



Management Discussion and Analysis (MD&A)

1st Quarter of 2024



CHIANGMAI FROZEN FOODS PUBLIC CO.,LTD.



DATA ANALYSIS





0107537000513

บริษัท เชียงใหม่ฟรอสเซ่นฟู๊ดส์ จำกัด (มหาชน)

149/34 ซอยแองโกลพลาซ่า ถนนสุรวงศ์ แขวงสุริยวงศ์ เขตบางรัก กรุงเทพฯ 10500

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

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May 8, 2024

Subject: Management Discussion and Analysis For the Financial Statements of 1st Quarter of 2024

To Directors and managers of the Stock Exchange of Thailand

Executive Summary

- Notably, as of March 31, 2024, the company's current assets from cash and cash equivalents and other current financial assets saw a substantial increase of 19 million baht or 2% compared to the same period in 2023. This significant growth indicates the company's economic stability and potential for further expansion. The net cash flow from operations was 2.8 million baht as of March 31, 2024.
- In the first quarter of 2024, our revenue from sales reached a significant milestone, amounting to 290.85 million baht. This marked an increase of 8.5 million baht or 3% compared to the same period in 2023. We attribute this growth to our successful expansion into foreign markets, which led to increased sales of goods. This achievement was further amplified by a 4% decrease in the cost of sales and a remarkable 41% increase in the gross profit margin.
- In the first quarter of 2024, the company achieved a net profit of 19.7 million baht, significantly improving from a net loss of 3 million baht in 2023. This improvement was primarily due to several key factors: a reduced distribution cost of 9 million baht in the first quarter of 2024, decreased sales management expenses by 15 million baht, and the company's benefit from income tax incentives for corporate entities. These factors combined to drive our positive financial performance in the first quarter of 2024.

1st Quarter of 2024 Economy

The Thai economy expanded by 0.8% in the first quarter of 2024 compared to the previous quarter but contracted by -1.4% compared to last year. The main reasons for this were the recovery in tourism, which boosted the services sector and employment. However, exports remained stagnant, private consumption slowed, and government spending contracted. Factors supporting this included increased tourist arrivals, which aided the recovery of the services sector, restaurants, and accommodations. Private sector investment



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also improved due to investments in new businesses, particularly in the information technology and communication industries. Export industries such as electronics, automotive parts, and chemicals expanded well. However, some export sectors were constrained and delayed by reduced global market demand, primarily agricultural and food products. Private consumption also slowed due to delayed purchases of durable goods like cars and electrical appliances. Furthermore, government spending contracted due to delays in fiscal budget law 2024.

Meanwhile, the overall Japanese economy in the first quarter of 2024, a key trading partner of the company, contracted by -0.4% compared to the previous quarter and -0.1% compared to the same period of the prior year. The leading causes included private consumption shrinking due to price adjustments of goods and services and economic uncertainty. Export demand remained sluggish due to reduced global market demand, and private sector investment stalled due to financial uncertainty. Risks affecting the Japanese economy included global economic slowdown from the US-China trade war, geopolitical risks, and the tight monetary policy of the US Federal Reserve. Japan's monetary policy continued to trend towards interest rate hikes. At the same time, Thailand's central bank maintained a low-interest-rate policy to stimulate the economy, resulting in the depreciation of the Thai baht against the US dollar. Factors such as strengthening the US economy also attracted foreign investors to purchase US assets, making the US dollar more desirable. Conversely, the Thai economy recovered slowly from the impact of COVID-19, leading to investor concerns and further weakening of the Thai baht. Other contributing factors included uncertainties such as the conflict in Ukraine, which created global economic uncertainties. Consequently, investors sold risky assets and turned to safe assets like gold and the US dollar, causing the Thai baht to depreciate.



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1st Quarter of 2024 Performance

The analysis of operational performance comparing the quarterly periods ending March 31, 2024, March 31, 2023, and December 31, 2023 can be summarized as follows:

Consolidated income statement for the year Ending December 31, 2023 compared to 2022

Summary of operating results, consolidated income statement	Consolidated financial statements				Change			
	Unit: Bath	Q1/2024	Q1/2023	Q4/2023	QoQ	%	YoY	%
Sales income		290,847,730	282,498,214	317,427,965	(26,580,235)	(8%)	8,349,516	3%
Cost of sales		(229,908,687)	(239,205,241)	(246,663,898)	16,755,211	(7%)	9,296,554	(4%)
Gross profit		60,939,043	43,292,973	70,764,067	(9,825,024)	(14%)	17,646,070	41%
Gain (loss) from exchange rate		(558,979)	11,392,386	(13,597,871)	13,038,892	(96%)	(11,951,365)	(105%)
Profits from debt restructuring		2,772,562	5,450,550	1,763,957	1,008,605	57%	(2,677,988)	(49%)
Other income		63,152,626	60,135,909	58,930,153	4,222,473	7%	3,016,717	5%
Profit before expenses		(17,256,946)	(21,029,070)	(18,172,738)	915,792	(5%)	3,772,124	(18%)
Distribution costs		(26,289,020)	(37,489,797)	(31,366,966)	5,077,946	(16%)	11,200,777	(30%)
Administrative expenses		19,606,660	1,617,042	9,390,449	10,216,211	109%	17,989,618	1113%
Profit from operating activities		330,588	283,529	907,445	(576,857)	(64%)	47,059	17%
Financial income		(370,093)	(3,732,912)	(350,901)	(19,192)	5%	3,362,819	(90%)
Financial costs		19,567,155	(1,832,341)	9,946,993	9,620,162	97%	21,399,496	(1168%)
Loss from asset impairment		139,640	(1,309,571)	(1,119,280)	1,258,920	(112%)	1,449,211	(111%)
Profit (loss) before income tax		19,706,795	(3,141,912)	8,827,713	10,879,082	123%	22,848,707	727%
Income (expenses) income tax		22,638,262	2,947,549	44,847,884	(22,209,622)	(50%)	19,690,713	668%
Profit(loss) for the year		(2,931,467)	(6,089,461)	19,222,539	(22,154,006)	(115%)	3,157,994	(52%)
Equity holders of the parent		0.06	0.01	0.12	(0.06)	(50%)	0.05	668%



