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บริษัท เชียงใหม่ฟรอสเซ่นฟู๊ดส์ 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

09 August 2023

Subject: Management Discussion and Analysis for the period ended 30 June 2023

To: The President

The Stock Exchange of Thailand

Performance Overview

In the second quarter of the year 2023, despite the global economic situation showing a favorable expansion trend, particularly in the United States and Europe, where the service sector continued to play a crucial role and China's economy expanded well following its open-door policy, leading to positive impact on consumption in both the service and manufacturing sectors. It is anticipated that economies of trading partners will further expand alongside the global recovery effort. Nevertheless, the global economy still faces risks from the consequences of tightened monetary policies by major central banks, including potential conflicts in geopolitics that remain persistent. These factors will significantly influence future monetary and economic policies on a global scale.

The economic situation in Thailand is exhibiting a continuous expansion trend, propelled by a consistent improvement in the tourism sector, reflected in the rising number of foreign tourists from nearly every nationality. Private sector consumption is also steadily growing, leading to improved hiring and increased labor income, with the export sector, which had been declining since late 2022, gradually recovering and expected to further strengthen in the latter half of 2023. In this context, Thailand's economy has a higher potential for expansion than initially estimated.

As for Japan, a significant trading partner, in the second quarter of the year 2023, its economic growth is showing signs of slowing down. Business activities are consistently contracting and foreign orders have been decreasing since March 2023. Meanwhile, both exports and imports have been continuously decreasing.

The exchange rate situation between the Thai Baht and the US Dollar has shown a fluctuating trend, with a slight weakening direction. The reference exchange rate of the Thai Baht to the US Dollar in the second quarter of the year 2023 stands at 35.42 Baht/US Dollar, compared to 33.93 Baht/US Dollar in the first quarter of the year 2023, representing a decrease of approximately 4.4% and a decline of about 7.17% compared to the second quarter of the year 2022. However, the exchange rate continues to experience fluctuations based on predictions regarding the monetary policy actions of the US Federal Reserve, the depreciation of the Chinese Yuan, and Thailand's political uncertainty.

The company's total revenue from combined sales and financial statements has increased to 345.63 million baht compared to the sales figure of 282.50 million baht in the second quarter of the year 2023, marking a growth rate of 22.35%. This growth can be attributed to increased sales volumes due to seasonal orders and adjustments in product pricing to reflect transportation costs, along with the impact of a weaker Thai Baht exchange rate from the previous quarter. The average cost per unit sold has decreased due to higher production quantities, while decreased electricity costs from utilizing solar roof-generated electricity resulted in an initial profit of 55.27 million baht, marking an increase of 27.67% from the previous quarter. The initial profit margin for the second quarter of the year 2023 is 15.99%, up from



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15.33% in the first quarter of the year 2023. However, the company incurred a foreign exchange loss of 4.71 million baht, compared to a foreign exchange profit of 11.39 million baht in the first quarter of the year 2023. Selling and administrative expenses have decreased due to reduced transportation costs, advertising expenses and weighing costs, resulting in a net profit of 12.07 million baht, up from a net loss of 3.14 million baht in the previous quarter. The net profit margin for the second quarter of the year 2023 is 3.49%, an increase from the net loss margin of 1.11% in the first quarter of the year 2022.

The company's net profit in the second quarter of the year 2023 has undergone a significant change, increasing by over 20%, decreasing by 484.20 percentage points compared to the previous quarter and increasing by 52.02 percentage points compared to the same quarter of the previous year. The company has generated higher revenue from foreign sales, with increased cost of sales and production, while the Thai Baht exchange rate has remained consistently weaker in comparison to the US Dollar. Selling and administrative expenses have decreased due to company and subsidiary activities, reduced transportation and weighing costs, significant decreases when compared to the previous year. Additionally, the loss incurred from the depreciation of investments in subsidiary companies in the second quarter of the year 2023.

The factors that would affect the business operation for the third quarter of the year 2023 are as follows

1. The foreign exchange rate situation, where the Thai Baht has exhibited a weakening trend in comparison to the US Dollar and the Japanese Yen has also shown a weakening trend against the US Dollar, is influenced by the global economic conditions that may impact the cost of imported goods for trading partners.
2. The phenomenon of El Niño, which began in May, has resulted in Thailand experiencing below-average rainfall levels, potentially affecting the quantity and quality of agricultural produce in the latter half of the year.
3. The ongoing conflict between Russia and Ukraine continues to persist, affecting the cost of fertilizers and agricultural chemicals, along with the volatility of fertilizer prices. This could impact the cost of cultivation and lead to increased import costs for agricultural products.
4. Electricity costs, a crucial factor in production expenses, continue to rise due to the global oil price situation, including the cost of oil, a significant element of production costs, which has also increased.

