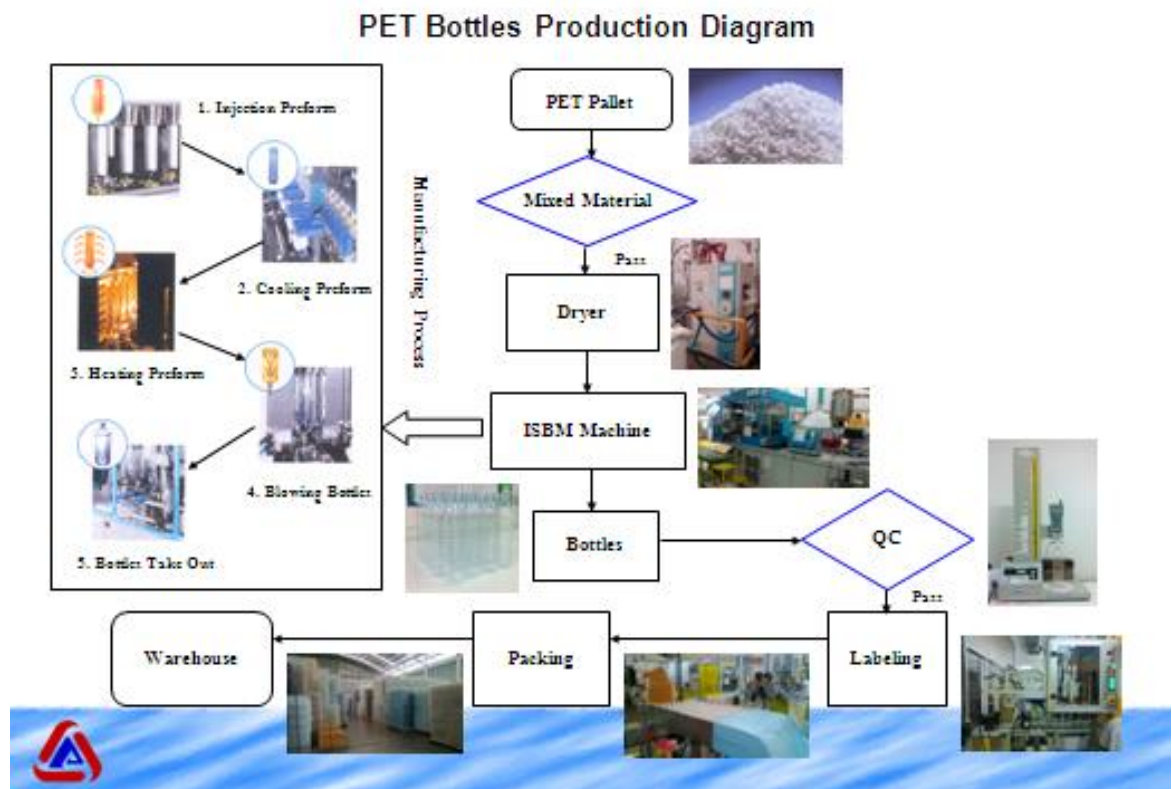


The Company manufactures and distributes PET seasoning sauce packaging, with sizes ranging from 60 to 2,000 ml. (weight from 6 to 67 g.). The income earned from this segment accounts for 9.12%, 8.39% and 10.84% of gross income in 2016, 2017 and 2018 respectively.

## Preform (for blowing bottle)



The Company manufactures and distributes Preform for blowing bottle. Present, the Company produces preform 2 sizes as 13.5 g. and 31 g. both of size in transparent and transparent blue. The company has distributed in the second quarter in 2018, they are earned income for this product for 2.94% of sale income in 2018.



#### Production Process

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Production process of PET packaging is divided into four major steps as below:

#### 1. Preparation of Raw Materials

PET Resin was dried by hot air and desiccants to get rid of the moisture, the key factor that lowers the quality of PET packaging.



