



0107537000513

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

27 February 2023

Subject: Management Discussion and Analysis for the period ended 31 December 2022

To: The President

The Stock Exchange of Thailand

Performance Overview

In 2022, the global economy is decelerating due to a delayed inflation slowdown, tightened global monetary policy, and the effects of energy crisis have driven some major economies into recession, while the relief of COVID-19 prevention policy has accelerating the economic through tourism and related industries.

Thailand economic has continuously recovered in the fourth quarter of 2023 due to the increasing number of tourists after the relief of travelling restriction in which the key driver for growth is tourism and service sector. However, export has signal stagnant aligned with the global economic slowdown especially in major countries such as China, Hong Kong and Japan.

Regarding Japan, the important trade partner, the economic recovery will be slower following weaker global demand that affects Japanese exports. Trade balance deficit tends to widen due to large energy imports. However, a recovery in tourism and investment remains the key economic driver. Japan government approved new stimulus package to support an economic recovery, including energy price control to slow down inflation next year.

The exchange rate for THB/USD has continuously depreciate since the beginning of 2022. The exchange rate has reached at THB 36.38 /USD in the fourth quarter of 2022, considered 8.99% depreciated comparing to THB 33.38 /USD indicated the same period last year. Also, the average exchange rate for the year 2022 is THB 35.06 /USD comparing to THB 31.98/USD in 2021, equivalent to the depreciation of 9.63%. This has direct affect the Company's revenue recognition due to revenue majorly derived from USD export sell. However, as THB has depreciated., it also affect the increasing selling expense as the sea freight expenses denominated in USD is rising.

Total revenue from sales in 2022 has increased to THB 1,336.73 Million, comparing to THB 1,059.59 Million in 2021, equivalent to the increase of 26.63% as there was increasing demand from Japan as



0107537000513

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

the relief the restriction for travelling has been applied. Also, the depreciation of THB against USD allowed the Company to recognized increasing revenue in THB comparing to previous year. The gross profit indicated THB 247.51 Million with the gross profit margin of 18.52% increasing from 10.18%. However, as the exchange rate has widely fluctuated with the trend of depreciation of THB against USD has result in the loss on exchange rate. Further, the increasing selling and administration expenses due to the consolidation with subsidiary, the increasing transportation and freight cost due to the supply-chain disruption despite the ease of situation in the late 3rd quarter of 2023, and the impairment of the investment in subsidiary as the temporary ceased of operation which also result in writing off Goodwill, has affected net profit for the company to indicated net loss of THB 55.64 Million, decrease from net loss of THB 85.62 Million in 2021. Net loss margin presented 4.17%, comparing to net loss margin of 8.11% in the previous year.

The financial performance has significantly change more than 20%, whereby the Net Loss has decreased 34.82% comparing to the previous year. The major contribution for such change is the increasing production cost from increasing price for production factor such as fuel, and electricity expenses, also the increasing sea freight due to logistic disruption situation and the depreciate of THB against USD has caused the expenses to significantly increase. Further to the situation, the Company has indicated increasing loss on exchange to THB 43.38 Million, comparing to loss on exchange of THB 9.08 Million presented in 2021. The Cost of Goods Sold has slightly increased since there are idle costs resided in cost of goods sold result from the idle production capacity. Also, the advertising expenses has increased due to increasing marketing activities for the new products. Moreover, there are impairment of good will from the temporary ceased of operation of subsidiary. Therefore, the company has indicated net loss in the period.

The Company has indicated any non-recurrent transaction in the financial statements for the year 2022 which are goodwill as the management of the Group has considered the gross profit margin and capital management to enhance the liquidity of business, including the uncertainty of market conditions and the current economic situation. Which have a significant impact on the operating results of the subsidiary. The management of the Group decided to temporarily cease the business and recorded loss on impairment of goodwill from business acquisition amounting to Baht 19.07 million in consolidated statement of comprehensive income.