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,



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Sales Revenue	Value (THB Million)			Increase (decrease)		Value (THB Million)		Increase (decrease)
	2 nd Quarter 2022	1 st Quarter 2023	2 nd Quarter 2023	% QoQ	% YoY	6M 2022	6M 2023	% YTD
Export Sales Revenue	387.07	260.94	327.11	25.36	(15.49)	688.12	588.05	(14.54)
Domestic Sales Revenue	12.79	21.56	18.52	(14.10)	44.80	31.57	40.08	26.95
Total Sales Revenue	399.86	282.50	345.63	22.35	(13.56)	719.69	628.13	(12.72)

In the second quarter of the year 2023, the company's total revenue from sales amounted to 345.63 million baht. This revenue is divided into income from foreign sales, accounting for 94.64% of the total sales revenue, representing an increase from the proportion of 96.80% in the first quarter of the year 2023. The company's domestic sales revenue in the second quarter of the year 2023 accounted for 5.36% of the total revenue, which has risen from the proportion of 3.20% in the first quarter of the year 2023.

Comparing the total revenue from sales in the second quarter of the year 2023 to the total revenue from sales in the second quarter of the year 2022, which had a value of 399.86 million baht, the decrease is approximately 13.56%. This decrease is a result of reduced sales volumes from foreign sales, attributed to the second quarter of the year 2023 being a period of substantial domestic growth for significant trading partners, leading to a slowdown in product orders.

2. Other Revenue

In the second quarter of the year 2023, the company had other income amounting to 3.18 million baht, a decrease from the other income in the first quarter of the year 2023, which was 5.45 million baht, representing a decrease of 41.66%. The main reason for this decrease is primarily attributed to reduced sales of scrap raw materials, which decreased due to lower production quantities compared to the previous quarter.

Cost of Goods Sold

The cost of goods sold for the company in the second quarter of the year 2023 amounts to 290.36 million baht, representing an increase of 21.39% compared to the cost of goods sold in the first quarter of the year 2023, which was 239.21 million baht. The primary factors contributing to this increase are as follows:

- The increasing sales volume from oversea market comparing to previous quarter.
- The cost of production materials per unit increased compared to the first quarter of the year 2023, attributed to higher production quantities. This includes the cost of electricity used in production, which has been subject to continuous fluctuations, as well as expenses for machinery and equipment maintenance, seed costs and research and development expenses that have risen.

Selling and Administration Expenses

The company's selling and administrative expenses in the second quarter of the year 2023 amount to 52.48 million baht, showing a decrease from the first quarter of the year 2023 which was 58.52 million baht, or a decrease of 10.32%. The main contributing factors to this decrease are primarily attributed to reduced transportation costs and decreased international shipping fees.



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Gross Profit Margin and EBIT Margin

The company's initial profit margin in the second quarter of the year 2023 increased to 15.99%, up from 15.33% in the first quarter of the year 2023. Additionally, the net profit margin from operations in the second quarter of the year 2023 increased to 3.09%, up from a loss margin of 0.57% in the first quarter of the year 2023. This improvement resulted from increased sales revenue from foreign sales and the currency exchange rate being favorable. Meanwhile, the company gained a profit from the currency exchange rate amounting to 4.70 million baht, compared to a profit of 11.39 million baht in the previous quarter. The continuous fluctuation in electricity costs for production, which has been ongoing since the first quarter of the year 2023 and the enhancement of equipment and production processes that use furnace oil have contributed to this result.

Net Profit

The company achieved a net profit of 12.07 million baht in the second quarter of the year 2023, representing an increase of 484.20% compared to the net loss of 3.14 million baht in the first quarter of the year 2023. This improvement was driven by a net profit margin of 3.49%, compared to a net loss margin of 1.11% in the first quarter of the year 2023. In the second quarter of the year 2023, the company experienced significant changes in its operating results, with the main factor being increased sales revenue from foreign sales due to higher product sales volume and price adjustments. Additionally, factors such as reduced costs of international shipping, packaging, storage, and furnace oil, as well as a continuous weakened exchange rate of the Thai Baht against the US Dollar, contributed to this improvement. The increase in production volume led to a decrease in production costs per unit and the devalued Thai Baht, along with reduced expenses for advertising and promotion of finished products, further contributed to the company's higher net profit.