PET Resin

## 2. Injection Process

In this process, the dry PET Resin is conveyed by the air exhaust port to the machine, which melts it at 270-290 degree Celsius. The melted plastic is then injected into the mold, which shapes the Preform. This injection process uses high-quality ISBM (Injection Stretch Blow Molding) machine, manufactured by the leading company in Japan. Furthermore the anti-moisture system is installed in the manufacturing area to prevent the moisture in the air from damaging the Preform.

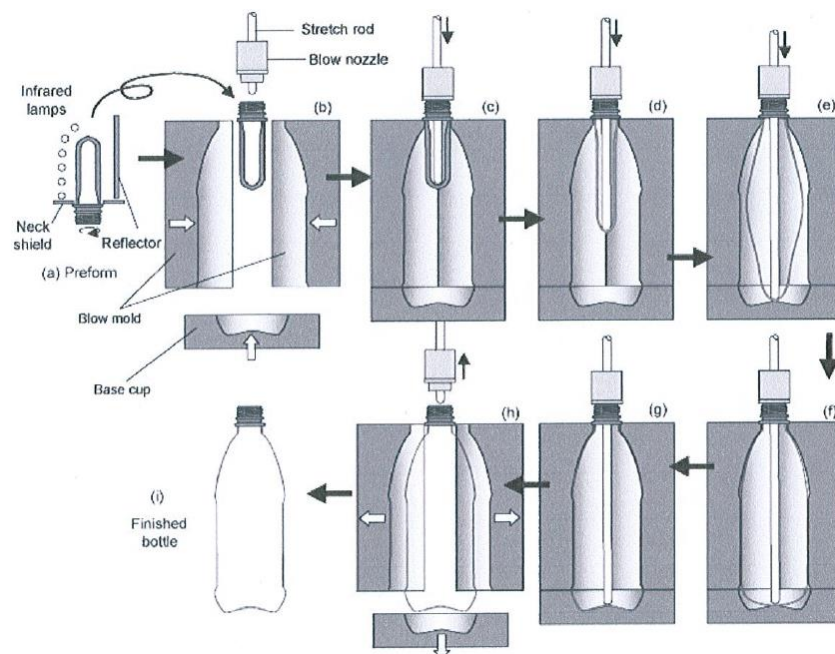


*Preform in several shapes and sizes*

## 3. Blowing Process

The Preform produced in the injection process will be transferred to the oven, with infrared lamps generating heat, to soften it like rubber. Next, it enters the blow mold installed on ISBM. In this process, Stretch Rod stretches the Preform and uses high-pressure air to blow and shape it into a bottle.

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*Blowing Process*

#### 4. Quality Review Process

In this process, the released PET packaging enters the step of quality review,



done by the employees in front of the machine, to screen out the sub-standard packaging. The selected packaging will be labeled, packed, and delivered to the warehouse to be sold later.



#### Environmental Impact

- None—

It does not cause environmental impact because the manufacturing process uses closed plant production system.

#### Research and Development

Recognizing the value of research and development to increase the competitiveness, the Company constantly conducts the research and development to serve the customers' needs. To enhance its operational effectiveness, it develops the standard quality system, which is divided into the below areas:

##### Product Development and Production Process

Currently, the Company works with the customers in product development based on their requirements, such as producing PET packaging in colors like transparent blue and opaque white. It also continuously develops the production process to enhance the competitiveness, such as reducing the production cost and increasing the channels to gain higher revenue in the future.

##### Development of Standard Quality System

The Company values the development of operating system to increase its efficiency and assure the customers. It was certified with ISO 9001:2015, GMP and HACCP by Intertek Certification Ltd. With the environmental concern, it joined the Green Industry Project of the Ministry of Industry, which encourages the industry sector to be socially and environmentally friendly.



## Risk Factors

### Operational Risks

#### 1. Fluctuating Price of PET Resin

In 2018, crude oil prices on world markets have fluctuated greatly. Impacting resin prices, especially plastic PET (Pet Resin), a key raw material in the production of packaging, PET bottles, as is the continued refining of crude oil and natural gas, the price of raw materials such movements in a manner consistent with the price of oil and natural gas prices in the world market. However, although the company will purchase nearly all of these manufacturers in the baht currency. However, raw material prices are likely to move in the same direction woven material prices on the world market with trade dollars. With the fluctuations that vary according to market conditions and other factors. Due to the continued upward trend of PET resin price since the first year 2018.

