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บริษัท เชียงใหม่ฟรozenฟู๊ดส์ จำกัด (มหาชน)

149/34 ซอยแองโกลพลาซ่า ถนนสุรวงศ์ แขวงสุริยวงศ์ เขตบางรัก กรุงเทพฯ 10500

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED.

149/34 Soi Anglo Plaza Surawongse Rd., Suriyawongse, Bangrak, Bangkok 10500 Thailand

Tel : (662) 634-0061-4, 238-4091 Fax ; (662) 238-4090

12 May 2021

Subject: Management Discussion and Analysis for the period ended 31 March 2021

To: The President

The Stock Exchange of Thailand

Performance Overview

In the first quarter of 2021, global economic show a strong signal of recovery but at the different paces among countries, subject to the number of COVID-19 vaccines provided to residents and the sizes of economic stimulus from governments. Thailand economic has also recovered from export sector which directly reflect to the economic conditions of global economic. However, tourism industry which consider the major drive for Thailand economic still struggle. The new wave of COVID-19 outbreak since the end of last year has less impact to economic comparing to the beginning of outbreak last year, due to the selective lockdown policy which specified only the target area that has the new infection cluster.

Consider the first quarter of 2021 in Japan, the important trade partner, has suffer from the new wave of COVID-19 outbreak in January. The government has declared state of emergency in major cities as the number of infected patients has continuously rose. Tokyo Olympic is determined to commence in July amidst the protest of Japanese resident who concern about safety measure to prevent the outbreak.

The exchange rate for THB/USD has slightly appreciated, different from the situation during the outbreak at the same period last year which drive THB to strongly depreciated against USD which drive 3.7% depreciated in March 2020. Later, the THB/USD has reversed its trend to appreciate 9.3% till the December 2020 after the concern of outbreak has eased. widely fluctuate with the trend of THB to be depreciated due to outbreak of COVID-19 has eased. The exchange rate in the first quarter of 2021 for THB/USD according to the reference rate from the Bank of Thailand is THB 30.26/USD, comparing to THB 31.29/USD indicated in same quarter last year.

Total revenue from sales in the first quarter of 2021 has decreased to THB 243.05 Million, comparing to THB 299.10 Million in the first quarter of 2020, equivalent to the decrease of 18.74% as there was increasing demand from Japan and USA for safety stock in the early period of COVID-19 outbreak last year which drive the needs to stock groceries supplies. However, the cost of goods sold per unit has decreased since the price for agricultural produces has decreased after the severe drought season has ended. Further, the electricity expenses have decreased since the solar roof has completed the installation in January 2021. Theses conclude the gross profit of THB 26.79 Million, decreasing 26.37% comparing to the same quarter in 2020, with the gross profit margin of 11.02% decreasing from 12.16%. The net profit for the Company has indicated THB 2.67 Million, considering



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net profit margin of 1.10%, comparing to net profit of THB 2.56 Million with net profit margin at 0.85% presented in the first quarter of 2020,

The factors that would affect the business operation for the second quarter are as follows

1. The new wave of COVID-19 outbreak which affected several countries globally would causes global economic slowdown, concerning Japan. Also, the social distancing measures to prevent the outbreak has limited the activities for people such as dining out and socializing could lessen the demand from food service sector but, in the other hand, increase the demand for ready to eat product to be consume at home. This could mean both positive and negative affected to future sales volume. However, the demand expected to recover soonest depends on the coverage of COVID-19 vaccines applied to resident.
2. The volatility of exchange rate, as THB has depreciated against USD since the global economic slowdown has affected the revenue recognition, while JPY has appreciated against USD which reduce the cost of import for Japanese customers.
3. Severe drought which prolongs from the early of 2021 could cause the rising for agricultural produces price, affected the increasing cost of production.
4. The shortage of containers caused the freight charge to sharply rise since the end of third quarter last year which expected the situation to solve in the third quarter of 2021

Summary of Financial Performance

Revenue Structure

1. Sales Revenue

The Company has sales revenue majorly from the sales of frozen vegetables such as frozen soybeans, frozen green beans, frozen sweet corns and frozen mixed vegetables. The details of sales revenue, according to the consolidated financial statement categorized by the geographic is as follows,

Sales Revenue	Value (THB Million)		Increase (decrease)	
	1 st Quarter 2020	1 st Quarter 2021	THB Million	%
Export Sales Revenue	279.17	222.98	(56.18)	(20.12)
Domestic Sales Revenue	19.93	20.06	0.13	0.65
Total Sales Revenue	299.10	243.45	(56.05)	(18.74)

In the first quarter of 2021, sales revenue indicated totaling THB 243.45 Million, of which export sales is to 91.59%, slightly decreased from 93.33% in the same quarter of 2020. In this regard, the proportion of domestic sales proportion is 8.24% of total sales revenue, increased from proportion 3.66% comparing to same quarter of 2020.