Summary Table for the Financial Performance

	Value (THB Million)			Increase (decrease)		Value (THB Million)		Increase (decrease)
	2 nd Quarter 2022	1 st Quarter 2023	2 nd Quarter 2023	% QoQ	% YoY	6M 2022	6M 2023	% YTD
Sales Revenue	399.86	282.50	345.63	22.35	(13.56)	719.69	628.13	(12.72)
Cost of Goods Sold	317.24	239.21	290.36	21.39	(8.47)	581.71	529.56	(8.96)
Gross Profit	82.63	43.29	55.27	27.67	(33.11)	137.99	98.57	(28.57)
Gain (Loss) from Exchange Rate	(5.16)	11.39	4.71	(58.70)	(191.20)	(7.71)	16.10	(308.79)
Other Revenue	2.87	5.45	3.18	(41.66)	10.92	5.08	8.63	69.86
Selling and Administration Expenses	63.87	58.52	52.48	(10.32)	(17.83)	121.31	111	(0.75)
Earnings Before Interest and Tax	16.47	1.62	10.68	560.35	(35.16)	14.05	12.30	(13.48)
Financial Cost	1.78	3.73	0.58	(84.54)	(67.55)	2.85	4.31	51.31
Tax	6.86	1.31	1.26	(196.01)	(118.32)	(8.94)	(0.05)	(99.42)
Net Profit (Loss)	7.94	(3.14)	12.07	484.20	52.02	2.40	8.93	271.35
Earnings Before Interest, Tax, Depreciation and Amortization	36.74	23.14	33.63	45.33	(8.46)	59.34	56.77	(4.33)



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Cash Flow from Operation	50.25	36.75	79.45	1.16	58.11	23.36	116.20	397
Earnings per share (Baht)	0.038	0.008	0.04					
Book Value per share (Baht)	3.41	3.33	3.30					

Key Financial Ratios

Key Financial Ratios	2 nd Quarter 2022	1 st Quarter 2023	2 nd Quarter 2023
Current Ratio (Times)	2.96	3.47	3.12
Quick Ratio (Times)	0.70	0.83	1.06
Gross Profit Margin (%)	20.66	15.33	15.99
EBIT Margin (%)	4.21	0.57	3.09
Net Profit Margin (%)	1.99	(1.11)	3.49
Return on Equity (%)	0.61	(0.25)	0.96
Return on Assets (%)	0.46	(0.19)	0.74
Debt To Equity Ratio (Times)	0.32	0.28	0.31

Company's Financial Position

Assets

As of June 30, 2023, the company's total assets amounted to 1,647.11 million baht, an increase from the total assets in the previous quarter which were 1,626.04 million baht, or a growth of 1.30%. The main contributing factors were an increase in cash and cash equivalents by 322.90 million baht, rising by 102.31 million baht, indicating a growth of 46.38%. Additionally, trade receivables increased by 235.57 million baht, rising by 25.96 million baht, marking an increase of 12.38%. However, there was a decrease in inventory amounting to 386.54 million baht, decreasing by 79.55 million baht, or a decrease of 17.07%. Furthermore, derivative financial instruments decreased by 2.59 million baht, decreasing by 17.98 million baht, indicating a decrease of 87.40%. These changes in assets were influenced by an increase in sales volume compared to the previous quarter. 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

As of June 30, 2023, the company's total liabilities amounted to 388.36 million baht, an increase from the latest quarter by 30.86 million baht or a growth of 8.63%. The primary contributing factors were an increase in trade payables and other payables by 13.77 million baht, indicating a rise of 18.90%.

As of 30 June 2023, the Company has liabilities obligation other than employee benefit which are



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- As of June 30, 2023, the company and the board members of the group had financial commitments to a financial institution to provide credit guarantees for loans to a subsidiary company, Sino-Thailand Freeze and Dry Limited, in the amount of 186 million baht.
- The group of companies entered into agreements to purchase copyrights for software usage and engage consultants for system design. The group had financial obligations under these agreements, amounting to approximately 0.31 million baht.
- The group of companies had potential liabilities arising from the issuance of bank guarantees by banks on behalf of the group to government agencies, totaling 11.02 million baht.
- The group of companies had obligations related to contracting for the installation of solar power generation systems and machinery, totaling 10.49 million baht.
- A subsidiary company entered into a gas purchase agreement with another company for a period of 5 years, subject to gas charges based on the terms specified in the agreement.