So if the price of raw materials rose rapidly to death is likely to affect margins and financial position of the company. However, the company will negotiate rising price with customers as the cost of plastic resin that changes to the company to inform the rising price each time. The company consider to changing prices in raw material prices and commercial conditions of each customer, they will tolerate.

Although changes in the prices of key raw materials such are beyond the Company's control. But the company was monitoring the situation of raw material prices in the global market closely. By providing a special team to track and analyze trends in raw material prices, raw material prices during the period. Including the assessment of the need for raw materials during the period. To allow companies to manage the procurement of raw material efficiency.

#### 2. Substandard Product Quality

The Company manufactures and distributes PET packaging that contains drink and other seasoning sauce. In the production process, the cleanliness must be taken into consideration and the packaging must not react with the products inside. Furthermore, it must consider the consumers' safety as top priority. If PET packaging does not meet the standard, is not clean, reacts with the products inside, or harms the consumers, the Company may face the lawsuit for a significant amount of damage. To use the Company's PET packaging in filling process, the bottle shape, size and volume matter. If the Company's products do not meet the requirements, the customers may not be able to use them in the automatic filling line and the Company is obligated to replace the products. This will affect the Company's performance and financial status.

However, the Company considers the quality as the key manufacturing factor, starting from selecting raw materials, using advanced and precise machine, and having the comprehensive process of quality review. Since its products are mostly related to food and beverage, the Company values the safe manufacturing control that meets the

international standard. It therefore produces the items in compliance with the standard of GMP, HACCP and ISO 9001:2015 by Intertek Certification Ltd., which are the respectable manufacturing criteria. It also manages the basic environment of production process, such as controlling personal hygiene, controlling pests and animal vectors, and designing the factory structure as well as machinery and manufacturing equipment, which puts more focus on preventive than corrective measure. Moreover, it serves as the basic system of food safety. Throughout these years, the Company never had serious issues about the product quality.

### 3. Competition in the Manufacturing and Distributing Business of PET Packaging

The consumer behavior tends to keep changing and it is not difficult to enter the manufacturing and distributing business of PET packaging because the raw materials are easy to buy and the manufacturing machines can be found anywhere. Therefore, the Company has several competitors in the market, which may lead to fiercer competition. In addition, the existing customers may consider producing PET packaging by themselves, which will pose the negative impact on the Company's performance and financial status.

Despite numerous competitors in the market, the Company has many major customers who regularly order its products. They are in the manufacturing and distributing business of bottled drinking water, juice, vegetable oil and seasoning sauce, which requires the containers whose quality meet the standard and requirements. The packaging must also focus on the cleanliness and safety. Currently, the Company enhances its competitiveness by increasing the production quality, properly controlling the production cost, focusing on the punctual product delivery, and paying attention to customer service. As the strength, the Company can design, make, and maintain the molds of PET packaging in the factory, which provides flexibility to serve the customers' needs in the designing and mold-making process. Furthermore, it has the expert internal engineer team that was trained by the foreign machine manufacturers. More importantly, the Company has high production capacity, leading to economy of scale that prevents the customers from producing PET packaging by themselves if the production amount is not high enough.

### 4. Over-Dependence on Large Customers and Customer Concentration Risk

Currently, the Company manufactures and distributes PET packaging for the industry of bottled drinking water, juice, vegetable oil, and seasoning sauce. which came from the related parties, namely Thai Vegetable Oil PCL. and Thai Edible Oil Co., Ltd. Normally, the Company does not make the long-term purchase agreement with the customers. Therefore, losing those large customers may affect the Company's performance and financial status.

