

13 August 2021

Re Management Discussion and Analysis for the second quarter and 6-months period of 2021 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 second quarter and 6-months period of year 2021 with the following details:

## **Revenues Structure**

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

## Significant events during the current period

The impact from COVID- 19 outbreak since the beginning of 2020, has continued to change and upended the normal way of living and economic activities both nationally and globally until now. The Board of Directors and the executive managements have continually assessed the impact of such incidents. At the Board of Directors Meeting no.1/2021 of the Company held on 25 February 2021 and the Annual General Meeting of Shareholders no.1/2021 of the Company held on 23 April 2021, the meetings approved to enter in the agreement to sell and purchase of Novotel Chumphon Beach Resort and Golf Hotel with J.P.S. Holding Company Limited, and Ibis Styles Chiang Mai Hotel with River Kwai Botanic Garden Company Limited, which were the businesses under subsidiaries namely Thai Flavour and Fragrance Co., Ltd. and Premium Foods Co., Ltd., respectively.

In Q2'2021, the Group disposed of the two hotel businesses. On 31 May 2021, Ibis Styles Chiang Mai Hotel was disposed to River Kwai Botanic Garden Company Limited and on 1 June 2021, Novotel Chumphon Beach Resort Golf Hotel was disposed to J.P.S. Holding Company Limited. The disposal of the hotel assets was made with the companies under common control and received all payment from the buyers. The Group engaged external independent valuers approved by the Securities and Exchange Commission to appraise selling price with amount of Baht 272 million by having gain after allowance for impairment loss on assets of Baht 15.08 million.

Under the hotel sale agreements, the Group transferred long term land leaseholds right to the buyers. The impact of such terminated long term lease contracts decreased the Group's carrying amount of the rightof-use assets of Baht 126.19 million and lease liabilities of Baht 132.57 million. The Group already recognized such gain relating to the termination of the lease contracts as a part of gain on disposal of discontinued operations in the consolidated statement of comprehensive income.

The employees of these two hotels were terminated their employment contracts and the Group has obligation to pay the compensations according to Labour Protection Act which already been paid on 28 June 2021 totalling Baht 2.19 million and was recorded in the consolidated statement of comprehensive income. In addition, there were employees who preferred to transfer to the buyers' companies and the Group will responsible for employee benefit obligation of these employees for their past service provided for the Group totalling Baht 4.79 million which was recorded as other payable to related parties.





# Financial performance and cash flow information of discontinued operation

The financial performance and cash flow information of discontinued operation which presented for the period ended 1 June 2021 and for the six-month period ended 30 June 2020 were as follow:

| Financial performance and cash flow information             | 1-Jan-2021 | 1-Jan-2020       |  |
|---|------------|------------------|--|
| Discontinued operation                                      | to         | to<br>1-Jun-2020 |  |
| (In Million Baht)   | 1-Jun-2021 |                  |  |
|   |            |                  |  |
| Revenue   | 7.07       | 20.77            |  |
| Expenses  | (33.15)    | (57.69)          |  |
| Impairment of assets  | (62.26)    | -                |  |
| Loss before income tax                                      | (88.34)    | (36.92)          |  |
| Income tax  | 17.54      | 7.84             |  |
| Loss after income tax - before loss on disposal of          |            |                  |  |
| discontinued operations                                     | (70.80)    | (29.08)          |  |
| Gain on disposal of discontinued operations                 | 15.08      | -                |  |
| Income tax from gain on disposal of discontinued operations | (3.02)     | -                |  |
| Loss after income tax - Discontinued operations             | (58.74)    | (29.08)          |  |
|   |            |                  |  |
| Operating cash flows  | (5.06)     | (26.90)          |  |
| Investing cash flows  | 260.45     | (1.36)           |  |
| Financing cash flows  | 0.69       | 0.03             |  |
| Net cash flows  | 256.08     | (28.22)          |  |



