

PP PRIME Public Company Limited
Former Name: Thai Luxe Enterprises Public Company Limited

Management Discussion and Analysis for the year 2018

Company Performance Overview

For the year 2018, PP Prime Public Company Limited (*Former name: Thai Luxe Enterprises Public Company Limited*) (The Company") and subsidiaries recorded total revenues of 2,121.45 million Baht, consisting of total revenue from feed businesses and geothermal power business, and other income of 2,060.98 million Baht and 60.47 million Baht of total revenue respectively. This translates into 97.15% and 2.89% of total revenue respectively. The Company and subsidiaries had the revenue increase by 13.11% comparing to the previous year which the main business revenue had increased 13.10% when comparing to the previous year. The Company and subsidiaries had net operating loss of 110.08 million Baht which translates to an increased 56.39% when comparing with the previous year. This was mainly due to decrease in selling and administrative expenses because in 2018, the Company had not recorded any expenses of acquisitions the subsidiaries in Japan and the Company had managed the gain(loss) from exchange rate and expenses better than the previous year.

Consolidated financial statements	Year 2018	Year 2017	Change	Percent
Unit : Million Baht				
Sales	2,060.98	1,822.33	238.65	13.10%
Other income	60.47	53.19	7.28	13.68%
Total Revenue	2,121.45	1,875.52	245.93	13.11%
Cost of sales	1,793.56	1,526.48	267.08	17.50%
Selling and Administrative expenses	304.88	492.83	(187.95)	-38.14%
Total expenses	2,098.45	2,019.32	79.13	3.92%
Profit before finance cost and income expenses	23.00	(143.80)	166.80	116.00%
Share of loss from investments in associates	0.00	(0.61)	0.61	100.00%
Finance Cost	(125.96)	(104.97)	(20.99)	-19.99%
Profit before income tax expenses	(102.96)	(249.39)	146.43	58.72%
Income tax expenses	(7.13)	(3.03)	(4.10)	-135.57%
Profit (Loss) from continued operation for the period	(110.08)	(252.41)	142.33	56.39%
Loss from discontinued for the period	0.00	0.00	0.00	0.00%
Loss for the period	(110.08)	(252.41)	142.33	56.39%
Non-controlling interests of the subsidiaries	0.00	0.00	0.00	0.00%
Profit (Loss) attributed to equity holders of the Company	(0.20)	0.46	(0.65)	-142.89%

Explanation and Analysis of the Operating result for year 2018

1.1 Revenue

Aquatic Feed and Pet Food Business

In year 2018, the revenue from aquatic feed and pet food was 1,984.35 million Baht, or an increase of 10.83% comparing to the previous year.

For the shrimp feed section in year 2018, the business of farming of Giant Tiger Prawn area had recorded an increase of 30%, therefore the revenue for shrimp feed increased 42.80% when compared to the previous year.

For fish feed section, the business had the effect of experience on quality of water and heavy rain which causes the fish farm had diseases and dead due to change of farming environment, therefore the revenue had decreased 5.05% when comparing to the previous year.

For OEM of pet food, the business had been affected by decreasing of import from Indonesia because the market of pet food had an experience of a temporary recession, so the revenue from OEM of pet food decreased 12.04% comparing to the previous year.

For the Energy Business

The Company had produced and COD the geothermal electricity in Japan in year 2018, the electricity sales were 76.63 million Baht or 3.72% of the total revenue of the company. Currently, the Company had the power plants that can commercially operate total of 15 units.

1.2 Cost of sales

In 2018, the majority of the Company's cost of sales was cost of raw material in production. The Company had cost of sales 1,793.56 million Baht, an increase of 17.50% when comparing to the previous year due to increase in sales and price of raw material. The cost of sales per sales had increased from 83.77% in 2017 to 87.02% in 2018.

1.3 Gross Profit

In 2018, Gross Profit was 267.42 million Baht, decreased by 9.61% compared with the previous year which was 295.84 million Baht.

1.4 Selling and Administrative expenses

Selling and Administrative expenses in 2018 was 304.88 million Baht, decreased 38.14% when compared with the previous year, it was mainly due to the Company had not recorded any expenses of acquisitions the subsidiaries in Japan and the Company had the good management of gain(loss) from exchange rate and expenses better than the previous year.

1.5 Net profit (loss)

In 2018, the consolidated financial statements showed net loss 110.08 million Baht, or net loss 0.20 Baht per share due to higher of interest expenses.

