

25 February 2021

Re Management Discussion and Analysis for the year 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 year 2020 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") in early 2020 continuing to the present has adverse effects on operating results of the hotel properties.

The global COVID-19 outbreak initiated government-imposed travelling restrictions and controls as well as upended the normal way of living and economic activities. As a result, revenues of hotel business group significantly dropped by 36.90% compared to 2019. This is due to temporary operational closures from April to June 2020 and resulted in 24% hotel booking cancellation in 2020, a high season for hotel properties as well as previously suspended and currently diminished domestic and international travels. In response, the management has registered the government's tourism stimulus campaign known as Rao Tiew Duay Kan (We Travel Together) attract customers. The management is now paying close attention to the development of the COVID-19 situation, evaluating its impact on the operation while strategizing effective solutions.

In 2020, the Company and its subsidiaries chose to apply the temporary measures to relieve the impact from COVID-19 announced by TFAC for the reporting periods ended between 1 January 2020 and 31 December 2020 by excluding information related to COVID-19 as an indication of the impairment of assets in the cash-generating units of the hotel properties, which, in consequence, may have negative affected to the hotel's future financial position and financial performance. However, the management will continuously monitor the impact of COVID-19 and will take appropriate and timely measures to minimize the negative impact of the COVID-19 pandemic on the hotel's future operations.

Analysis of Operating Results

Consolidated Statement of Comprehensive Income (In Million Baht)	For the year (January - December)		Change	
	2020	2019	MB	%
Revenues from sales and rendering services	3,116.38	2,776.38	340.00	12.25%
Revenues from hotel operations	55.70	88.28	-32.58	-36.90%
Total Revenue from operations	3,172.08	2,864.66	307.42	10.73%
Cost of goods sold and rendering services	1,809.29	1,668.38	140.91	8.45%
Cost of rendering hotel services	79.19	105.66	-26.47	-25.05%
Total cost from operations	1,888.48	1,774.04	114.44	6.45%
Gross profit	1,283.60	1,090.62	192.98	17.69%
Other income	15.19	17.34	-2.15	-12.41%
Selling expenses	191.66	182.01	9.65	5.30%
Administrative expenses	440.47	457.10	-16.63	-3.64%
Net impairment losses on financial assets	19.74	-	19.74	100.00%
Finance costs	14.57	25.95	-11.38	-43.85%
Profit before income tax	632.35	442.90	189.45	42.77%
Income tax expense	115.04	89.36	25.68	28.73%
Profit for the year	517.31	353.54	163.77	46.32%
Profit attributable to :				
Non-controlling interests	-1.71	0.76	-2.47	-325.25%
Owners of the company	519.02	352.78	166.24	47.12%

The Revenue from Operations for the year 2020

In 2020, the revenues from operations of the Company and its subsidiaries were THB 3,172.08 million, which increased by THB 307.42 million or 10.73% compared to the year 2019, which the revenues from operations was THB 2,864.66 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 2020, the revenues from sales were THB 3,116.38 million, equaled to 98.24% of the total revenues from operations, and increased by THB 340.00 million (YoY 12.25%) compared to the year 2019, which the revenues from sales was THB 2,776.38 million, equaled to 96.92% of the total revenue from operations.

The increase in sales of THB 340.00 million comprised of 2 main segments as follows:

- Increase in domestic sales of THB 352.36 million.
- Decrease in oversea sales of THB 12.36 million.

Consideration of 6 product categories, the main increase came from: Flavour, Fragrance & Color category increased by 146.67 million, Food Coating category increased by THB 121.65 million, and Trading Goods category increased by THB 93.45 million.

2. REVENUES FROM HOTEL OPERATIONS

In 2020, the revenue from hotel operations of the Company and its subsidiaries was THB 55.70 million, equaled to 1.76% of the total revenue from operations. The revenue from hotel operations decreased by THB 32.58 million (YoY -36.90%), mainly due to the outbreak of Coronavirus Disease 2019 ("COVID-19 Pandemic"), resulting in cancellation of hotel booking in a high season and the temporary operational closures of 2 hotels from April to June 2020 as mentioned above.