| Profit or Loss  | Three-month period<br>(April - June) |          | Six-month period<br>(Jan - June) |          | Change   |          |          |          |
|---|--------------------------------------|----------|----------------------------------|----------|----------|----------|----------|----------|
| (In Million Baht)                                     | 2021                                 | 2020     | Amount                           | %        | 2021     | 2020     | Amount   | %        |
| Revenue from sales and rendering services             | 788.35                               | 698.97   | 89.37                            | 12.79%   | 1,633.29 | 1,487.97 | 145.32   | 9.77%    |
| Cost of goods sold and rendering services             | (489.25)                             | (405.14) | (84.11)                          | 20.76%   | (989.41) | (840.66) | (148.75) | 17.69%   |
| Gross profit  | 299.10                               | 293.83   | 5.27                             | 1.79%    | 643.88   | 647.31   | (3.43)   | -0.53%   |
| Gain (loss) on exchange rate                          | 1.40                                 | (3.92)   | 5.32                             | -135.65% | (0.81)   | 4.22     | (5.03)   | -119.08% |
| Other income  | 0.41                                 | -        | 0.41                             | 100.00%  | 1.81     | 3.28     | (1.47)   | -44.77%  |
| Selling expenses                                      | 49.52                                | 37.42    | 12.09                            | 32.32%   | 104.42   | 85.41    | 19.02    | 22.27%   |
| Administrative expenses                               | 108.86                               | 98.34    | 10.52                            | 10.70%   | 220.02   | 202.37   | 17.65    | 8.72%    |
| Net impairment losses on financial assets (reversal)  | 8.46                                 | (2.53)   | 10.99                            | -435.01% | 10.73    | 4.55     | 6.18     | 136.00%  |
| Finance costs   | 1.83                                 | 2.32     | (0.50)                           | -21.44%  | 3.56     | 4.60     | (1.04)   | -22.69%  |
| Profit before income tax expense                      | 132.24                               | 154.35   | (22.11)                          | -14.32%  | 306.15   | 357.88   | (51.73)  | -14.46%  |
| Income tax expense                                    | (27.66)                              | (30.01)  | 2.35                             | -7.84%   | (62.83)  | (73.14)  | 10.31    | -14.09%  |
| Profit for the period from continuing operations      | 104.59                               | 124.34   | (19.75)                          | -15.89%  | 243.32   | 284.74   | (41.42)  | -14.55%  |
| Gain (loss) from discontinued operations - net of tax | 3.85                                 | (15.66)  | 19.51                            | -124.58% | (58.74)  | (29.08)  | (29.65)  | 101.96%  |
| Profit for the period                                 | 108.44                               | 108.68   | (0.24)                           | -0.22%   | 184.58   | 255.66   | (71.08)  | -27.80%  |
| Profit attributable to:                               |                                      |          |                                  |          |          |          |          |          |
| Non-controlling interests                             | 0.46                                 | (0.29)   | 0.76                             | -257.62% | 1.58     | (0.66)   | 2.24     | -340.04% |
| Owners of the parent                                  | 107.98                               | 108.97   | (1.00)                           | -0.91%   | 183.00   | 256.31   | (73.32)  | -28.60%  |

## Analysis of Operating Results

## The Revenue from sales and rendering services for the second quarter of 2021

In Q2'2021, revenue from sales and rendering services of the Group was THB 788.35 million, which increased by THB 89.37 million or 12.79% compared to Q2'2020, which revenue from sales and rendering services was THB 698.97 million.

The increase in sales of THB 89.37 million comprised:

- Increase in domestic sales of THB 54.93 million.
- Increase in overseas sales of THB 34.44 million.

Consideration of 6 product categories, the main increase came from: Food Coating category increased by THB 72.31 million, Trading Goods category increased by THB 26.32 million, and Dry category increased by THB 2.85 million, net with the decrease in Frozen category of THB 9.22 million

## The Revenue from sales and rendering services for the 6-months period of 2021

For six-months period of 2021, revenue from sales and rendering services of the Group was THB 1,633.29 million, which increased by THB 145.32 million or 9.77% compared to the same period of 2020, which revenue from sales was THB 1,487.97 million.

The increase in sales of THB 145.32 million comprise:

- Increase in domestic sales of THB 99.37 million.
- Increase in oversea sales of THB 45.95 million.

Consideration of 6 product categories, the main increase came from: Food Coating category increased by THB 117.84 million, Trading Goods category increased by THB 43.90 million, and Dry category increased by THB 13.45 million, net with the decrease in Frozen category of THB 23.61 million.



## Gross Profit for the second quarter of 2021

In Q2'2021, the gross profit was THB 299.10 million or 37.94% of revenue from sales and rendering services, which increased by THB 5.27 million (YoY 1.79%) compared to Q2'2020, which the gross profit was THB 293.83 million or 42.04% of revenue from sales and rendering services. The gross profit margin insignificantly increased compared to last period.

In Q2' 2021, Consideration of 6 product categories, the main increase came from Trading Goods category increased by THB 11.80 million, Dry category increased by THB 8.94 million, Food Coating category increased by THB 0.97 million and net with the decrease in Frozen category of THB 8.14 million.

The percentage of gross profit margin decreased due to the higher raw material costs of 2 main categories. For Food Coating, even though the container shortage situation was improved in this quarter and the company could replace the domestic raw materials with imported ones, the global commodity price was still high compared to the price last year especially wheat and corn flour. For Flavour, Fragrance & Color, the higher price adjustment in the world market of some raw materials also affected the cost of this group.

