



บริษัท เจริญอุตสาหกรรม จำกัด (มหาชน)

CHIN HUAY Public Company Limited

9 September 2022

Subject Management Discussion and Analysis for the Operating Results of the Second Quarter of 2022

To President
The Stock Exchange of Thailand

Chin Huay Public Company Limited (“CH” or the “Company”) would like to inform the Company’s operating performance and submit the financial statement for the year 2021 ended 31 December 2021, which has been reviewed by a certified public accountant to the Stock Exchange of Thailand. The Company reported net profit at Baht 67.07 million, decreased by Baht 0.22 million or equivalent to 0.33 percent compared to 2020 which reported net profit at Baht 67.29 million. Therefore, it is hereby described change in operating performance as follows.

Summary of Operating Performance

Statement of Comprehensive Income	Consolidated Financial Statements (Reviewed)			
	2021		2020	
	Baht million	%	Baht million	%
Revenue from sales	1,442.28	100.00%	1,634.47	100.00%
Cost of sales	(1,182.55)	(81.99%)	(1,309.95)	(80.15%)
Gross profit	259.72	18.01%	324.52	19.85%
Other income	13.12	0.91%	13.86	0.85%
Gain/(Loss) from exchange rate	38.55	2.67%	(3.60)	(0.22%)
Operating profit	311.40	21.59%	334.79	20.48%
Selling and distribution expenses	(51.43)	(3.57%)	(40.05)	(2.45%)
Administrative expenses	(159.53)	(11.06%)	(181.65)	(11.11%)
Earning before Finance cost and Tax	100.44	6.96%	113.09	6.92%
Finance income	0.05	0.00%	0.08	0.01%
Finance cost	(14.12)	(0.98%)	(15.66)	(0.96%)
Profit before income tax expenses	86.37	5.99%	97.51	5.97%
Income tax expenses	(19.30)	(1.34%)	(30.22)	(1.85%)
Profit for the period	67.07	4.65%	67.29	4.12%

Remark: Other incomes include export compensation income, gain from disposal of fixed assets, sales of scraps, gain from fair value of derivatives, gain from change in fair value of investment property, refrigeration income, and finance income.

Revenue Structure

Revenue categorized by product type	2021		2020	
	Baht million	%	Baht million	%
Sales				
1. Dehydrated fruits				
Domestic	323.80	21.67%	408.75	24.80%
International	940.56	62.96%	965.03	58.54%
2. Canned fish				
Domestic	54.77	3.67%	51.08	3.10%
International	116.89	7.82%	204.66	12.41%
3. Healthy snacks				
Domestic	1.41	0.09%	2.02	0.12%
International	4.85	0.33%	2.93	0.18%
Total sales	1,442.28	96.54%	1,634.47	99.15%
Other income	51.72	3.46%	13.95	0.85%
Total revenue	1,494.00	100.00%	1,648.42	100.00%

Revenue Structure from Sales by product type	2021		2020	
	Baht million	%	Baht million	%
1. Dehydrated fruits	1,264.36	87.66%	1,373.78	84.05%
2. Canned fish	171.66	11.90%	255.74	15.65%
3. Healthy snacks	6.26	0.44%	4.95	0.30%
Total revenue from sales	1,442.28	96.54%	1,634.47	100.00%

The company's total revenues for the year 2021 and 2020 were Baht 1,494.00 million and Baht 1,648.42 million, respectively, decreased by Baht 154.42 million or equivalent to 9.45 percent. Over 85 percent of major revenue was generated from dehydrated fruits product which had been increased by Baht 109.42 million, representing 7.96 percent. The said increase combined an increase of domestic sale at Baht 84.95 million or equivalent to 20.78 percent, and over 12 percent of revenue generated from canned fish products. The revenue was declined from the previous year by Baht 84.08 million or equivalent to 32.88 percent, mainly due to a decrease in foreign income by Baht 87.77 million or 42.89 percent.

In 2021, the Company's production was 16.40 percent drop in dehydrated fruits product and a 32.10 percent drop in canned fish as production hours were reduced due to the production employee were required to take precautions strictly against COVID-19 pandemic. In addition, in accordance with the COVID-19 pandemic that affected tourism and caused a significant decrease in foreign tourists, thus affecting the sales of dehydrated fruits mainly in the country. However, domestic sale of canned fish increased by Baht 3.69 million or 7.22 percent regarding the product hoarding and an increase of consuming canned fish during work from home policy to prevent the spread of COVID-19. Unfortunately, international sale of canned fish



wad declined due to the political situation in Myanmar preventing the Company from exporting products normally.