During the year, the company has not changed the accounting policy, but only the application of accounting standard which is mandatory applied. The mentioned change has not material to the financial statement.



0107537000513

บริษัท เชียงใหม่ฟรอสเฟนฟู๊ด 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

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

1. The relief of COVID-19 travelling restriction and preventive measures policy has drive the demand in Japan. Some item even has higher demand due to the logistic disruption has caused the difficulties importing from competitors.
2. The volatility of exchange rate, as THB has depreciated against USD since the increasing interest rate from FED in attempt to control the inflation has affected the revenue recognition, while JPY has also depreciated against USD which increased the cost of import for Japanese customers.
3. Fertilizer price would drove up due to the ongoing Russia-Ukrain war which could affected the cost for farmers and possibly drove up the raw material price.
4. The continuously increasing of electricity charge in 2022 has driven up the production cost for the Company. However, the Company has manage production hourly period to increase the efficiency of using electricity.
5. The mandatory increasing of minimum wages for 5.02% since 1 October 2022 could affected the increasing production cost.

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)	
	2021	2022	2020	2021
Export Sales Revenue	989.59	1,256.75	(3.25)	27.00
Domestic Sales Revenue	66.00	79.98	(10.44)	21.18
Total Sales Revenue	1,055.59	1,336.73	(3.73)	26.63



0107537000513

บริษัท เชียงใหม่ฟรอสเฟนฟู๊ดส์ 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

In 2022, sales revenue indicated totaling THB 1,336.73 Million, of which export sales is to 94.02%, increased from 93.75% in the previous year. In this regard, the proportion of domestic sales proportion is 5.98% of total sales revenue, decreased from proportion 6.25% comparing to the previous year.

Total sales revenue in 2022 increasing from THB 1,055.59 Million in 2021, equivalent to the increase of 26.63%. This due to the increasing demand from Japan as the relief the restriction for travelling has been applied as well as domestic demand. Also, the depreciation of THB against USD allowed the Company to recognized increasing revenue in THB comparing to previous year.

2. Other Revenue

In 2022, the company has indicated other revenue of THB 10.29 Million which increased from THB 8.54 Million in 2021, equivalent to the increase of 20.49%, majorly cause by the revenue from the other assets disposal activities.

Cost of Goods Sold

Cost of goods sold in 2022 presented THB 1,089.23 Million, equivalent to the increase of 14.88%, comparing to THB 948.11 Million in 2021. The major reason for the decrease is as follows,

- The increasing sales volume from oversea market comparing to previous year.
- The increase overhead production cost per unit as the raw material price has increased due to increasing demand for the produces harvested from the shortage of product due to logistic disruption in competitors countries, also the electricity expenses has increased, while labor cost has increased due to the regulatory increased of national minimum wages. Fuel price and bunker also increase due to the globally rise of fuel price.
- Cost of goods sold from subsidiary has resided idle capacity cost since the production is not yet achieve production plan.

Selling and Administration Expenses

In 2022, the Company has reported the selling and administration expenses of THB 234.07 Million which increased from THB 165.92 Million as reported in the 2021, equivalent to the increase of 41.07% which majorly derive from the logistic disruption situation that accelerate the price of sea freight transportation. Also, the depreciation of THB against USD has added the sea freight price to further



0107537000513

บริษัท เชียงใหม่ฟรอสเซนฟู้ดส์ 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

increased. However, the situation started declining in the 4th quarter of 2022. Also the increasing advertising expenses resulted from the introducing new retails products under brand “Benas” and “Cornista”, the increasing external cold storage charge due to the increasing production activities.

Gross Profit Margin and EBIT Margin

The Gross Profit Margin for the Company presented in financial statement 2022 is 18.52% increase from 10.18% indicated in the previous year, while the EBIT Margin reveal -1.47% decreased from -5.59% comparing to the previous year. This is due to the increasing sea freight expenses from the shortage of containers situation. Further, the depreciation of THB against USD has caused the widen loss on exchange rate which presented THB 43.38 Million, comparing to loss on exchange of THB 9.08 Million in 2021.

