

14 May 2021

Re Management Discussion and Analysis for the first Quarter of year 2021 (amended)  
Attn. The President  
The Stock Exchange of Thailand (SET)

R&B Food Supply Public Company Limited and its subsidiaries would like to notify the operating results stated in consolidated financial statements for the first Quarter of year 2021 with the following details:

### **Revenues Structure**

1. The revenues of manufacturing and distributing of Food Ingredients that are classified into 6 categories as follows:
  - 1.1. Flavour, Fragrance & Color
  - 1.2. Food Coating
  - 1.3. Dry
  - 1.4. Frozen
  - 1.5. Packaging (Plastic)
  - 1.6. Trading Goods
2. The revenues of hotel business invested by RBF's subsidiaries which contain 2 hotels:
  - 2.1. Ibis Styles Chiangmai Hotel invested by Premium Foods Co., Ltd.
  - 2.2. Novotel Chumporn Beach & Golf invested by Thai Flavour and Fragrance Co., Ltd.

### **Impact of Coronavirus Disease 2019 outbreak**

The outbreak of Coronavirus Disease 2019 ("COVID-19") change and upended the normal way of living and economic activities. This is significant impact on the operating results of the hotel business. As a result, revenues of hotel business group significantly dropped by 81.60% compared to the same period of 2020.

In Q1'2021, the Group ceases applying the temporary measures to relieve the impact from COVID-19 which announced by The Federation of Accounting Professions (TFAC). So, the Group set up impairment loss on property, plant and equipment and right-of-use assets of hotel business based on the asset appraisal report from an independence appraiser amounting to Baht 1.32 million and Baht 60.94 million, respectively. (Impairment losses totaling Baht 62.26 million was charged in the consolidated statement of comprehensive income.)

At the Board of Directors Meeting No.1/2021 held on 25 February 2021, the Board of Directors assessed the impact of COVID-19 on their future operation and the past operations together with the situation of Covid-19 pandemic which is still evolving in the first quarter of 2021, the Board of Directors had resolution to propose to the Annual General Shareholders' meeting to enter in the agreement to sell and purchase of the Novotel Chumphon Beach Resort and Golf Hotel with the J.P.S. Holding Company Limited, and the Ibis Styles Chiang Mai Hotel with the River Kwai Botanic Garden Company Limited. Such transactions are considered as the related transactions from disposal of assets to the related persons. Accordingly, the Annual General Shareholders' meeting held on 23 April 2021 had resolution to approve the Company to enter into such agreements.

## Analysis of Operating Results

Statement of Comprehensive Income (MB)	For the 3-month periods (January - March)		Change	
	2021	2020	MB	%
Revenues from sales and rendering services	844.94	789.00	55.94	7.09%
Revenues from hotel operations	3.44	18.69	-15.25	-81.60%
<b>Total Revenue</b>	<b>848.38</b>	<b>807.69</b>	<b>40.69</b>	<b>5.04%</b>
Cost of goods sold and rendering services	500.16	435.52	64.64	14.84%
Cost of rendering hotel services	12.58	23.58	-11.00	-46.64%
<b>Total cost</b>	<b>512.74</b>	<b>459.10</b>	<b>53.64</b>	<b>11.68%</b>
<b>Gross profit</b>	<b>335.64</b>	<b>348.59</b>	<b>-12.95</b>	<b>-3.71%</b>
(Loss) gain on exchange rate	-2.20	5.85	-8.05	-137.67%
Other Income	1.47	3.48	-2.01	-57.81%
Selling expenses	55.57	49.70	5.87	11.81%
Administrative expenses	116.46	109.93	6.53	5.94%
Impairment losses on assets	62.26	-	62.26	100.00%
Net impairment losses on financial assets	2.27	7.07	-4.80	-67.94%
Finance costs	3.30	4.59	-1.29	-28.08%
<b>Profit before Income tax expenses</b>	<b>95.05</b>	<b>186.63</b>	<b>-91.58</b>	<b>-49.07%</b>
Income tax expense	18.91	39.65	-20.74	-52.30%
<b>Profit for the period</b>	<b>76.14</b>	<b>146.98</b>	<b>-70.84</b>	<b>-48.20%</b>
<b>Profit attributable to :</b>				
<b>Non-controlling interests</b>	1.12	-0.36	1.48	-406.46%
<b>Owners of the parent</b>	<b>75.02</b>	<b>147.34</b>	<b>-72.32</b>	<b>-49.08%</b>

### The Revenue from Operations for the first quarter of 2021

In Q1'2021, the revenues from operations of the Company and its subsidiaries were THB 848.38 million, which increased by THB 40.69 million or 5.04% compared to Q1'2020, which the revenues from operations was THB 807.69 million.

