



# 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 second quarter of 2022 ended 30 June 2022 (“Q2/2022”), which has been reviewed by a certified public accountant to the Stock Exchange of Thailand. The Company’s operating performance for the Q2/2022 reported net profit at Baht 67.34 million, increased by Baht 39.08 million or equivalent to 138.30 percent compared to Q2/2021 which was recorded net profit at Baht 28.26 million. Therefore, it is hereby described change in operating performance as follows.

### Summary of Operating Performance

Statement of Comprehensive Income	Consolidated Financial Statements (Reviewed)			
	1H2022		1H2021	
	Baht million	%	Baht million	%
Revenue from sales	910.04	100.00%	726.20	100.00%
Cost of sales	(733.67)	(80.62%)	(620.47)	(85.44%)
<b>Gross profit</b>	<b>176.37</b>	<b>19.38%</b>	<b>105.73</b>	<b>14.56%</b>
Other income	5.24	0.58%	10.86	1.50%
Gain/(Loss) from exchange rate	20.98	2.31%	24.03	3.31%
<b>Operating profit</b>	<b>202.60</b>	<b>22.26%</b>	<b>140.63</b>	<b>19.36%</b>
Selling and distribution expenses	(34.70)	(3.81%)	(29.20)	(4.02%)
Administrative expenses	(74.40)	(8.18%)	(67.11)	(9.24%)
<b>Earning before Finance cost and Tax</b>	<b>93.49</b>	<b>10.27%</b>	<b>44.32</b>	<b>6.10%</b>
Finance income	0.09	0.01%	0.02	0.00%
Finance cost	(7.79)	(0.86%)	(6.62)	(0.91%)
<b>Profit before income tax expenses</b>	<b>85.79</b>	<b>9.43%</b>	<b>37.72</b>	<b>5.19%</b>
Income tax expenses	(18.45)	(2.03%)	(9.46)	(1.30%)
<b>Profit for the period</b>	<b>67.34</b>	<b>7.40%</b>	<b>28.26</b>	<b>3.89%</b>

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	1H2022		1H2021	
	Baht million	%	Baht million	%
Sales				
1. Dehydrated fruits				
Domestic	236.09	25.21%	193.66	25.44%
International	579.70	61.91%	448.50	58.93%
2. Canned fish				
Domestic	15.55	1.66%	26.21	3.44%
International	74.71	7.98%	55.86	7.34%
3. Healthy snacks				
Domestic	2.21	0.24%	0.56	0.07%
International	1.79	0.19%	1.41	0.19%
<b>Total sales</b>	<b>910.04</b>	<b>97.19%</b>	<b>726.20</b>	<b>95.41%</b>
Other income	26.31	2.81%	34.91	4.59%
<b>Total revenue</b>	<b>936.35</b>	<b>100.00%</b>	<b>761.11</b>	<b>100.00%</b>

Revenue Structure from Sales by product type	1H2022		1H2021	
	Baht million	%	Baht million	%
1. Dehydrated fruits	815.78	89.64%	642.16	88.43%
2. Canned fish	90.26	9.92%	82.07	11.30%
3. Healthy snacks	4.00	0.44%	1.97	0.27%
<b>Total revenue from sales</b>	<b>910.04</b>	<b>100.00%</b>	<b>726.20</b>	<b>100.00%</b>

For the first six-month period of 2021 and 2022, the Company reported total revenue of Baht 761.11 million and Baht 936.35 million, respectively, increased by Baht 175.24 million or equivalent to 23.02 percent. Over 89 percent of major revenue was generated from dehydrated fruits product which had been increased by Baht 173.63 million or 27.04 percent. The said increase combined an increase of domestic sale at Baht 42.43 million or equivalent to 21.91 percent and an increase of international sale at Baht 131.20 million or equivalent to 29.25 percent compared to the same period in the previous year. The second quarter of each year is the quarter when the company has the highest sale of the year due to the peak season of mangoes. Together with the fact that in early 2022, the shortage of ships and containers for international shipping service has eased due to China's lockdown. In accordance with Zero-COVID Policy, China's demand for ships and containers had been decreased. In addition, the situation of the COVID-19 pandemic in Thailand began to unravel owing to the government's policy to allow foreign tourists to travel in the country since the fourth quarter of 2021. In consequence, the Company has grown in sales and delivery of goods during the 6 months of 2022.

