

12 November 2021

Re Management Discussion and Analysis for the third quarter and 9-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 third quarter and 9-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 has continued to change and upended the normal way of living and economic activities until now. The Group by the Board of Directors and the executive managements has continually assessed the impact of such incidents and has decided to dispose the two hotel businesses, which were approved in accordance with the resolution of the Annual General Meeting of Shareholders no.1/2021 of the Company held on 23 April 2021 and proceeded as follows; 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 right-of-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 for the 9-months period of year 2021.

The employees of these two hotels were terminated their employment contracts and the Group has obligation to pay the compensations according to Labor Protection Act which already been paid on 28 June 2021 totaling 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, totaling Baht 4.79 million which was recorded as other payable to related parties. During Q3'2021, it was paid by offsetting other payable-related parties with other account receivable-related parties.

Financial performance and cash flow information of discontinued operation

The financial performance and cash flow information presented period of 1 January 2021 to 30 September 2021 and for nine-month period ended 30 September 2020 were as follows:

Consolidated financial information	30 September	30 September
	2021	2020
	Baht	Baht
Revenue	7.07	35.95
Expenses	(32.55)	(87.84)
Impairment of assets	(62.26)	-
Loss before income tax	(87.75)	(51.88)
Income tax	17.78	10.73
Loss after income tax - before loss on disposal of discontinued operations	(69.96)	(41.16)
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	(57.90)	(41.16)
Operating cash flows	(13.91)	(32.42)
Investing cash flows	260.45	(1.85)
Financing cash flows	0.69	0.22
Net cash flows	247.23	34.04

Analysis of Operating Results

Profit or Loss (In Million Baht)	Three-month period (July - September)		Change		Nine-month period (January - September)		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
Revenue from sales and rendering services	822.44	816.81	5.63	0.69%	2,455.74	2,304.78	150.95	6.55%
Cost of goods sold and rendering services	(503.44)	(468.36)	(35.08)	7.49%	(1,492.85)	(1,309.02)	(183.83)	14.04%
Gross profit	319.01	348.46	(29.45)	-8.45%	962.89	995.77	(32.88)	-3.30%
Gain (loss) on exchange rate	2.25	(5.09)	7.34	-144.13%	1.44	(0.87)	2.31	-265.82%
Other income	3.08	0.00	3.08	100.00%	4.89	5.14	(0.24)	-4.75%
Selling expenses	(52.46)	(50.51)	(1.95)	3.86%	(156.89)	(135.92)	(20.97)	15.42%
Administrative expenses	(107.18)	(93.02)	(14.16)	15.22%	(327.20)	(297.25)	(29.95)	10.08%
Net impairment losses on financial assets	1.36	(8.09)	9.44	-116.77%	(9.37)	(12.63)	3.26	-25.81%
Finance costs	(2.50)	(1.75)	(0.74)	42.31%	(6.06)	(6.36)	0.30	-4.76%
Profit before income tax expense	163.56	189.99	(26.43)	-13.91%	469.71	547.87	(78.16)	-14.27%
Income tax expense	(29.87)	(37.49)	7.63	-20.34%	(92.70)	(110.64)	17.94	-16.21%
Profit for the period from continuing operations	133.69	152.50	(18.80)	-12.33%	377.01	437.24	(60.23)	-13.77%
Gain (loss) from discontinued operations - net of tax	0.84	(12.07)	12.91	-106.95%	(57.90)	(41.16)	(16.74)	40.68%
Profit for the period	134.53	140.42	(5.89)	-4.20%	319.11	396.08	(76.97)	-19.43%
Profit attributable to:								
Non-controlling interests	0.93	(0.52)	1.45	-278.55%	2.51	(1.18)	3.69	-312.84%
Owners of the parent	133.60	140.95	(7.35)	-5.21%	316.60	397.26	(80.66)	-20.31%

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

In Q3'2021, revenue from sales and rendering services of the Group was THB 822.44 million, which increased by THB 5.63 million or 0.69% compared to Q3'2020, which revenue from sales and rendering services was THB 816.81 million.

The increase in sales of THB 5.63 million comprised:

- Decrease in domestic sales of THB 22.08 million.
- Increase in overseas sales of THB 27.71 million.

Consideration of 6 product categories, the main increase came from: Flavour, Fragrance & Color category increased by THB 9.54 million, Dry category increased by THB 7.30 million, Frozen Product category increased by THB 3.26 million, and, net with the decrease in Trading Goods category of THB 15.65 million.

The Revenue from sales and rendering services for the 9-months period of 2021

For nine-months period of 2021, revenue from sales and rendering services of the Group was THB 2,455.74 million, which increased by THB 150.95 million or 6.55% compared to the same period of 2020, which revenue from sales was THB 2,304.78 million.

The increase in sales of THB 150.95 million comprise:

- Increase in domestic sales of THB 77.29 million.
- Increase in oversea sales of THB 73.66 million.