#### Gross Profit for the 6-months period of 2021

For six-months period of 2021, the gross profit was THB 643.88 million or 39.42% of revenue from sales and rendering services, which decreased by THB 3.43 million (YoY -0.53%) compared to the same period of 2020, which the gross profit was THB 647.31 million or 43.50% of revenue from sales and rendering services.

The percentage of gross profit margin decreased due to the higher raw material costs of 2 main categories. For Food Coating, the company had to purchase more domestic raw materials, which had higher price, to replace the imported ones from the situation of container shortage since Q1'2021. Even though the situation was improved but the raw materials price was still in high level due to the increase in global commodity price especially wheat and corn flour. For Flavour, Fragrance & Color, the higher price adjustment in the world market of some raw materials also affected the cost of this group. In addition, the company had to use air freight service with higher transportation cost to import some raw materials due to the container shortage. The situation of high raw material price is expected to improve early next year.

#### Selling and Administrative Expenses for the second quarter of 2021

In Q2'2021, selling and administrative expenses were THB 158.38 million, equaled to 20.09% of revenue from sales and rendering services. Selling and administrative expenses of the Group increased by THB 22.62 million (YoY 16.66%) compared to Q2'2020, which selling and administrative expenses were THB 135.76 million or 19.42% of revenue from sales and rendering services.

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

- Increase in freight expenses of THB 4.99 million;
- Increase in salary and employee expenses of THB 3.61 million causing from increasing in retails sales staff according to the strategic policy of Retails business and the annual incretion of salary;
- Increase in sales commission expenses of THB 3.50 million causing from increasing in retails sales of THB 31.13 million which consisted of commission fee for sales staff and administrative fee for the agents;
- Increase in professional fees of THB 2.56 million causing from financial advisor which relating to determine a reasonable selling price for the discontinued business of THB 1 million, audit fee and accounting services for the overseas subsidiaries of THB 0.96 million;
- Increase in sales promotion expenses of THB 1.57 million causing from the expanding of modern trade business.



## Selling and Administrative Expenses for the 6-months period of 2021

For six-months period of 2021, selling and administrative expenses were THB 324.44 million, equaled to 19.86% of revenue from sales and rendering services. Selling and administrative expenses of the Group increased by THB 36.66 million (YoY 12.74%) compared to the same period of 2020, which selling and administrative expenses were THB 287.78 million or 19.34% of revenue from sales and rendering services.

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

- Increase in salary and employee expenses of THB 9.63 million causing from increasing in oversea staff of Maple Innovation Co., Ltd., the overseas subsidiaries in Japan of THB 2.49 million, increasing in retails sales staff (the strategic policy of Retails business) of THB 1.76 million, increasing in overseas staff of PT. RBFood Manufaktur Indonesia of THB 1.30 million, and the annual incretion of salary;
- Increase in freight expenses of THB 7.28 million;
- Increase in professional expenses of THB 6.11 million causing from financial advisor which relating to determine a reasonable selling price for the discontinued business of THB 2 million and professional fee for the business registration of the oversea subsidiary in Japan of THB 1 million;
- Increase in sales commission expenses for sales staff and administrative fee for the agents of THB 4.94 million in order to increase sale for retail market.

#### Net impairment losses on financial assets

In Q2'2021, the net impairment losses on financial assets of THB 8.46 million derived from the provision of net impairment losses on financial assets for the second quarter of 2021.

For six-months period of 2021, the net impairment losses on financial assets was THB 10.73 million, equaled to 0.66% of revenue from sales and rendering services, increased by THB 6.18 million (YoY 136.00%) compared to the same period of 2020, which the net impairment losses on financial assets was THB 4.55 million or 0.31% of revenue from sales and rendering services. Mainly increased from expected credit losses of trade account receivables.

## Profit for the second quarter of 2021

In Q2'2021, the profit for the period was THB 108.44 million, equaled to 13.76% of revenue from sales and rendering services, and decreased by THB 0.24 million (YoY -0.22%) compared to Q2'2020, which profit for the period was THB 108.68 million or 15.55% of revenue from sales and rendering services. The significant matters comprised:

- Profit for the period from continuing operations was THB 104.59 million, equaled to 13.27% of revenue from sales and rendering services, and decreased by THB 19.75 million (YoY -15.89%) compared to Q2'2020, which profit for the period was THB 124.34 million or 17.79% of revenue from sales and rendering services.

- Gain from discontinued operations was THB 3.85 million, equaled to 0.49% of revenue from sales and rendering services, and gain increased by THB 19.51 million (YoY 124.58%) compared to Q2'2020, which loss from discontinued operations for the period was THB 15.66 million.