Also In 2021, the Company's other income increased by Baht 37.77 million or accounted for 270.75 percent, mainly due to gain from foreign exchange of Baht 38.55 million and depreciation of the baht currency during the year. However, the Company had a forward contract limit from a commercial bank and had established a foreign exchange risk management policy where the Company would enter into forward exchange contracts in the event of baht currency fluctuation in a direction that would negatively affect the Company's operating performance. However, in 2021, the said direction affected in a positive way to the Company that is in business of exporting to foreign countries.

Cost of Goods Sold and Gross Profit

Item	2021		2020	
	Baht million	%	Baht million	%
1. Dehydrated fruits	1,030.12	81.47%	1,084.45	78.94%
2. Canned fish	147.73	86.06%	220.35	86.16%
3. Healthy snacks	6.12	97.80%	5.15	103.91%
Total cost of sales	1,183.97	82.09%	1,309.95	80.15%
Gross Profit	258.31	17.91%	324.52	19.85%

Cost of goods sold consists of the cost of raw materials, production labor cost, electricity and fuel costs in the factory, depreciation of factory building, machinery, and equipment, cost of consumables and packaging cost.

In 2021, the Company had gross profit of Baht 258.31 million, with a gross profit margin decreased to 17.91% compared to the previous year. This was mainly due to 1) a decrease in sales of the main product groups, both dehydrated fruit and canned fish in 2021 because of factors caused by the impact of COVID-19 pandemic and the shortage of containers and ships, 2) a decrease in the number of manufactured products, the cost of goods sold per unit is higher than in 2020. It was because the factory's production department must strictly adhere to the measures to prevent and control the spread of the COVID-19. As a result, the production department had to reduce its daily working hours, resulting in decreased in the quantity of goods produced compared to the previous year. While most production labor costs and expenses are fixed costs, therefore, the cost of goods sold per unit for 2021 was higher.

Selling and Administrative Expenses

In 2021, the Company's selling and distribution expenses increased by Baht 11.38 million, or an increase of 28.41 percent compared to the year 2020. This was mainly due to an increase in transportation expenses to foreign countries, which been affected by the shortage of containers and ships transporting



goods to foreign countries. Consequently, the Company's cost of supplying ships to ship to customers with CIF terms accounted for approximately 25 percent each year, and for customers with FOB order terms, which accounted for more than 75 percent each year. Although the Company was not responsible for the cost of shipping cost to foreign customers, the Management had assisted foreign customers by supporting some shipping costs while not exceeding the specified amount per container. This is to alleviate the burden of increasing expenses for customers while still allowing them to have profits from purchasing the Company's products to resell in the destination country and to maintain long-term relationship with customers.

In 2021, the Company's administrative expenses decreased by Baht 22.12 million or 12.18 percent compared to 2020, due to the reduction of employee bonus expenses to be paid at the average rate. In addition, there was a reduction in the allowance for expected credit losses (allowance for doubtful accounts), due to the Company's quality of outstanding receivables as of 31 December 2021 which improved from the end of the previous year. The subsidiary's Cambodia factory had been operating for a full year and increased production hours over the previous year. As a result, the cost of the opportunity cost of the factory that was allocated as administrative expenses decreased from the previous year. However, the ratio of administrative expenses to revenue in 2021 was similar to that of 2020, which equal to 11.06% and 11.11% of annual income respectively. However, the Company's sale revenue in 2021 decreased from the year 2020 from Baht 1,634.49 million to Baht 1,442.28 million. The ratio of administrative expenses to revenue in 2021 was close to that of 2020, which was equal to 11.06 and 11.11 percent of each year's income, respectively.

Net Profit and Net Profit Margin

In 2021, the Company had a net profit similar to the previous year. Although sales revenue and gross margin decreased from the previous year due to the situation of the COVID-19 pandemic as explained previously, the Company had less administrative expenses plus gains from foreign exchange, resulting in the Company was able to maintain the level of net profit and net profit margin in 2021 close to the previous year.