Nevertheless, the Company focuses on the product quality, sets the competitive price, and always delivers the products on time, which lays the foundation of good customer relations. Thai Vegetable Oil PCL. has been ordering Prodigy products since the Company's establishment. Moreover, Thai Vegetable Oil PCL. is its major shareholder, with 31.85% share as of August 24, 2017. Throughout these years, the Company has tried to reduce the risk from

being overly dependent on a single customer by diversifying the source of income and increasing the income ratio in other groups.

#### 5. Change in Government Policy

Nowadays, the environmental factor is highly valued by the public and private organizations worldwide. In some countries, packaging is taxed to reduce the usage of non-environmentally friendly and hard-to-reuse packaging. The levels of taxation vary depending on the materials used, such as glass, can, plastic and paper. The countries enforcing the taxation include Germany, Ireland and the United Kingdom. If Thailand uses this law, it may affect the Company on higher cost, selling prices and competitiveness. However, the country has not enforced this law.

#### 6. Investment in the Company's Future Projects

The Company's project for investment injection preform machine and blowing machine that increase the production line for supporting the customer's needs. The success of future projects depends on various factors, including the consumers' needs, cost and source of fund, risk of related law and regulations and domestic and global technological, political and economic change. These factors may impact the Company's performance and financial status.

#### 7. Risk from the trend of reduce using plastic in Domestic and abroad

Currently, the trend reduce using plastic for reducing the volume of plastic waste that get feedback by both the public and private sectors in Domestic , so the some producers have adapted packaging which supported 4R trend (reuse, reduce, recycle and replace). The several all of government and private sector have set this campaign, it's determined measure for seriously abidance such as the hospitals in the Department of Medical Service Ministry of Public Health that they have stopped using a plastic bag for storing medicines in every unit and promote the campaign that the patients should bring a cloth bag for storing medicines or the large producer of soft drink announced using the recycle packaging for products.

But limited for operation especially, in Thailand, the using recycle plastic (rPET) packaging contain food and beverage, Notification of the Public Health ( No.295) No.8 It's prohibited to use plastic container made from re-used plastic exempt using for packaging fruits with peel. That's limited and unclearly for operating. Thus, plastic packaging producers haven't lacked of confidence form the government.

## Business Assets

### Key Fixed Assets

As of December 31, 2018, the list of items and the net book value after the deduction of accumulated depreciation of the key fixed business assets appearing in its financial statements are as follows:

Item	Net book value (million baht)	Types of ownership	Liabilities
Land and land improvements	32,621,042.66	Owner	None
Building and building improvements, as well as office supplies and furniture and fixtures	50,698,218.06	Owner	None
Machinery, equipment and tools in the factories	208,790,245.51	Owner	None
Vehicles	4,425,376.94	Owner	None
Intangibles Assets	19,816.29	Owner	None
<b>Total</b>	<b>296,554,699.46</b>		

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The Company's fixed assets outlined above can be classified as follows:

### Land and Buildings and Building Improvements

Location	Characteristics and size	Types of ownership	Objectives of the tenure	Liabilities
<b>Land</b> NakornChaisri district, NakornPathom province	Title deeds: no. 2338, 2339, 2360, 49998 and 50149, with an area of 17 <i>rai</i> and 93 square wa.	Owner	Location of the Company's factories and office	None
<b>Buildings and building improvements</b> NakornChaisri district,NakornPathom province	Five manufacturing facilities within a total area of 27,000 sq.m. and a 2-floor office with total utility space of 598 sq.m.	Owner	Location of the Company's manufacturing facilities and office	None

### Machinery and Equipment

Machinery	Location	Objectives of the tenure	Liabilities
<ul style="list-style-type: none"> <li>- PET packaging production machines in 35 production lines, with a total production capacity of approximately 61.5 million bottles per month.</li> <li>- Preform production machine 1 production line, with a total capacity of approximately 20 million pieces per month.</li> <li>- Five automatic labeling machines, with an approximate total capacity of 6 million bottles per month.</li> <li>- Six automatic packing machines, with a total capacity of approximately 10.8 million bottles per month.</li> <li>- Three set of automatic opp labeling machines with capacity 36 million bottles per month.</li> <li>- One set of bottle silk screen machine with capacity 1 million bottles per month.</li> </ul>	NakornChaisri district, NakornPathom province	Used in the manufacturing process of PET packaging	None