## Profit for the 6-months period of 2021

For six-months period of 2021, the profit for the period was THB 184.58 million, equaled to 11.30% of revenue from sales and rendering services, and decreased by THB 71.08 million (YoY -27.80%) compared to the same period of 2020, which profit for the period was THB 255.66 million or 17.18% of revenue from sales and rendering services. The significant matter comprised:

- Profit for the period from continuing operations was THB 243.32 million, equaled to 14.90% of revenue from sales and rendering services, and decreased by THB 41.42 million (YoY -14.55%) compared to the same period of 2020, which profit for the period was THB 284.74 million or 19.14% of revenue from sales and rendering services.

- Loss from discontinued operations was THB 58.74 million, equaled to -3.60% of revenue from sales and rendering services, and loss increased by THB 29.65 million (YoY 101.96%) compared to the same period of 2020, which loss from discontinued operations for the period was THB 29.08 million.

#### Profit for the period attributable to owners of the Company for the second quarter of 2021

In Q2'2021, the profit for the period attributable to owners of the Company was THB 107.98 million, equaled to 13.70% of revenue from sales and rendering services, and decreased by THB 1.00 million (YoY - 0.91%) compared to Q2'2020, which profit for the period attributable to owners of the Company was THB 108.97 million or 15.59% of revenue from sales and rendering services.

#### Profit for the period attributable to owners of the Company for the 6-months period of 2021

For six-months period of 2021, the profit for the period attributable to owners of the Company was THB 183.00 million, equaled to 11.20% of revenue from sales and rendering services, and decreased by THB 73.32 million (YoY -28.60%) compared to the same period of 2020, which profit for the period attributable to owners of the Company was THB 256.31 million or 17.23% of revenue from sales and rendering services.



## Statement of Financial Position

#### <u>Assets</u>

As at 30 June 2021, the Group had the total assets of THB 4,649.98 million, decreased by THB 233.42 million (YoY -4.78%) compared to 31 December 2020, which the total assets were THB 4,883.40 million.

The significant changes in assets comprised:

- Increase in cash and cash equivalents of THB 87.17 million. Mainly causing from
  - Net of cash inflows from operating activities of THB 196.85 million;
  - Net of cash inflows from sales on hotel business of THB 260.45 million;
  - Net of cash inflows from shares subscription payment of subsidiary in Japan from non-controlling interests of THB 11.31 million;
  - Net cash outflows for payments of plant construction and purchase of machinery of THB 80.33 million;
  - Dividend payment of THB 300.00 million.
- Decrease in trade and other receivables of THB 18.15 million.
- Increase in inventories of THB 140.48 million, mainly due to support the increase in future sale orders, resulting from increased in raw materials of THB 75.22 million and finished goods of THB 56.89 million.
- Decrease in right-of-use assets of THB 444.50 million, mainly derived from disposals of the two hotel businesses which the Group transferred long term land lease contracts to the buyers including the recognition of impairment losses of hotel assets totalling Baht 429.18 million and depreciation charged for the period of THB 19.00 million.

#### **Liabilities**

As at 30 June 2021, the Group had the total liabilities of THB 655.74 million, which was 14.10% of the total assets, decreased by THB 138.84 million (YoY -17.47%) 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 due to decrease in lease liabilities of THB 134.72 million, mainly from termination of long term land lease contracts of the Ibis Styles Chiang Mai Hotel and the Novotel Chumphon Beach Resort and Golf Hotel.

## **Equity**

As at 30 June 2021, the Group had the total equity attributable to owners of the Company of THB 3,994.24 million, or 85.90% of the total assets. The decrease in the total equity attributable to owners of the Company was THB 94.58 million or -2.31% compared to 31 December, 2020, which the total equity attributable to owners of the Company was THB 4,088.81 million, equaled to 83.73% of the total assets. The significant changes in Equity mainly due to:

- Profit for the period attributable to owners of the Company of THB 183.00 million;
- Increase in non-controlling interest from subsidiary requests from shares subscription payment of THB 11.31 million;
- Net offset with dividend payment of THB 300.00 million.



## **Statement of Cash flows**

The statement of cash flows for the period ended 30 June 2021 are as follows:

- Net cash inflows generated from operating activities of THB 196.85 million.
- Net cash inflows generated from investing activities of THB 180.66 million, mainly from sales on discontinued operations hotel business of THB 260.45 million net offset with cash payments for purchase of property, plant, and equipment of THB 80.33 million.
- Net cash outflows used in financing activities of THB 291.80 million, mainly for dividend payment of THB 300.00 million net offset with cash received from shares subscription payment of subsidiary from non-controlling interests of THB 11.31 million.
- Cash and cash equivalents at 31 December, 2020 was THB 613.66 million and at 30 June 2021 was THB 700.82 million.

Yours Sincerely

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