The significant changes of each type of the revenues can be explained as follows:

#### 1. REVENUES FROM SALES OF MANUFACTURING AND TRADING GOODS

In Q1'2021, the revenues from sales were THB 844.94 million, equaled to 99.57% of the total revenues from operations, and increased by THB 55.94 million (YoY 7.09%) compared to Q1'2020, which the revenues from sales was THB 789.0 million, equaled to 97.69% of the total revenue from operations.

The increase in sales of THB 55.94 million comprised of:

- Increase in domestic sales of THB 44.44 million.
- Increase in overseas sales of THB 11.50 million.

Consideration of 6 product categories, the main increase came from: Food Coating category increased by THB 45.53 million, Trading Goods category increased by THB 17.59 million, and Dry category increased by THB 10.60 million, net with the decrease in Frozen category of THB 14.42 million.

## 2. REVENUES FROM HOTEL OPERATIONS

In Q1'2021, the revenue from hotel operations of the Company and its subsidiaries was THB 3.44 million, equaled to 0.41% of the total revenue from operations. The revenue from hotel operations decreased by THB 15.25 million (YoY -81.60%) compared to Q1'2020, mainly due to the outbreak of Coronavirus Disease 2019 ("COVID-19 Pandemic"), resulting in cancellation of hotel booking in the first quarter of 2021 as mentioned above.

### **Gross Profit for the first quarter of 2021**

In Q1'2021, the gross profit was THB 335.64 million or 39.56% of the total revenue from operations, which decreased by THB 12.95 million (YoY -3.71%) compared to Q1'2020, which the gross profit was THB 348.59 million or 43.16% of total revenue from operations.

The significant changes of the gross profit can be explained as follows:

#### 1. GROSS PROFIT FROM SALES OF MANUFACTURING AND TRADING GOODS

In Q1'2021, the gross profit of Food Ingredient business was THB 344.78 million or 40.80% of the total revenue from operations, which decreased by THB 8.70 million (YoY -2.46%) compared to Q1'2020, which the gross profit was THB 353.48 million or 44.80% of the total revenue from operations. The decrease of gross profit is mainly due to the Food Coating products, which have higher raw material costs from the situation of container shortage. Hence, the import of raw materials into the production process has been delayed. Therefore, the Group has to purchase raw materials locally with have higher costs to replace imported raw materials from abroad. Moreover, the price adjustment in the world market of some raw materials also affects the Flavour, Fragrance & Color products. And the situation of container shortage also affects Flavour, Fragrance and Color products, so the Group had to use air freight service with higher cost to import some raw materials.

#### 2. GROSS PROFIT FROM HOTEL OPERATIONS

In Q1'2021, the negative gross margin of hotel operations was THB 9.14 million or -265.80% of the total revenue from hotel business. The hotel operations had the negative gross margin increased by THB 4.25 million, compared to Q1'2020 which the negative gross margin was THB 4.89 million or -26.17% of the total revenue from hotel business. Resulting from the decrease in sales, which mainly due to the effect of COVID-19 pandemic.

### **Selling and Administrative Expenses for first quarter of 2021**

In Q1'2021, selling and administrative expenses were THB 172.02 million, equaled to 20.28% of the total revenue from operations. Selling and administrative expenses of the Company and its subsidiaries increased by THB 12.39 million (YoY 7.76%) compared to Q1'2020, which selling and administrative expenses were THB 159.63 million or 19.76% of the total revenue from operations.

The significant changes of the selling and administrative expenses can be explained as follows:

- Increase in salary expenses of THB 2.54 million;
- Increase in transportation expenses of THB 3.15 million;
- Increase in expenses relating to consulting fee and marketing expenses in Singapore of THB 2.79 million.

### **Impairment losses on assets**

In Q1' 2021, the Company and its subsidiaries ceases applying the temporary exemption guidance to relieve the impact from COVID-19 announced by The Federation of Accounting Professions (TFAC) and recorded impairment losses on property, plant and equipment and right-of-use assets of hotel business totaling Baht 62.26 million as mentioned above.