### Other Fixed Assets

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Types of assets	Types of ownership	Net value after depreciation deduction (baht)	Liabilities
Office supplies and furniture and fixtures	Owner	412,870.45	None
Tools used in the factories	Owner	37,855,758.85	None

### Intangible Business Assets

Types of assets	Types of ownership	Net value after depreciation deduction (baht)	Liabilities
Computer programs	Owner	19,816.29	None

### Insurance Policies

As of December 31, 2018, the Company secured fire and catastrophe insurance policies that provide protection against fire, lightning, gas explosion, explosion, flood, storm, electrical injury, and earthquake. The details of the insurance policies are as follows:

Types	Fire and catastrophe insurance
Place insured	7/3, Moo 3, Bang Krabao sub-district, NakornChaisri district, NakornPathom province
Maturity	January 19, 2020, at 4.00 pm.
Sum insured	866 million baht
The insured	Prodigy Public Company Limited

## Legal Disputes

As of December 31, 2018, the Company did not have any legal disputes that would affect more than five percent of the shareholders' equity or legal disputes that would have significant adverse impacts on its business.



### General Information

Company's name : Prodigy PCL.

Abbreviation : PDG

Nature of business : Manufacturer and distributor of Polyethylene Terephthalate (PET) packaging

Location of Head Office : 7/3 Moo 3 Bangkrabau sub-district, Nakornchaisri district, Nakornpathom province 73120

Telephone : (034) 332611-2 , (034) 228298-301

Fax : (034) 332613

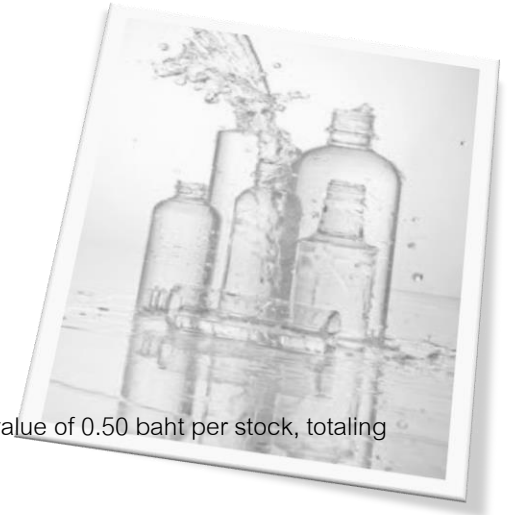
Home Page : <http://www.prodigy.co.th>

Email : [info@prodigy.co.th](mailto:info@prodigy.co.th)

Register number : 0107556000388

Registered capital : 270,000 common stocks, with par value of 0.50 baht per stock, totaling 135,000,000 baht

Paid-up registered capital : 270,000 common stocks, with par value of 0.50 baht per stock, totaling 135,000,000 baht



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Office location, telephone number and names of reference

Securities registrar : Thailand Securities Depository Co., Ltd.

The Stock Exchange of Thailand Building, 93 Ratchadapisek Road,

Dindaeng, Dindaeng, Bangkok 10400

Tel. 02-009-9000 Fax. 02-009-9992

Auditors : 1. Mrs. Chonlaros Suntiasvaraporn Certified Public Accountant no.4523

Or 2. Mr. Supachai Phanyawattano Certified Public Accountant no. 3930

Or 3. Ms. Waraporn Prapasirikul Certified Public Accountant no. 4579

EY Office Limited

193/136-137 Ratchadapisek Road, Klongtoey sub-district, Klongtoey district,

Bangkok 10110 P.O. Box 1047 Bangkok 10501 Tel. 02-264-9090

Fax. 02-264-0789-90

**Background and key changes**

Prodigy PCL. ("the Company") was registered as the listed company on April 23, 1992, to manufacture and distribute Polyethylene Terephthalate packaging ("PET packaging"). The co-founders included Thai Vegetable Oil PCL. and Thai Edible Oil Co., Ltd. With the initial registered capital of 30 million baht, the registered capital has grown to 135 million baht, with paid-up registered capital of 135 million baht, as of December 31, 2017. It consisted of 270 million common stocks, with par value of 0.50 bath per stock, totaling 135,000,000 baht. The Company has neither subsidiary nor affiliate.

