

At PP 043/2022

9th August 2022

Subject: Management Discussion and Analysis of the Financial Statements for the Second Quarter of 2022 as of 30th June 2022

ATTN: Directors and Managing Directors
The Stock Exchange of Thailand

Kuang Pei San Food Product Public Company Limited (“Company”) has clarified its operating results in accordance with the financial statements for the second quarter ending 30th June 2022 as summarized the key information below.

Transaction (Million Baht)		Q2/2022	Q2/2021	Increase (Decrease)	%
1	Total Revenue from Sales and Services	370.55	388.50	(17.95)	-4.62%
2	Cost of Sales and Services	(283.06)	(282.76)	(0.30)	0.11%
3	Sales Expenses	(34.36)	(32.29)	(2.07)	6.41%
4	Administrative Expenses	(30.19)	(37.23)	7.04	-18.91%
5	Interest Cost	(6.18)	(8.89)	2.71	-30.48%
6	Profit (Loss) before Income Tax	16.76	27.32	(10.56)	-38.65%
7	Taxable Income (Expense)	(1.37)	(6.95)	5.58	-80.29%
8	Net Profit (Loss)	15.39	20.37	(4.98)	-24.45%
9	Total Comprehensive Income (Loss)	15.39	20.37	(4.98)	-24.45%

Operating Performance Quarter 2/2022 and Quarter 2/2021

At the end of the quarter, the new Management has prepared the Business Plan for the next 5 years. In 2022, the Company will have an anniversary of 44 years and it is the first year in the plan timeline to operate through “Fix and Refocus” strategy including the growth toward the anniversary of 50th years in 2028 with a sustainable profit. Therefore, the Company currently focuses on improving internal processes and investing in new technology of the machinery in order to increase production efficiency and energy cost saving as well as reduce production costs.

As a results of the management within this policy, the Company has a Net Profit and Comprehensive Income of 17.84 million Baht decreasing from last year for the same quarter by 12.42%. It is mainly due to the dropping of the Total Revenue from Sales and Services by 4.62% because of the raw material shortages continuing from the first quarter. Given the demand of the mackerel in tomato sauce and there were issues of insufficient stock to serve the market in time, the Company has encountered the higher

production cost from the exchange rate to import raw materials. Although, there were planning for the advance order scheduled to avoid the currency fluctuations, it could only solve the issues temporarily.

As a quick turnaround, the Company has expanded the production capacity for alternative product of clams to solve the shortages of mackerel in the long-run. In addition, this product has a great potential in the market with no competitors at the moment. Thus, the Commercial Division has developed the marketing strategy starting in Q2 to reimage the brand focusing on the brand awareness in the new target group of the new generation (GenY and GenZ). Using the products from clams as snacks or seasoning, it well suites the customer behavior in the market.

Furthermore, the Company has a plan to penetrate the Northeastern Region with the product of seasoning and shredded mackerel based on the local consumes' preferences. With this strategy, the marketing budget in Q2 has increase the Selling Expenses by 6.41% comparing to last year for the same quarter. However, the Company has less Administrative Expenses than last year by 18.91%.

The Company strictly controls the budget and expenses following the world economic trend. At the same time, the employees and their benefits are also critical elements and there are employee benefit plans reviewed in this quarter to implement further this year. This new development may increase the Administrative Expenses in the next quarter.

Besides all expenses, the financial capital is another variable that the Company had carefully negotiated interests and fees with financial institutions to maintain the competitive financial status in the industry. Considerably, the interest costs in the second quarter compared to the previous year decreased by 30.48%. Generally, the global market price in the energy sector from Q1 as well as the climate change that affected the global food supply has direct impact on the raw material and production of the Company. The Cost of Goods and Services is now higher which is the key challenge for the Company. Consequently, a risk management plan is being set to ensure the potential future issues of such situation and minimize impact on the Company.

Company's Financial Position Quarter 2/2022 and Quarter 2/2021

The Company's Total Assets has increased by 888.62 million Baht from 824.19 million Baht or 7.82% increase in assets of 64 million Baht. This is due to the increase of collections and receivables from the sales of inventories. Also, there was an increase of investment in the employee housing buildings as well as the property rights of 34 million Baht from the leasing agreement in line with the net liabilities. On the other hand, the Total Liability has increased by 610.08. million Baht from 552.83 million Baht or an increase of 10.36% from last year in the same quarter. This is due to the accrued interest payable set by Krungthai Bank Public Company Limited of approximately 58 million Baht. The Shareholders' Equity has increased 278.54 million Baht from 271.36 million Baht or 13.28%.

Regards,

- *Sign* -

(Ms. Siriporn Tohtubtiang)

Chairwoman of the Executive Committee and Managing Director