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1. [The total assets](#) as of March 31, 2024, amounted to 1,557 million baht, increasing by 30 million baht compared to the total assets as of December 31, 2023. The details of significant increases and decreases are as follows:
 - Cash and cash equivalents decreased by 8.6 million baht or 3%, primarily due to seasonal raw material purchases.
 - Trade receivables decreased by 14.7 million baht or 64%, and agricultural receivables decreased by 15 million baht or 65% due to collections at the end of the growing season, aligning with the decrease in cash.
 - Inventory increased by 73 million baht or 22% in preparation for sales in the second and third quarters of 2024.
 - The derivative assets decreased by 14.9 million baht, representing a 100% reduction due to changes in fair value.
 - Deferred tax assets increased by 6.7 million baht or 32% due to changes in the fair value of derivative instruments.
2. [The total liabilities](#) as of March 31, 2024, amounted to 192 million baht, increasing by 36 million baht or 24% compared to the total liabilities as of December 31, 2023. The details of significant increases and decreases are as follows:
 - Accounts payable increased by 11 million baht due to warehouse repair.
 - Trade payables for agricultural products increased by 10 million baht or 55% due to raw material purchases during the planting season, corresponding to the increase in inventory.
 - Derivative liabilities increased by 18 million baht due to fair value adjustments at the period-end valuation.
3. [Shareholders' equity](#) as of March 31, 2024, amounted to 1,365 million baht, decreasing by 6.5 million baht compared to shareholders' equity as of December 31, 2023. The details of significant increases and decreases are as follows:
 - Increase from net income in the first quarter of 2567, amounting to 19 million baht.
 - Decrease from other components of shareholders' equity totaling 14 million baht, consisting of a decrease from provisions for derivative contract risks of 18 million baht and an



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[Total cash flow](#) for the first quarter ending March 31, 2024, saw a net increase of 85 million baht for the group of companies compared to the total cash flow at the end of March 31, 2023. The details of this activity are as follows:

Finance Information	Cash Flow		Increase(Decrease)		
	Unit: Bath	31 March 2024	31 March 2023	Amount	%
Net cash provided by operating activities		2,786,873	36,744,689	(33,957,611)	(92%)
Net cash used in investing activities		(11,955,426)	(7,757,484)	(4,197,943)	54%
Net cash used in financing activities		(391,376)	(461,373)	69,793	(15%)
Net cash increased		(9,559,929)	28,525,832	(38,085,761)	(134%)
Cash and cash equivalents At the beginning of the year		278,038,237	192,066,717	(4,056,208)	(2%)
Cash and cash equivalents At the end of the year		268,478,308	220,592,549	85,971,520	39%

- Net cash from operating activities decreased by 33 million baht, or 92%, compared to the same period in 2023. This decrease was attributed to an increase in inventory holding of 71 million baht, recording losses from the disposal of obsolete inventory that were lower in 2023, resulting in no recognition of loss this year, amounting to 9.7 million baht, reduced interest expenses by 3.3 million, and factors contributing to the increase in cash flow from changes in the fair value of forward foreign exchange contracts by 4.9 million baht, and an increase in trade and agricultural receivables by 16 million baht.
- Net cash used in investing activities increased by 4.2 million baht, with expenditures on improving cold storage efficiency amounting to 10 million baht and machinery of 2 million baht to enhance production efficiency and replace aging machinery.
- Net cash used in financing activities decreased by 0.07 million baht, attributed to reduced payments of contractual lease obligations.



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[Important financial ratios](#)

Important financial ratios	31 Mar 24	31 Mar 23
Liquidity ratio (times)	8.09	6.95
Quick ratio of capital (times)	3.34	1.79
Gross profit margin (percent)	21.03	15.33
Operating profit margin (percent)	6.74	0.57
Net profit margin (percent)	6.78	(1.11)
Rate of return on total assets (percent)	6.57	10.80
Debt to equity ratio (times)	0.11	0.16

As of the end of March 2024, the overall financial ratios improved compared to the same period in 2566. The profitability ratios, including return on equity, assets, and net profit margin, collectively increased during this period. Concurrently, the debt-to-equity ratio decreased due to the decrease in total assets mentioned earlier.

Mr. Ankoon Pholpipattanaphong

Managing Director