

No. 003/2021

February 24, 2021

Subject: Submission of Management discussion and analysis of Thai Wah Public Company Limited for the year ended December 31, 2020

To: Managing Director
The Stock Exchange of Thailand

Enclosures: Management discussion and analysis for the year ended December 31, 2020

Thai Wah Public Company Limited ("TWPC") submits herewith TWPC's Management discussion and analysis for the year ended December 31, 2020.

For public announcement and distribution.

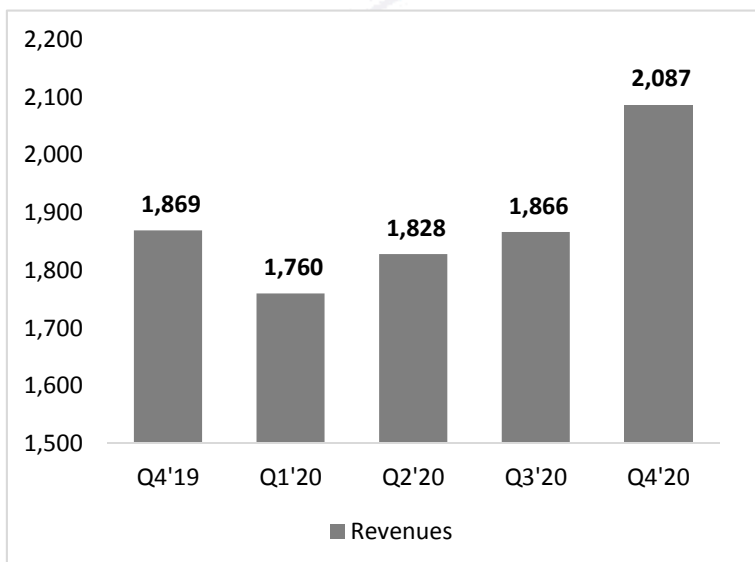
Yours sincerely,

(Mrs. Orn-a-nong Witchucharn)
Group Chief Financial Officer

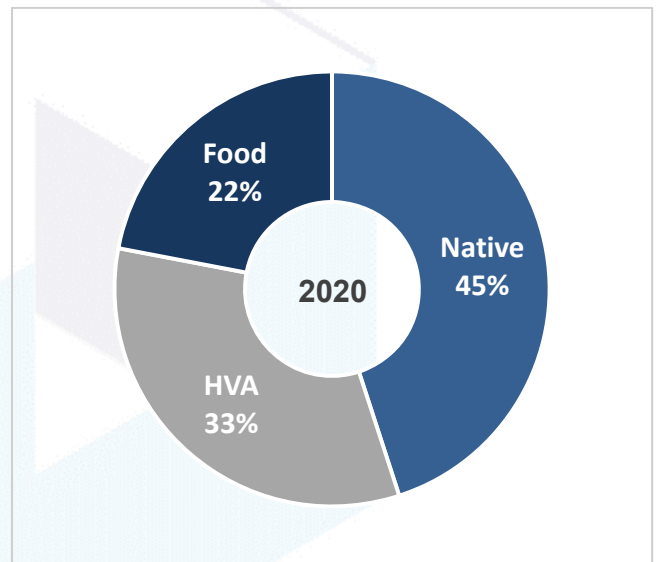
THAI WAH PCL

Management Discussion and Analysis For 4Q20 and 2020 Performance ended December 31, 2020

Sale Revenue breakdown by quarter



Sales Breakdown by Business



Revenue summary in the fourth quarter of 2020

In Q4/2020, the Company and its subsidiary sales comprise of the revenue from the native tapioca (Native) business of THB 1,008 million or 48 percent, revenue from the high value-added (HVA) products business of THB 658 million or 32 percent, and revenue from the

food business of THB 421 million or 20 percent. The group's sale was THB 2,087 million, which increased by THB 221 million or 12 percent compared to last year.

For the year 2020, the Company and its subsidiaries' sale was THB 7,090 million,

representing a decrease of THB 233 million or 3 percent if compared to last year. Those decreases mainly result from the average selling price of tapioca starch decreased 3 percent from the previous year and the COVID-19 pandemic. However, the food business's sales increased by THB 114 million or 8 percent of the prior year, against the economic recession in 2020.