**Cost of Goods Sold and Gross Profit**

รายการ	1H2022		1H2021	
	BAHT million	%	BAHT million	%
1. Dehydrated fruits	650.24	79.71%	548.42	85.40%
2. Canned fish	79.49	88.07%	69.99	85.28%
3. Healthy snacks	3.94	98.50%	2.06	104.71%
<b>Total cost of sales</b>	<b>733.67</b>	<b>80.62%</b>	<b>620.47</b>	<b>85.44%</b>
<b>Gross Profit</b>	<b>176.37</b>	<b>19.38%</b>	<b>105.73</b>	<b>14.56%</b>

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.

For the six-month period of 2022, the Company had gross profit of Baht 176.37 million and gross profit margin of 19.38 percent. This was higher than the same period of the previous year when the gross profit was at Baht 105.73 million and gross profit margin only at 14.56 percent. The increase was due to the Company's higher sales revenue and gross profitability compared to the same period of the previous year. This is because the price of mango, as raw material for dehydrated fruit production in the 2022, was cheaper compared to the previous year. Consequently, cost of production per unit had been decreased and resulted in a better gross margin. In addition, the gross profit margin for the six-month period of 2022 also increased due to the Company's average product cost per unit decreased to normal. In the six-month period of 2021, the Company's average cost per unit sold was higher than usual since the management considered approving additional bonus expense at the end of 2020 as the company was less affected by the COVID-19 pandemic than expected. The additional bonus expense for the production employees was, therefore, accounted for the cost of inventories sold after such expense are taken into account. This incremental cost was charged to the cost of inventories at the end of 2020, resulting in the cost of inventories per unit lot being higher than the cost of the previous lot of inventories. Later, when the company sold such lot of goods in the six-month period of 2021, it recognized the cost of inventories as cost of sales for the 6-month period of 2021 (item in the income statement) and reflected in gross profit. Yet, the six-month period of 2022 had no such event, therefore, the gross margin returned to normal level.

**Selling and Administrative Expenses**

For the six-month period of 2022, the Company had sales and distribution expenses equal to Baht 34.70 million, increased by Baht 5.50 million or equivalent to 18.84 percent compared to the same period of the previous year. Furthermore, for the six-month period of 2022, sales and distribution expenses were accounted for 3.71 percent compared to 3.84 percent in the same period of the previous year, derived from an increase in cost of participating in exhibitions since the global COVID-19 pandemic had been improving,



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and exhibitions had taken place in Thailand and abroad. This also included an increase of shipping costs and commission as sales revenue increased in this period.

For the six-month period of 2022, the Company had administrative expenses of Baht 74.40 million, increased by Baht 7.30 million or 10.87 percent compared to the same period of the previous year. This was mainly due to an increase in employee-related expenses i.e., salaries, employee bonus estimates for the year 2022, employee benefits related to training/seminars, health checkup, field hospital equipment and the COVID-19 Antigen Test Kit, and the increase of expenses related to the Company's listing on the Stock Exchange of Thailand.

#### **Net Profit and Net Profit Margin**

For the six-month period of 2022, the Company had a net profit (consolidated financial statements) equal to Baht 67.34 million, representing a net profit margin of 7.19 percent. While during the same period of the previous year, the Company's net profit was at Baht 28.26 million, representing a net profit margin of 3.89 percent. The increase of net profit and net profit margin was due to higher sales revenue and higher gross profit margin for dehydrated fruits which is the major revenue as previously mentioned.