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Total sales revenue in the first quarter of 2021 totaling THB 243.45 Million decreasing from THB 299.10 Million in the first quarter of 2020, equivalent to the decrease of 18.74%. This due to the decrease sales volume from export comparing to the increasing order from domestic and overseas market in the same quarter last year during the beginning of outbreak.

2. Other Revenue

In the first quarter of 2021, the company has indicated other revenue of THB 1.82 Million which decreased from THB 2.05 Million in the first quarter of 2020, equivalent to the decrease of 11.13%, majorly cause by the revenue from the other assets disposal activities.

Cost of Goods Sold

Cost of goods sold in the first quarter of 2021 presented THB 216.26 Million, equivalent to the decrease of 17.68%, comparing to THB 262.72 Million in the first quarter of 2020. The major reason for the increase is as follows,

- The decreasing sales volume from oversea market.
- The decrease overhead production cost per unit as the raw material price has decreased comparing to the price during severe drought last year, also the electricity expenses has decreased from the use of electricity generated from solar roof.

Selling and Administration Expenses

In the first quarter of 2021, the Company has reported the selling and administration expenses of THB 37.68 Million which slightly increased from THB 37.13 Million as reported in the first quarter of 2020, equivalent to the increase of 1.46% which derive from the increasing freight transportation expense due to the shortage container situation.

Gross Profit Margin and EBIT Margin

The Gross Profit Margin for the Company presented in financial statement for the period ended 31 March 2021 is 11.02% decrease from 12.16% indicated in the same quarter of previous year, while the EBIT Margin reveal 1.32% increased from 0.65% comparing to the same quarter of 2020. This is due to the decreasing sales revenue from decreasing sales volume from overseas market while the Company has increasing gain on exchange of THB 11.63 Million. The overhead production cost per unit has decreased as the raw material price has decreased comparing to the severe drought last year, also the electricity cost has decreased as the use of electricity generated from solar roof.

Net Profit

The Company has indicated net profit in the financial statements or the first quarter of 2021 of THB 2.67 Million, increase from net profit of THB 2.56 Million presented in the first quarter of 2020, equivalent to the increase of 4.53%. The Net Profit Margin has stated 1.10% comparing to 0.85% in the first quarter of 2020. The major contribution to the increase of net profit is despite from the decreasing export sales revenue and volume, while



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the overhead production cost per unit as the raw material price has decreased comparing to the raw material price during the severe drought last year, also the electricity expenses has decreased from the consumption of electricity generated by solar roof. Further, the Company has increasing gain on exchange as the exchange rate has fluctuated during last year. However, the selling and administration expense has slightly increased from the increasing sea freight expense due to the container shortage situation.

Summary Table for the Financial Performance

	1 st Quarter (THB Million)		Increase (Decrease)	
	2020	2021	THB Million	%
Sales Revenue	299.10	243.05	(56.05)	(18.74)
Cost of Goods Sold	262.72	216.26	(46.46)	(17.68)
Gross Profit	36.38	26.79	(9.59)	(26.37)
Gain (Loss) from Exchange Rate	0.64	12.28	11.63	1,812.95
Interest Revenue	2.05	1.82	(0.23)	(11.13)
Revenue from investment	37.13	37.68	0.54	1.46
Other Revenue	1.93	3.20	1.27	65.87
Selling and Administration Expenses	0.05	0.02	(0.03)	(47.28)
Earnings Before Interest and Tax	0.17	0.51	0.34	196.27
Financial Cost	2.56	2.67	0.12	4.53
Tax	18.77	21.94	3.18	16.93
Net Profit (Loss)	(13.28)	(107.01)	(93.73)	(705.66)
Earnings Before Interest, Tax, Depreciation and Amortization	0.01	0.01	(56.05)	(18.74)
Cash Flow from Operation	3.59	3.68	(46.46)	(17.68)
Earnings per share (Baht)	299.10	243.05		
Book Value per share (Baht)	262.72	216.26		

Key Financial Ratios

Key Financial Ratios	1 st Quarter 2020	1 st Quarter 2021
Current Ratio (Times)	7.47	5.39
Quick Ratio (Times)	2.24	1.87
Gross Profit Margin (%)	12.16	11.02
EBIT Margin (%)	0.65	1.32
Net Profit Margin (%)	0.85	1.10
Return on Equity (%)	3.35	0.09
Return on Assets (%)	3.47	0.07
Debt To Equity Ratio (Times)	0.15	0.29



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Company's Financial Position

Assets

The Company has total assets according to the financial statements as of 31 March 2021 of THB 1,794.80 Million comparing to THB 1,517.64 Million in the previous quarter, equivalent to the increase of 18.26%. The major increase is from the increase Property Plant and Equipment which increased THB 307.47 Million from the investment in Sino Thai Freeze and Dry Co., Ltd (“STFD”). The inventory has increased to THB 560.23 Million consider the increase of THB 99.12 Million or 21.49% from the increasing produces harvested in this season, considered sales volume has increased comparing to previous quarter but decreased comparing to the same quarter of previous year. Also, Trade receivables indicated THB 120.62 Million, increasing THB 42.33 Million or 54.06%. The Company has policy to reserve for allowance for bad debt for the whole amount on any doubtful receivable, considering financial position of client and their historical payment. In the previous year, most of the client able to make payment within due.