However, the Company and its subsidiary recorded a gross profit margin of 16 percent, remained at the same level as the gross margin in the same period of 2019. Even the contribution of high value-added (HVA) business decreased. The overall gross profit margin can still maintain as an offset with an increase in revenue from the food business

with a high-profit margin. Moreover, the net profit margin was 0.5 percent less than the net profit margin of last year. This decrease was due to the reduction of dividend income of approximately THB 31 million from Q4/2019, an increase in financial expenses for Bond issued in Q2/2019, and interest expense incurred from Right of Use according to TFRS change.

The COVID-19 pandemic has broadly adversely affected both the economy and industry in the short term. However, the Company confident that revenue will continue steadily growing in 2021.

The operating results are shown according to each business as follow:

	4Q19	4Q20	4Q19 VS 4Q20	2019	2020	YoY	3Q'20	QoQ
Sales	1,866	2,087	12%	7,323	7,090	(3%)	1,745	20%
COGS	1,562	1,778	14%	6,133	5,977	(3%)	1,541	15%
GP	304	309	2%	1,190	1,113	(6%)	204	51%
SG&A	302	303	0%	1,113	1,113	0%	259	17%
Other income*	52	21	(60%)	96	113	18%	18	17%
EBIT	54	27	(50%)	173	113	(35%)	(37)	(173%)
Finance cost	13	17	31%	47	69	47%	17	0%
EBT	41	10	(76%)	124	44	(65%)	(54)	(119%)
Tax	2	-	(100%)	32	9	(72%)	(5)	(100%)
Net Profit	39	10	(74%)	94	35	(63%)	(49)	(120%)
EPS	0.04	0.01	(66%)	0.11	0.04	(60%)	(0.05)	(127%)
FX: USD/THB	30.1	30.6	1%	30.9	31.3	1%	31.3	(2%)
GPM	16%	15%	(1%)	16%	16%	0%	12%	3%
%SG&A/Sales	16%	15%	(2%)	15%	16%	1%	15%	0%
NPM	2%	0%	(2%)	1%	0%	(1%)	(3%)	3%

*Including net exchange gain and loss on fair value of derivatives

The Company and its subsidiaries' operating results are classified into business units as follows:

Revenue from Tapioca Starch Business

In Q4/2020, the tapioca starch business recorded total sales of THB 1,008 million, increasing 21 percent from the previous year.

The high value-added (HVA) products business recorded sales of THB 658 million, maintained from the last year. The higher sales volume was due to the recovery of tapioca starch exports in response to the much higher

product demand accumulated from the lockdown measures during the middle of the year.

However, the Company has faced a challenge of shortage of ocean containers and high freight charge that made export shipment delay. Meanwhile, sale volumes of high value-added tapioca starch have seen promising

recovery signs as demand in key export countries has started to recover from the COVID impact.

The tapioca starch business recorded total sales of THB 3,180 million, a slight decrease of 1 percent from the previous year. In contrast, the high value-added (HVA) products

business recorded sales of THB 2,343 million, a reduction of 12 percent of the prior year.

The Company believes the COVID-19 is likely to affect the industry in the short run. Tapioca starch Thailand export resumes strongly in Q4/2020 (Source: Thai Customs), especially China, the primary tapioca export market.

Revenue from Food Business

The Company remains one of the market leaders in vermicelli and rice noodle, with strong growth in all key channels. The domestic market is still the primary market for the food business, while export kept growing well at a double-digit rate.

In Q4/2020, the Company recorded total sales of the food business of THB 421 million, increased 12 percent, compared to the previous year.

In 2020, the Food business recorded total sales of THB 1,567 million, an increase of 8 percent from the previous year, contributing to

83 percent of the total sales of the food business, while export sales accounted for 17 percent of the total food business revenue.

Overall, sales of food products increased in key channels, mainly from export, modern trade, and van sale channels. The food business in Vietnam delivered 154 percent growth due to distribution expansion, and our products that offered healthy, hygiene, and convenience choices got well-acceptance from Vietnamese consumers.

