

14 August, 2020

Re Management Discussion and Analysis for the 6-month period ended 30 June, 2020
 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 six-month period ended June 30, 2020 with the following details:

Revenues Structure

1. The revenues of manufacturing and distributing of Food Ingredients that are classified into 6 categories as the followings:
 - 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.

Operating Results

Statement of Comprehensive Income (MB)	For the 3-month periods (April - June)		Change		For the 6-month periods (January - June)		Change	
	2020	2019	MB	%	2020	2019	MB	%
	Revenues from sales and rendering services	698.97	677.38	21.59	3.19%	1,487.97	1,367.03	120.94
Revenues from hotel operations	2.08	18.09	-16.00	-88.47%	20.77	45.79	-25.02	-54.64%
Total Revenue	701.06	695.46	5.59	0.80%	1,508.74	1,412.82	95.92	6.79%
Cost of goods sold and rendering services	405.14	387.26	17.88	4.62%	840.66	808.08	32.58	4.03%
Cost of rendering hotel services	14.39	27.75	-13.36	-48.15%	37.97	57.50	-19.53	-33.97%
Total cost	419.53	415.01	4.52	1.09%	878.63	865.58	13.05	1.51%
Gross profit	281.52	280.45	1.07	0.38%	630.12	547.24	82.87	15.14%
Other Income	-	0.20	-0.20	-100.00%	7.83	2.73	5.10	186.94%
Selling expenses	38.23	46.21	-7.99	-17.29%	87.93	94.83	-6.90	-7.28%
Administrative expenses	107.19	136.18	-28.99	-21.29%	215.60	240.49	-24.88	-10.35%
Net impairment losses on financial assets	-2.50	-	-2.50	-100.00%	4.57	-	4.57	100.00%
Finance costs	4.28	7.52	-3.24	-43.03%	8.88	14.44	-5.57	-38.53%
Profit before Income tax expenses	134.33	90.74	43.59	48.04%	320.96	200.21	120.75	60.31%
Income tax expenses	25.65	30.83	-5.17	-16.78%	65.31	52.98	12.32	23.26%
profit for the period	108.68	59.92	48.76	81.39%	255.66	147.23	108.43	73.65%
Profit attributable to :								
Non-controlling interests	-0.29	0.03	-0.32	-1165.12%	-0.66	-0.37	-0.29	-80.27%
Owners of the parent	108.97	59.89	49.08	81.96%	256.31	147.59	108.72	73.67%

The Revenue from Operations for the second quarter of 2020

In the second quarter of 2020, the revenues from operations of the Company and its subsidiaries was THB 701.06 million, which increased by THB 5.59 million or 0.80% compared to the second quarter of 2019, which the revenues from operations was THB 695.46 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 the second quarter of 2020, the revenues from sales was THB 698.97 million, equaled to 99.70% of the total revenues from operations, and increased by THB 21.59 million (YoY 3.19%) compared to the second quarter of 2019, which the revenues from sales was THB 677.38 million, equaled to 97.40% of the total revenue from operations.

The increase in sales of THB 21.59 million comprised of 2 main segments as follows:

- 1- Increase in domestic sales of THB 20.83 million.
- 2- Increase in oversea sales of THB 0.76 million.

Consideration of 6 product categories, the main increase came from 2 product categories: Trading Goods category increased by THB 12.41 million, Dry category increased by 10.40 million, and Frozen increased by THB 8.58 million.

2. REVENUES FROM HOTEL OPERATIONS

In the second quarter of 2020, the revenue from hotel operations of the Company and its subsidiaries was THB 2.08 million, equaled to 0.30% of the total revenue from operations. The revenue from hotel operations decreased by THB 16.00 million (YoY -88.47%) compared to the second quarter of 2019, which the revenue was THB 18.09 million, equaled to 2.60% of the total revenue from operations. The main reason came from the effect of COVID-19 pandemic, resulting in travel restriction and quarantine, curfew announcement, etc. The hotels were temporarily closed as the following:

- Ibis Styles Chiangmai Hotel temporarily closed the operation from April to June 2020.
- Novotel Chumporn Beach & Golf temporarily closed the operation from April to May 2020.

The Revenue from Operations for the 6-month period of 2020

For six-month period ended 30 June, 2020, the revenues from operations of the Company and its subsidiaries was THB 1,508.74 million, which increased by THB 95.92 million or 6.79% compared to the same period of 2019, which the revenues from operations was THB 1,412.82 million.

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

1. REVENUES FROM SALES OF MANUFACTURING AND TRADING GOODS

For six-month period ended 30 June, 2020, the revenues from sales was THB 1,487.97 million, equaled to 98.62% of the total revenues from operations, and increased by THB 120.94 million (YoY 8.85%) compared to the same period of 2019, which the revenues from sales was THB 1,367.03 million, equaled to 96.76% of the total revenue from operations.