Liabilities

The Company has total liabilities according to the financial statements as of 31 March 2021 of THB 393.59 Million which increase THB 69.33 Million, equivalent to the increase of 49.74%, comparing to the previous quarter. The main reason derived from the long-term debt from financial institute increased as the STFD has liabilities with financial institute, including overdraft and short-term loan of THB 27.30 Million.

As of 31 March 2021, the Company has liabilities obligation other than employee benefit which are

- Licensing agreement and consulting agreement for the usage of computer program and system for the amount of THB 0.25 Million
- Consulting agreement for financial advisor regarding the investment in Myanmar. The obligation amount according to the contract is THB 0.3 Million
- The Company might expose to the occurrence of obligation from the issuance of guarantee letter from bank against the government authorities for the amount of THB 11.62 Million
- The Company has capital expenditure in respect of the installation of electricity generator by Solar Roof system and the installation of equipment amounting of THB 4.02 Million

The Company has appropriate and sufficient liquidity for the payment of liabilities and obligation. In the first quarter of 2021, the Current Ratio indicated 5.39 times and the Quick Ratio of 1.87 times, while most of the assets are current assets.

Currently, there is no file or active case of lawsuit against the Company.



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Shareholder's Equity

Shareholder's equity for the company presented in the financial statement for the period ended 31 March 2021 of THB 1,401.22 Million, increase from THB 1,371.04 Million comparing to the previous quarter, equivalent to the increase of 2.20%. However, the unappropriated retained earning has decrease from THB 901.60 Million to THB 868.27 Million, considered 3.70% decreased comparing to previous quarter. This is due to the impairment of capital investment in STFD. Also the other components of shareholder's equity which is the recognized of the change in fair value of derivatives for hedging cash flow at the value THB -4.10 Million according to the newly adopted accounting standard and reporting standard.

Cash flow and Capital Structure

In the first quarter of 2021, the Company has net cash flow used in operation THB 107.01 Million, comparing to the net cash flow used in operation THB 13.28 Million in the first quarter of 2020 due to the increasing purchase of the raw material. Besides, the company paid THB 35.80 Million for the procurement of machines and equipment.

In the first quarter of the year 2020, the Company has sufficient liquidity which evidence from the current ratio of 5.39 times, decrease from 7.47 times in the same quarter in previous year. This is due to the increase of current liabilities as they're liabilities from STFD consolidated to the Company. However, the major assets are current assets equivalent to 51.79% of total assets. On the other hand, the Company has only 9.16% of current liabilities which mostly consists of trade payable. There is no outstanding borrowing from the financial institution.

The Company has not engaged in any long term borrowing during the first quarter of 2020, subsidiary but the long-term borrowing stated is the liability of STFD, whereas the debt to equity ratio increase to 0.29 times, comparing to 0.15 times as indicated in the same quarter of previous year.



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Summary Table for Company's Financial Position

	Value (THB Million)			Increase (decrease)		Increase (decrease)	
	1 st Quarter 2020	4 th Quarter 2020	1 st Quarter 2021	THB Million QoQ	% QoQ	THB Million YoY	% YoY
Current Assets							
Cash and Cash Equivalent	160.89	147.16	197.77	50.61	34.39	36.88	22.92
Other Current Financial Assets	191.52	241.51	41.58	(199.93)	(82.78)	(149.94)	(78.29)
Trade and other receivables – include planters	135.19	100.21	125.10	24.89	24.84	(10.09)	(7.64)
Short-term loan	13.60	6.93	0	(6.93)	(100.00)	(13.6)	(100.00)
Inventory	532.89	461.11	560.23	99.12	21.50	27.34	5.13
Derivatives Assets	0.04	24.68	2.22	(22.46)	(91.00)	2.18	5,450.00
Other Current Assets			2.56	2.56	-	2.56	-
Total Current Assets	1,034.12	982.06	929.45	(52.61)	(5.36)	(104.67)	(10.12)
Non-Current Assets							
Property Land and Equipment	416.76	455.56	763.03	307.47	67.49	346.27	83.09
Other Non-Current Assets	125.49	80.02	102.32	22.30	27.86	(23.17)	(18.46)
Total Non-Current Assets	542.25	535.59	865.35	329.76	61.60	323.10	59.59
Total Assets	1,576.37	1,517.64	1,794.80	277.16	18.26	218.43	13.86
Current Liabilities	138.37	79.10	172.53	93.43	118.12	34.16	24.69
Non-Current Liabilities	70.37	67.50	221.05	153.55	227.48	150.68	214.13
Total Liabilities	208.73	146.61	393.59	246.98	168.46	184.86	88.56
Shareholder's Equity	1,367.64	1,371.04	1,401.22	30.18	2.20	33.58	2.46

Please be informed accordingly

Faithfully yours,

Ankoon Pholpipattanaphong

Managing Director