Gross Profit for the year 2020

In 2020, the gross profit was THB 1,283.60 million or 40.47% of the total revenue from operations, which increased by THB 192.98 million (YoY 17.69%) compared to the year 2019 which gross profit was THB 1,090.62 million or 38.07% 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 2020, the gross profit of Food Ingredient business was THB 1,307.09 million or 41.94% of the total revenue from operations, which increased by THB 199.09 million (YoY 17.97%) compared to the year 2019, which the gross profit was THB 1,108.00 million or 39.91% of the total revenue from operations. The increase in sales of manufacturing and trading goods, resulting in the increase in gross profit.

The main increase came from the increased gross profit of Flavor & Fragrance and Color category for THB 108.57 million, Food Coating category for THB 56.80 million, and Trading goods category for THB 34.36 million.

2. GROSS PROFIT FROM HOTEL OPERATIONS

In 2020, the negative gross margin of hotel operations was THB 23.49 million or -42.17% of the total revenue from hotel business. The hotel operations had the negative gross margin increased by THB 6.11 million, compared to the year 2019 which the negative gross margin was THB 17.38 million or -19.69% of the total revenue from hotel business. This is mainly due to the effect of COVID-19 pandemic.

Selling and Administrative Expenses for the year 2020

In 2020, selling and administrative expenses were THB 632.13 million, equaled to 19.93% of the total revenue from operations. Selling and administrative expenses of the Company and its subsidiaries decreased by THB 6.98 million (YoY -1.09%) compared to the year 2019, which selling and administrative expenses were THB 639.11 million or 22.31% of the total revenue from operations.

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

- Decrease in finance advisor fees and press conferences to investors of THB 15.04 million which were recorded in 2019;
- Decrease in provision for employee retirement benefit expense of THB 11.35 million due to record of past service cost from increasing the rate of benefit of employees who have served more than 20 years or more from 300 days to 400 days according to the new Labor Protection Act which was recorded in 2019;
- Decrease in allowance for impairment loss on hotel assets of THB 11.56 million which was recorded in 2019;
- Net of increase in salary expenses of THB 9.75 million;
- Increase in commission and sales promotion expenses of THB 4.83 million;
- Increase in expenses relating to marketing survey and planning for business and related expenses in Singapore of THB 10.67 million.

Liabilities

As at 31 December 2020, the Company and its subsidiaries had the total liabilities of THB 794.58 million, which was 16.27% of the total assets, increased by THB 252.14 million (YoY 46.48%) compared to 31 December 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:

- Increase in trade and other payables of THB 54.23 million resulting from increased in raw materials and finished goods of THB 46.88 million to support increase in sale volume and increased in payments for property, plant, and equipment of THB 8.93 million.
- Decrease in long-term borrowings from financial institution and related parties of THB 104.09 million from debt repayments.
- Increase in lease liability of THB 271.86 million according to adoption of TFRS 16 Leases, Leases for existing and new leases increased.
- Increase in income tax payable of THB 24.12 million from tax expense for year 2020.

Equity

As at 31 December 2020, the Company and its subsidiaries had the total equity attributable to owners of the Company of THB 4,090.93 million, or 83.77% of the total assets. The increase in the total equity attributable to owners of the Company was THB 220.67 million or 5.70% compared to 31 December, 2019, which the total equity attributable to owners of the Company was THB 3,870.27 million, equaled to 87.72% of the total assets. The significant changes in Equity were mainly due to the increase in profit for the year attributable to owners of the Company of THB 519.02 million, net of dividend payment of THB 300 million, retrospective adjustments of beginning retained earnings from adoption of TFRS 9 of THB 0.88 million and the increasing from the Other components of equity of THB 4.78 million.

Statement of Cash flows

The statement of cash flows for the year ended 31 December 2020 are as follows:

- Net cash flows generated from operating activities of THB 609.72 million.
- Net cash flows used in investing activities of THB 817.23 million, mainly for cash payments for property, plant, and equipment of THB 421.93 million, for net investment in fixed deposits at financial institutions of THB 394 million.
- Net cash flows used in financing activities of THB 414.53 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 10.44 million.
- Cash and cash equivalents at 31 December, 2019 were THB 1,234.42 million and at 31 December 2020 were THB 613.66 million.

Yours Sincerely

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