Financial Position

2.1 Asset

As of 31 December 2018, the consolidated financial statements showed total asset of 3,339.88 million Baht, decreased 647.89 million Baht or decreased 16.25% from 31 December 2017. The decreasing was from lower valuation of short-term investment and long-term investment.

2.2 Liabilities

As of 31 December 2018, the consolidated financial statements showed total liabilities of 2,526.87 million Baht, decreased 83.88 million Baht or decreased 3.21% from 31 December 2017 due to repayment to bond holder.

As of 31 December 2018 and 31 December 2017, Debt to Equity ratio of the Company were 3.11 times and 1.90 times respectively.

2.3 Shareholder's Equity

As of 31 December 2018, the consolidated financial statements showed total Shareholder's Equity of 813.01 million Baht, decreased 564.01 million Baht or decreased 40.96% from 31 December 2017 due to unrealized loss in securities available for sale and net operating loss in 2018.

Liquidity

In 2018, the consolidated financial statements showed used in operating activities at the amount of (21.02) million Baht, Net cash flow from investing activities at the amount of 272.16 million Baht from investments in subsidiaries and cash used in financing activities at (250.41) million Baht. Cash and cash equivalents was decreased by amount of (10) million Baht. As the result of 31 December 2018, cash and cash equivalents at the end of period as of the was 20.51 million Baht.

Report on feed business situation in 2018

The trend of aquatic feed industry in year 2018 and 2019

The Situation of shrimp industry in year 2018

The situation of shrimp industry in year 2018, the production of shrimp in year 2018 overall had 290,000 tons (33% had the production from under the Southern area, 29% from upper the Southern area, 24% from Eastern area and 14% from Middle area) it has decreased about 3% when comparing to the previous year. Because of envelopment change, pledge, and declining price. The global production of shrimp had 3,200,000 tons increased by 15% because in several countries such as Ecuador, Vietnam, Indonesia and etc. had more production. It was mainly due to effect on domestic price and capability to challenge in the global market. Information of export shrimp January – October 2018 had 143,129 tons, amount 45,545 million Baht when comparing to the previous year had decreased by 14.51% and 18.82% respectively. However, the farmer finds the alternative way to substitute Pacific white shrimp, so the Gain Tiger Prawn become more recognize due to higher price, therefore the farm area of Gain Tiger Prawn increased 30% (Calculated from place the Gain Tiger Prawn's breed on July – September 2018) and continuing increase, which effect to overview in shrimp business had better

The trend of shrimp industry in year 2019

The shrimp industry in year 2019 have the opportunity to turnaround. Especially the effect on commercial war between USA and China, it was mainly due to China change the production base to other countries. China interested to invest in Thailand because the system has availability and appropriated for investing. However, the shrimp industry must adopt, the farmer must emphasize feed by quality instead to quantity. To feed big size for higher price because Thailand cannot challenge cost of small size to other countries. The potential of breed which the best quality of breed in the world (fast growth, strong, and disease free), so Thailand had high potential to produce the big size of shrimp

Moreover, to feed mustn't use antibiotic and prohibit chemical because it has very strong of Thai shrimp better than competitor and accept from importer and consumer. In the past, Thailand never had detected and return from this problem. Thailand must emphasize the marketing the premium product. The government to public relation continuously to the global well known that "Thai shrimp is the best" which had premium quality included to give the opportunity to farmer reach to equity for supporting liquidity in production, export, and related section, and etc.

The Situation of fish industry in year 2018

The situation to feed fish to stable however the fish had shortage, the farmer had controlled the feeding related to the market, to manage the feeding system for selling to market with reasonable price.

In the year 2018, had slightly decreased when comparing to year 2017 because of the problem of the quality of water and heavy rain to strong water effected to the fish die and pledge from envelopment change, the marketing still emphasize to old client, maintain the quality and customer service by provide the salesman as the adviser, for expanding the market of old and new client.

The trend of fish industry in year 2019

The feed fish still stable, it was mainly due to high challenge and natural factor the drought and flood is the key matter effect to quantity of feed and use of feed.

The Company has the marketing policy to maintain and increase the market share for maintain the standard of product to meet the clients' want and suitable to feed of farmer each area and advise farmer of education to feed and supporting to find the fish market to help the farmer can maintain the price for non-declining effect to feed fish. The company will increase the sales, so the Company must increase the efficient to challenge to old client and new client