Consideration of 6 product categories, the main increase came from: Food Coating category increased by THB 118.70 million, Trading Goods category increased by THB 28.28 million, and Dry category increased by THB 20.88 million, net with the decrease in Frozen Product category of THB 20.13 million.

Gross Profit for the third quarter of 2021

In Q3'2021, the gross profit was THB 319.01 million or 38.79% of revenue from sales and rendering services, which decreased by THB 29.45 million (YoY -8.45%) compared to Q3'2020, which the gross profit was THB 348.46 million or 42.66% of revenue from sales and rendering services.

In Q3'2021, Consideration of product categories, the decrease in gross profit came from Food Coating category decreased by THB 27.41 million, Packaging(Plastic) category decreased by THB 12.35 million, Flavour, Fragrance & Color category decreased by THB 2.22 million, and the increase in Frozen Product category of THB 9.43 million and Dry category of THB 3.28 million.

The decrease in gross profit was due to the ongoing container shortage situation through this quarter, and the increase in raw material costs of Food Coating. At present the global commodity price of wheat and corn flour are still in high level. 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 9-months period of 2021

For nine-months period of 2021, the gross profit was THB 962.89 million or 39.21% of revenue from sales and rendering services, which decreased by THB 32.88 million (YoY -3.30%) compared to the same period of 2020, which the gross profit was THB 995.77 million or 43.20% of revenue from sales and rendering services.

For nine-months period of 2021, the decrease in gross profit is due to the container shortage situation that has impacted since the first quarter of 2021 continuing until this quarter and the impact of the world market price of starch raw materials that is still at high level. As a result, the gross profit of Food Coating category decreased by THB 28.03 million. In addition, the increase in the cost of some raw materials of Flavour, Fragrance & Color category is also at high level due to the higher price adjustment in the world market. As a result, the gross profit of Flavour, Fragrance & Color category decreased by THB 29.13 million. The situation of the high raw material price is expected to improve early next year. On the other hand, there are 2 categories which have gross profit margin increased: Dry category for THB 19.03 million and Trading Goods category for THB 12.95 million.

Selling and Administrative Expenses for the third quarter of 2021

In Q3'2021, selling and administrative expenses were THB 159.64 million, equaled to 19.41% of revenue from sales and rendering services. Selling and administrative expenses of the Group increased by THB 16.11 million (YoY 11.22%) compared to Q3'2020, which selling and administrative expenses were THB 143.53 million or 17.57% 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 9.10 million; caused from 1) increasing staffs in Research and Development Center, sales team for retail and industry, the overseas subsidiaries in Indonesia (PT RBFood Manufaktur Indonesia, PT RBFood Supply Indonesia) and in Japan (Maple Innovation Co., Ltd.) and 2) the annual salary increase;
- Increase in sales promotion expenses of THB 2.30 million mainly due to the expanding of modern trade business;
- Increase in employee welfare expenses of THB 1.25 million causing from the management of employees' safety and hygiene. Due to the epidemic situation of COVID-19, such as the purchase of Antigen Test Kit and other related expenses.

Selling and Administrative Expenses for the 9-months period of 2021

For nine-months period of 2021, selling and administrative expenses were THB 484.09 million, equaled to 19.71% of revenue from sales and rendering services. Selling and administrative expenses of the Group increased by THB 50.91 million (YoY 11.75%) compared to the same period of 2020, which selling and administrative expenses were THB 433.17 million or 18.79% 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 19.25 million caused from 1) increasing staffs in Research and Development Center, sales team for retail and industry, the overseas subsidiaries in Indonesia (PT RBFood Manufaktur Indonesia, PT RBFood Supply Indonesia) and in Japan (Maple Innovation Co., Ltd.) and 2) from the annual salary increase;
- Increase in professional expenses of THB 7.13 million caused from the independent financial advisor to determine a reasonable selling price for the discontinued business, the professional fee for the business registration of the overseas subsidiary in Japan, and accounting advisory fees of subsidiaries in Indonesia (PT RBFood Manufaktur Indonesia);
- Increase in sales promotion expenses of THB 4.36 million mainly due to the expanding of modern trade business;
- Increase in transportation expenses of THB 3.86 million both from domestic and abroad transportation;
- Increase in sales commission expenses of THB 1.75 million for sales staff and administrative fee for the agents in order to increase sale for retail market;
- Increase in depreciation charged for equipment of the research & development department of THB 6.17 million and for vehicle of THB 2.43 million.

Net impairment losses on financial assets

In Q3'2021, the decrease in the net impairment losses on financial assets reflecting on improvement of monitoring of debt collection, resulting decrease of default risk. In the financial statements which be presented the reversal of expected credit loss of THB 1.36 million equaled to -0.16% of revenue from sales and rendering services, compared to Q3'2020, which the net impairment losses on financial assets were THB 8.09 million or 0.99% of revenue from sales and rendering services.

For nine-months period of 2021, the net impairment losses on financial assets was THB 9.37 million, equaled to 0.38% of revenue from sales and rendering services, decreased by THB 3.26 million (YoY -25.81%) compared to the same period of 2020, which the net impairment losses on financial assets was THB 12.63 million or 0.55% of revenue from sales and rendering services. Mainly due to the efficiency in accelerating the debt collection.