Meanwhile, wholesale channels remained a challenge as food operators impacted economic recessions and low border trade

sales as border closure as part of Covid-19 control measures.

The Company expected Sales in 2021 would be higher than the previous year due to an

increase in demand for existing products, continuing launching new products to the market, and focusing on expanding a new customer base.

Gross Profit

In Q4/2020, the gross profit was THB 309 million, or a gross profit margin of 15 percent. Although the gross margin fell 1 percent due to the impact of price competition in the tapioca starch business and decreased sales volume of high value-added tapioca starch (HVA), the gross profit increased 2 percent from Q4/2019. This increase was mainly due to the higher export volume of tapioca starch in response to the higher demand, especially from China market.

Although the Company had impacted high price competition after China Covid lockdown release and decreased sales volume of high value-added tapioca starch, the gross profit was THB 1,113 million or a gross profit margin of 16 percent, closed to the previous year.

This stable margin was due to an increase in the proportion of food businesses with a high margin, the favorable impact of raw material costs, and continuous production efficiency improvement.

Even with some decreased of high value-added product volume as mentioned above, the export revenue from native tapioca starch continues to grow as China's leading market grew. The price of corn starch has significantly increased for the past few months, resulting in some customers switching to use tapioca starch as an alternative.

Cassava root production in the 2020/2021 crop season is expected to 28.32 million tons, an increase of 12 percent from the 2019/2020 season. Moreover, the Company has closely

monitored the situation as well as keep promoting farmers for planting cassava. These included supporting farmers to help farmers

increase the cassava yields with smart farming technology that would raise their household income.

Sales and Administrative Expenses

In Q4/2020, the sales and administrative expenses were THB 302 million, similar to the previous year. Although the last year, there was an asset write-off of THB 15 million net with an extra expense due to the COVID pandemic.

In 2020, the selling and administrative expenses were THB 1,113 million, close to the same period last year. These remained at the same level was mainly resulted from the offset of extra items. In 2019, the extra items including the provision for long-term employee benefits of THB 50 million (according to labor

laws change), allowance for doubtful debts of THB 8 million, net with additional expenses in 2020 that consist of THB 10 million for loss from investment impairment, THB 18 million extra expense from COVID-19 pandemics such as COVID-19 insurance for employees, hygiene and sanitization costs, temporary warehouse rent and extra port charge as export lockdown impacted from COVID-19. The Company tried its best for cost containment measures to control the expense during this COVID-19 year. In addition, the selling and administrative expense arising from subsidiary requisition of THB 14 million.

Net Profit Attributable to Shareholders

In Q4/2020, the Company's net profit and its subsidiaries were THB 5 million, a decrease of

THB 47 million, compared to Q4/2019. The drop was mainly due to the Company received

an interim dividend of THB 31 million in Q4/2019 and the lower gross profit.

However, in 2020, the Company's net profit and its subsidiaries were THB 38 million, a decrease of THB 30 million from the previous year. The decrease was mainly due to the lower revenue and gross profit due to the reasons mentioned above and the reduction in dividend income of THB 31 million. Offset with the non-cash expense for long-term employee provision benefits THB 53 million in 2019, gain on the business acquisition THB 25 million, gain on sale of investment property THB 18 million, and gain on exchange rate THB 13 million.

Cash Flow analysis

In 2020, net cash received from operating activities was THB 571 million, increasing THB 105 million or 23 percent from the same period of the prior year, most improved from working capital management, especially the inventory.

The Company aims to expand cassava sourcing in Thailand, Vietnam, and Cambodia. Moreover, the Company cooperating with The Thai Tapioca Development Institute (TTDI) uses technology to propagate disease-resistant cassava stems to distributing to farmer networks.

In addition, the Company expected strong demand for tapioca starch from key markets, especially China and Taiwan that have a good sign of economic recovery.

Besides, the newly trading office in Indonesia set up in 2020 will help expand Indonesia's customer base, which has a strong demand for modified tapioca starch.

The Company remained strong cashflow position that sufficient to fund the capital expenditure investment as planned in the future.