The increase in sales of THB 120.94 million comprised of 2 main segments as follows:

- 1- Increase in domestic sales of THB 112.59 million.
- 2- Increase in oversea sales of THB 8.35 million.

Consideration of 6 product categories, the main increase came from 3 product categories: Flavor & Fragrance and Color category increased by THB 62.31 million, Food Coating category increased by THB 31.74 million, and Trading Goods category increased by THB 27.13 million.

R&B Food Supply Public Company Limited

3.24 million for the repayment on loan, and the increase in net impairment losses on financial assets of THB 4.57 million under TFRS 9.

Profit for the period attributable to owners of the parent: for the second quarter of 2020

In the second quarter of 2020, the profit for the period attributable to owners of the parent was THB 108.37 million, equaled to 15.54% of the total revenue from operations, and increased by THB 49.08 million (YoY 81.96%) from the second quarter of 2019 which profit for the period attributable to owners of the parent was THB 59.89 million or 8.61% of the total revenue from operations.

Profit for the period attributable to owners of the parent: for the 6-month period of 2020

For six-month period ended 30 June, 2020, the profit for the period attributable to owners of the parent was THB 256.31 million, equaled to 16.99% of the total revenue from operations, and increased by THB 108.72 million (YoY 73.67%) from the same period of 2019, which the profit for the period attributable to owners of the parent was THB 147.59 million or 10.45% of the total revenue from operations.

Statement of Financial Position

Assets

As at 30 June, 2020, the Company and its subsidiaries had the total assets of THB 4,579.36 million, increased by THB 167.05 million (YoY 3.79%) compared to December 31, 2019, which the total assets were THB 4,412.31 million.

The significant changes in assets comprised of:

- Decrease in cash and cash equivalents of THB 787.71 million. Mainly causing from net cash flows from investment activities subtracting by payment of plant construction, purchase of machinery of THB 144.37 million, investment in fixed deposit at financial institution of THB 500 million, dividend payment of THB 300 million and repayment of borrowings from financial institution and related parties of THB 104.09 million, net offsetting with cash from operating activities.
- Increase in trade and other receivables of THB 43.28 million, due to the increase in prepayment for raw materials and machineries.
- Increase in financial assets of THB 506.09 million from investment in fixed deposit at financial institution.
- Increase in inventories of THB 86.68 million, mainly increased in raw materials of THB 45.99 million, finished goods of THB 16.18 million, packaging of THB 13.05 million, and decrease in allowance for obsolete and decline in value of inventories of THB 5.99 million.
- Decrease in property, plant, and equipment for THB 444.48 million, mainly due to reclassifying PPE to right-of-use assets under TFRS 16 for THB 519.09 million and decrease in depreciation of the 6-months period for THB 66.58 million net from the increase in property, plant, and equipment of THB 141.91 million.
- Increase in right-of-use assets (ROU) for THB 771.45 million under TFRS 16.

Liabilities

As at 30 June, 2020, the Company and its subsidiaries had the total liabilities of THB 750.72 million, which was 16.39% of the total assets, increased by THB 208.28 million (YoY 38.40%) compared to December 31, 2019 which the total liabilities were THB 542.44 million, equaled to 12.29% of the total assets.

The significant changes in liabilities comprised of:

- Decrease in Long term borrowings from financial institution and related parties of THB 104.09 million.
- Increase in lease liability of THB 277.07 million under TFRS 16.

- Increase in Income tax payable of THB 37.41 million for the 6-months period of 2020.

Equity

As at 30 June, 2020, the Company and its subsidiaries had the total equity attributable to owners of the parent of THB 3,829.68 million, or 83.63% of the total assets. The decrease in the total equity attributable to owners of the parent was THB 40.58 million or 1.05% compared to 31 December, 2019, which the total equity attributable to owners of the parent was THB 3,870.27 million, equaled to 87.72% of the total assets.

The significant changes in Equity is mainly due to the increase in Profit for the period attributable to owners of the parent of THB 256.31 million, offsetting from dividend payment of THB 300 million, the increase from the adjustment of the beginning retained earning under TFRS 9 of THB 0.88 million, and the increase in other components of equity of THB 3.98 million.

Statement of Cash flows

For six-month period ended 30 June, 2020, the statement of cash flows can be explained as follows:

- Net cash flows generated from operating activities of THB 262.51 million.
- Net cash flows used in investing activities of THB 642.97 million, mainly for cash payments for property, plant, and equipment with the total amount of THB 144.37 million and for investment in fixed deposit at financial institution of THB 500 million.
- Net cash flows used in financing activities of THB 408.46 million, mainly for the repayment of long term borrowings of THB 104.09 million, for dividend paid of THB 300 million, and for the repayment of Lease liability of THB 4.37 million.
- Cash and cash equivalents at 31 December, 2019 and 30 June, 2020 were THB 1,234.42 million and THB 446.70 million accordingly.

Yours Sincerely

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