The company is able to repay its liabilities in the balance sheet and from the aforementioned commitments due to its sufficient liquidity. In the second quarter of 2023, the company had a current ratio of 3.12 and a quick ratio of 1.06, reflecting the significant portion of assets being current assets.

Shareholder's Equity

As of June 30, 2023, the company's equity attributable to shareholders amounted to 1,258.75 million baht, a decrease from 1,268.55 million baht compared to the previous quarter, reflecting a decline of 0.77%. The company's accumulated profit in the unallocated portion also decreased from 785.46 million baht in the second quarter of the year 2023 to 812.80 million baht, a decrease of 3.37%. This decline is attributed to the company recognizing losses from its investment in Sino-Thai Freeze and Dry Co., Ltd. Additionally, there were other components affecting the equity attributable to shareholders, which was recorded to reflect changes in the fair value of derivatives for risk management in cash flows. The value amounted to (11.61) million baht, following financial reporting standards.

Cash flow and Capital Structure

The company generated a cash inflow from operating activities for the 6-month period of 2023 amounting to 116.20 million baht, compared to a cash outflow of 23.36 million baht for the same period in 2022, representing an increase of 92.84 million baht. This increase is attributed to higher sales volumes and price adjustments to reflect increased production costs, as well as the weakened value of the currency compared to the same period in the previous year. Additionally, the company made a cash payment of 15.32 million baht for the purchase of buildings and equipment.

In the second quarter of the year 2023, the company's liquidity ratio was 3.12, down from 3.47 in Q1 of the same year. This change is due to the company having increased cash and cash equivalents from higher sales revenue. Nevertheless, the majority of the company's assets remain as current assets, with a ratio of 57.53%. Meanwhile, the company's current



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liabilities stand at only 18.43%, primarily composed of trade payables. Therefore, it can be concluded that the company maintains a reasonably healthy liquidity position.

The Company has not engaged in any long term borrowing during the second quarter of 2022, but the long-term borrowing stated is the liability of STFD, whereas the debt to equity ratio decrease to 0.31 times, compared to 0.28 times as indicated in the previous quarter.

Summary Table for Company's Financial Position

	Value (THB Million)			Increase (decrease)		Increase (decrease)	
	2 nd Quarter 2022	1 st Quarter 2023	2 nd Quarter 2023	THB Million QoQ	% QoQ	THB Million YoY	% YoY
Current Assets							
Cash and Cash Equivalent	221.09	220.59	332.90	102.31	46.38	101.81	46.05
Other Current Financial Assets	41.73	0					
Trade and other receivables – include planters	183.60	209.61	235.57	25.96	12.38	51.97	28.31
Short-term loan	0	0					
Inventory	488.53	466.09	386.54	(79.55)	(17.07)	(101.99)	(20.88)
Derivatives Assets	0.05	20.57	2.59	(17.98)	(87.40)	2.55	5,372.68
Total Current Assets	935.00	916.86	947.60	30.75	3.35	12.61	1.35
Non-Current Assets							
Property Land and Equipment	693.88	655.24	640.12	(15.12)	(2.31)	(53.76)	(7.75)
Other Non-Current Assets	84.15	53.95	59.39	5.44	10.08	(24.76)	(29.42)
Total Non-Current Assets	778.03	709.18	699.51	(9.68)	(1.36)	(78.52)	(10.09)
Total Assets	1,713.03	1,626.04	1,647.11	21.07	1.30	(65.92)	(3.85)
Current Liabilities	315.50	264.20	303.66	39.45	14.93	(11.85)	(3.76)
Non-Current Liabilities	96.77	93.29	84.70	(8.59)	(9.20)	(12.07)	(12.47)
Total Liabilities	412.28	357.29	388.36	30.86	8.63	(23.92)	(5.80)
Shareholder's Equity	1,300.75	1,268.55	1,258.75	(9.79)	(0.77)	(42)	(3.23)

Please be informed accordingly

Faithfully yours,

Ankoon Pholpipattanaphong

Managing Director