### **Net impairment losses on financial assets**

In Q1'2021, the net impairment losses on financial assets of THB 2.27 million derived from the provision of Net impairment losses on financial assets for the first quarter of 2021.

### **Profit for the first quarter of 2021**

In Q1'2021, the profit for the period (included Impairment Losses) was THB 76.14 million, equaled to 8.97% of the total revenue from operations, and decreased by THB 70.84 million (YoY -48.20%) compared to Q1'2020, which profit for the period was THB 146.98 million or 18.20% of the total revenue from operations.

In Q1'2021, the profit for the period (excluded Impairment Losses) was THB 138.40 million, equaled to 16.31% of the total revenue from operations, and decreased by THB 8.58 million (YoY -5.84%) compared to Q1'2020, which profit for the period was THB 146.98 million or 18.20% of the total revenue from operations.

### **Profit for the year attributable to owners of the Company for the first quarter of 2021**

In Q1'2021, the profit for the period attributable to owners of the Company was THB 75.02 million, equaled to 8.84% of the total revenue from operations, and decreased by THB 72.32 million (YoY -49.08%) compared to Q1'2020, which profit for the period attributable to owners of the Company was THB 147.34 million or 18.24% of the total revenue from operations.

## **Statement of Financial Position**

### **Assets**

As at 31 March 2021, the Company and its subsidiaries had the total assets of THB 5,075.46 million, increased by THB 192.06 million (YoY 3.93%) compared to 31 December 2020, which the total assets were THB 4,883.40 million.

The significant changes in assets comprised of:

- Increase in cash and cash equivalents of THB 52.69 million. Mainly causing from
  - Net of cash inflow from operating activities of THB 84.11 million:
  - Net of cash inflow from shares subscription payment of subsidiary in Japan from non-controlling interests of THB 11.31 million:
  - Net cash flows for payments of plant construction and purchase of machinery of THB 41.17 million;
  - Repayment of lease liabilities of THB 1.92 million;
- Increase in trade and other receivables of THB 98.22 million, due to the increase in sales and advances for import goods. The Company has average collection period for manufacturing and trading goods business in Q1'2021 longer than 2020 for 2 days.
- Increase in inventories of THB 90.40 million, due to support the increase in future sale orders, resulting from increased in goods in transit of THB 40.97 Million, finished goods of THB 28.39 million and raw materials of THB 26.39 million.
- Decrease in right-of-use assets (ROU) for THB 69.89 million derived from the provision of impairment loss on property, plant and equipment and right-of-use assets of hotel business of THB 60.94 million.

### **Liabilities**

As at 31 March 2021, the Company and its subsidiaries had the total liabilities of THB 901.88 million, which was 17.77% of the total assets, increased by THB 107.29 million (YoY 13.50%) compared to 31 December 2020 which the total liabilities were THB 794.58 million, equaled to 16.27% of the total assets.

The significant changes in liabilities comprised of:

- Increase in trade and other payables of THB 71.08 million resulting from increased in raw materials and trading goods of THB 87.92 million to support increase in sale volume, net with the decreased in accrued employee expenses of THB 12.29 million.
- Increase in income tax payable of THB 32.47 million from tax expense for the first quarter of 2021.

### **Equity**

As at 31 March 2021, the Company and its subsidiaries had the total equity attributable to owners of the Company of THB 4,163.26 million, or 82.03% of the total assets. The increase in the total equity attributable to owners of the Company was THB 72.33 million or 1.77% compared to 31 December, 2020, which the total equity attributable to owners of the Company was THB 4,090.93 million, equaled to 83.77% of the total assets. The significant changes in Equity were mainly due to the increase in profit for the period attributable to owners of the Company of THB 75.02 million, and the decreasing from the Other components of equity of THB 2.69 million.

**Statement of Cash flows**

The statement of cash flows for the period ended 31 March 2021 are as follows:

- Net cash flows generated from operating activities of THB 84.11 million.
- Net cash flows used in investing activities of THB 41.91 million, mainly for cash payments for property, plant, and equipment of THB 41.17 million.
- Net cash flows generated from financing activities of THB 9.38 million, mainly from shares subscription payment of subsidiary from non-controlling interests of THB 11.31 million and repayments on lease liabilities of THB 1.92 million.
- Cash and cash equivalents at 31 December, 2020 were THB 613.66 million and at 31 March, 2021 were THB 666.35 million.

Yours Sincerely

Suranart Kittirattanadetch  
Chief Financial Officer  
R&B Food Supply Public Company Limited