Net Profit

The Company has indicated net loss in the financial statements in 2022 of THB 55.64 Million, decrease from net loss of THB 85.62 Million presented in 2021. The Net Loss Margin has stated 4.17% comparing to Net Loss Margin of 8.11% in previous year. The Company has the change of financial operation exceed 20%. The major contribution is the increasing of export sales revenue and volume from relief situation of COVID-19. The cost of goods sold has included subsidiary’s cost of goods sold which idle cost resided from the production cost that not achieving production plan, though the Company has managed to reduce electricity charge from the installation of solar roof, the increasing electricity FT charge and the regulatory increasing of national minimum wages has driven the production cost up. Further, Selling and Administration Expenses is increased due to the recognition of subsidiary’s expenses, and the increasing transportation cost, especially sea freight charge, from the increasing fuel price and container shortage situation. In addition, the depreciation of THB against USD has increased such transportation expenses as they are dominated in USD. Finally, the Company has impairment loss on Goodwill due to the temporary ceased of operation in subsidiary.



0107537000513

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

Summary Table for the Financial Performance

	Value (THB Million)			Increase (decrease)		
	2020	2021	2021	2019	2020	2021
Sales Revenue	1,096.53	1,055.59	1,336.73	(5.74)	(3.73)	26.63
Cost of Goods Sold	949.01	948.11	1,089.23	(7.12)	(0.09)	14.88
Gross Profit	147.52	107.48	247.51	4.26	(27.14)	130.28
Gain (Loss) from Exchange Rate	(25.23)	(9.08)	(43.38)	(164.35)	64.01	(377.59)
Other Revenue	8.59	8.54	10.29	9.49	(0.58)	20.49
Operating Profit	130.87	116.02	214.42	(30.59)	(11.35)	84.81
Selling and Administration Expenses	66.67	133.36	234.07	(11.63)	66.69	75.52
Earnings Before Interest and Tax	(2.49)	(58.98)	(19.64)	(106.62)	(2,268.67)	66.70
Net Profit (Loss)	1.15	(85.62)	(55.64)	(96.70)	(7,545.22)	35.01
Earnings Before Interest, Tax, Depreciation and Amortization	52.98	25.95	64.07	(39.47)	(51.02)	150.37
Cash Flow from Operation	122.94	(59.73)	59.73	(38.45)	(148.54)	119.46
Earnings per share (Baht)	0.003	(0.173)	(0.08)			
Book Value per share (Baht)	3.60	3.46	3.35			

Key Financial Ratios

Key Financial Ratios	2020	2021	2022
Current Ratio (Times)	12.42	3.48	3.50
Quick Ratio (Times)	3.13	0.80	0.74
Gross Profit Margin (%)	13.45	10.18	18.52
EBIT Margin (%)	-0.23	-5.59	-1.47
Net Profit Margin (%)	0.10	-8.11	-4.17
Return on Equity (%)	0.08	-6.01	-3.40
Return on Assets (%)	-0.16	-5.08	-2.63
Debt To Equity Ratio (Times)	0.11	0.27	0.28



0107537000513

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

Company's Financial Position

Assets

The Company has total assets according to the financial statements as of 31 December 2022 of THB 1,634.49 Million comparing to THB 1,664.83 Million in the previous year, equivalent to the decrease of 3.39%. The major decrease is from the decrease of inventory from increasing sales volume, aligned with the decreasing cash that paid to farmers for harvested produces. 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 December 2022 of THB 356.01 Million which increase from THB 352.89 Million indicated in previous year, equivalent to the increase of 0.88%. The main increase is from the long-term debt from financial institution of THB as a subsidiary has engage in long-term debt.