Below is the Company's major development from the establishment in 1992:

1993	<p>Prodigy Co., Ltd. was established by Thai Vegetable Oil Plc.</p> <ul style="list-style-type: none"> <li>● Prodigy PCL. was registered on April 23, 1992, with the registered capital of 30 million baht.</li> <li>● The Company ordered the first manufacturing line from the United States of America, with the production capacity of 50 tons per month. Building one, with utility space about 2,400 sq.m., was constructed to serve as production facility and warehouse.</li> <li>● The company's paid-up registered capital increased to 50 million baht due to the fundraising of Thai Edible Oil Co., Ltd. It then spent that money on the machines from Japan, with the production capacity of 30 tons per month.</li> </ul>
1996	<ul style="list-style-type: none"> <li>● Building two was constructed, with utility space about 2,400 sq.m., to serve as warehouse.</li> </ul>
1997	<ul style="list-style-type: none"> <li>● The Company ordered machinery, with production capacity of 30 tons per month, to produce large bottles (five-liter bottles).</li> </ul>
2004	<ul style="list-style-type: none"> <li>● Building three was constructed, with utility space about 2,700 sq.m., to serve as production facility.</li> </ul>
2007	<ul style="list-style-type: none"> <li>● The Company was certified with ISO 9001: 2000 by Intertek Certification Ltd.</li> </ul>
2008	<ul style="list-style-type: none"> <li>● Building four was constructed, with utility space about 2,000 sq.m., to serve as warehouse.</li> </ul>
2005 -	<ul style="list-style-type: none"> <li>● The Company continuously increased its production capacity to 500 tons a month with 15 production lines added.</li> </ul>
2010	<ul style="list-style-type: none"> <li>● The Company ordered more machinery from Japan to increase the production capacity by 50%.</li> </ul>

2010	<ul style="list-style-type: none"> <li>The Company was certified with ISO 9001: 2008 and GMP food safety management system by Intertek Certification Ltd.</li> </ul>
2011-2012	<ul style="list-style-type: none"> <li>The Company increased its production capacity by ordering 10 more machines.</li> </ul>
2012	<ul style="list-style-type: none"> <li>The Company installed five automatic labeling machines, with production capacity of six million plastic bottles per month, and an automatic packing machine, with production capacity of 1.2 million plastic bottles per month.</li> </ul>
2013	<ul style="list-style-type: none"> <li>The Company installed an automatic packaging machine, with production capacity of 2.4 million plastic bottles per month.</li> </ul>
2013	<ul style="list-style-type: none"> <li>Building five was constructed to serve as manufacturing facility.</li> </ul>
2013	<ul style="list-style-type: none"> <li>The Company was converted into a public company limited to become the listed company in the Stock Exchange of Thailand.</li> </ul>
2014	<ul style="list-style-type: none"> <li>On July 29, 2014, the Securities Exchange Commission allowed the Company to purchase or sell its common stocks, as the registered securities, in the Stock Exchange of Thailand.</li> </ul>
2014	<ul style="list-style-type: none"> <li>The Company paid the dividends of 18.9 million baht from the operation between January and June 2014.</li> </ul>
2015	<ul style="list-style-type: none"> <li>The Company was certified with Green Industry by Ministry of Industry</li> </ul>
2016	<ul style="list-style-type: none"> <li>The Company was certified with ISO 9001: 2015 by Intertek Certification Ltd.</li> </ul>
2017	<ul style="list-style-type: none"> <li>Expanding the area of Building five for installing new machine</li> <li>investment new machine for new product “preform” to serve expanding of business</li> </ul>
2018	<ul style="list-style-type: none"> <li>Distribution New Product “ Preform”</li> <li>The Company was certified By Thailand's Collective Action Coalition Against Corruption “CAC”</li> </ul>