Profit for the third quarter of 2021

In Q3'2021, the profit for the period was THB 134.53 million, equaled to 16.36% of revenue from sales and rendering services, and decreased by THB 5.89 million (YoY -4.20%) compared to Q3'2020, which profit for the period was THB 140.42 million or 17.19% of revenue from sales and rendering services. The significant matters comprised:

- Profit for the period from continuing operations was THB 133.69 million, equaled to 16.26% of revenue from sales and rendering services, and decreased by THB 18.80 million (YoY -12.33%) compared to Q3'2020, which profit for the period was THB 152.50 million or 18.67% of revenue from sales and rendering services.
- Gain from discontinued operations was THB 0.84 million, equaled to 0.109% of revenue from sales and rendering services, and gain increased by THB 12.91 million (YoY 106.95%) compared to Q3'2020, which loss from discontinued operations for the period was THB 12.07 million or -1.48% of revenue from sales and rendering services.

Profit for the 9-months period of 2021

For nine-months period of 2021, the profit for the period was THB 319.11 million, equaled to 12.99% of revenue from sales and rendering services, and decreased by THB 76.97 million (YoY -19.43%) compared to the same period of 2020, which profit for the period was THB 396.08 million or 17.19% of revenue from sales and rendering services. The significant matter comprised:

- Profit for the period from continuing operations was THB 377.01 million, equaled to 15.35% of revenue from sales and rendering services, and decreased by THB 60.23 million (YoY -13.77%) compared to the same period of 2020, which profit for the period was THB 437.24 million or 18.97% of revenue from sales and rendering services.
- Loss from discontinued operations was THB 57.90 million, equaled to -2.36% of revenue from sales and rendering services, and loss increased by THB 16.74 million (YoY 40.68%) compared to the same period of 2020, which loss from discontinued operations for the period was THB 41.16 million or -1.79% of revenue from sales and rendering services. Loss from discontinued operations came from 2 important one-time items, loss on Impairment of hotel assets of THB 62.26 million and net offset with gain on disposal of discontinued operations of THB 15.08 million.

Profit for the period attributable to owners of the Company for the third quarter of 2021

In Q3'2021, the profit for the period attributable to owners of the Company was THB 133.60 million, equaled to 16.24% of revenue from sales and rendering services, and decreased by THB 7.35 million (YoY - 5.21%) compared to Q3'2020, which profit for the period attributable to owners of the Company was THB 140.95 million or 17.26% of revenue from sales and rendering services.

Profit for the period attributable to owners of the Company for the 9-months period of 2021

For nine-months period of 2021, the profit for the period attributable to owners of the Company was THB 316.60 million, equaled to 12.89% of revenue from sales and rendering services, and decreased by THB 80.66 million (YoY -20.31%) compared to the same period of 2020, which profit for the period attributable to owners of the Company was THB 397.26 million or 17.24% of revenue from sales and rendering services.

Statement of Financial Position

Assets

As at 30 September 2021, the Group had the total assets of THB 4,807.03 million, decreased by THB 76.36 million (YoY -1.56%) 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 73.17 million. Mainly caused from
 - Net of cash inflows from operating activities of THB 284.62 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 181.44 million;
 - Dividend payment of THB 300.00 million.
- Increase in trade and other receivables of THB 30.37 million.
- Increase in inventories of THB 219.26 million, mainly due to the increase in raw materials of THB 120.69 million, finished goods of THB 73.60 million, packaging fee and goods in transit of THB 31.25 million.
- Decrease in right-of-use assets of THB 449.22 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 totaling Baht 429.45 million, depreciation charged for the period of THB 25.51 million and the additional of new right-of-use assets of THB 5.19 million.

Liabilities

As at 30 September 2021, the Group had the total liabilities of THB 660.88 million, which was 13.75% of the total assets, decreased by THB 133.70 million (YoY -16.83%) 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 135.00 million, mainly from termination of long term land lease contracts 2 hotels, the Ibis Styles Chiang Mai Hotel and the Novotel Chumphon Beach Resort and Golf Hotel.

Equity

As at 30 September 2021, the Group had the total equity of THB 4,146.15 million, or 86.25% of the total assets. The increase in the total equity was THB 57.34 million or 1.40% compared to 31 December, 2020, which the total equity was THB 4,088.81 million, equaled to 83.73% of the total assets. The significant changes in Equity mainly comprised:

- Profit for the period attributable to owners of the Company for the 9-months period of 2021 of THB 316.60 million;
- Increase in non-controlling interest from subsidiary requests from shares subscription payment of THB 11.31 million;
- Increase in currency translation differences of THB 26.05 million;
- Net offset with dividend payment of THB 300.00 million.

- Net cash inflows generated from operating activities of THB 284.62 million.
- Net cash inflows generated from investing activities of THB 78.03 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 181.44 million.
- Net cash outflows used in financing activities of THB 293.45 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 September 2021 was THB 686.82 million.

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