As of 31 December 2022, 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
- 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 11.02 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 2.59 Million
- The subsidiary has entered into the 5 years Gas Purchase agreement with a company. Such rate accordance with the conditions specified in the agreements.
- As at December 31, 2022, the Company and the Group's directors have an obligation as a guarantor of credit facilities of Sino-Thai Freeze & Dry Co., Ltd. the subsidiary companies, amounting to Baht 192.8 million. Generally, these guarantees are effective for guarantor as long as the underlying obligations have not been discharged by the guaranteed party.



0107537000513

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

The Company has appropriate and sufficient liquidity for the payment of liabilities and obligation. In 2021, the Current Ratio indicated 3.50 times and the Quick Ratio of 0.74 times, while most of the assets are current assets.

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

Shareholder's Equity

Shareholder's equity for the company presented in the financial statement for the period ended 31 December 2022 of THB 1,278.48 Million, decrease from THB 1,311.94 Million comparing to the previous year, equivalent to the decrease of 2.55%. However, the unappropriated retained earning has decrease from THB 798.96 Million to THB 767.07 Million, considered 4.57% decreased comparing to previous year. 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 17.04 Million according to the accounting standard and reporting standard.

Cash flow and Capital Structure

For the year 2022, the Company has net cash flow from operation THB 59.73 Million, comparing to the net cash flow used in operation THB 59.73 Million in 2021, increasing THB 119.46 Million, as the company has less net loss. Also, the repayment of trade payable of subsidiary. Besides, the company paid THB 27.71 Million for the procurement of machines and equipment.

In 2022, the Company has sufficient liquidity which evidence from the current ratio of 3.50 times, decrease from 7.49 times in the previous year. However, the major assets are current assets equivalent to 55.80% of total assets. On the other hand, the Company has only 15.94% of current liabilities which mostly consists of trade payable.

The Company has not engaged in any long term borrowing during 2022, but the subsidiary has previous long-term borrowing stated is the liability of STFD, whereas the debt to equity ratio increase to 0.28 times.



0107537000513

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

Summary Table for Company's Financial Position

	Value (THB Million)			Increase (decrease)		Common Size		
	2019	2020	2021	2020	2021	2019	2020	2021
Current Assets								
Cash and Cash Equivalent	147.61	196.12	192.07	32.86	(2.07)	9.73	11.78	11.75
Account Receivables	100.21	116.11	223.76	15.87	92.71	6.60	6.97	13.69
Short-term loan	6.93	0	0	100.00	-	0.46	0.00	0.00
Inventory	461.11	499.73	473.05	8.38	(5.34)	30.38	30.02	28.94
Derivatives Assets	24.68	1.41	23.09	(94.29)	1,531.82	1.63	0.08	1.41
Other Current Assets	241.51	41.88	0	(82.66)	100.00	15.91	2.52	0.00
Total Current Assets	982.06	855.26	911.97	(12.91)	6.63	64.71	51.37	55.80
Non-Current Assets								
Property Land and Equipment	455.56	727.14	668.67	59.61	(8.04)	30.02	43.68	40.91
Other Non-Current Assets	80.02	82.43	53.85	3.01	(34.67)	5.27	4.95	3.29
Total Non-Current Assets	535.59	809.57	722.52	51.15	(10.75)	35.29	48.63	44.20
Total Assets	1,517.64	1,664.83	1,634.49	9.70	(1.82)	100.00	100.00	100.00
Current Liabilities	79.10	245.53	260.53	210.40	3.21	5.21	14.75	15.94
Non-Current Liabilities	67.50	100.47	95.49	48.84	(4.96)	4.45	6.03	5.84
Total Liabilities	146.61	346.00	356.01	136.00	0.88	9.66	20.78	21.78
Shareholder's Equity	1,371.04	1,318.83	1,278.48	(3.81)	(2.55)	90.34	79.22	78.22

Please be informed accordingly

Faithfully yours,

Ankoon Pholpipattanaphong

Managing Director