Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the Third Quarter and Nine-Month Period Ended 30 September 2017

1. Q3/2017 Highlights

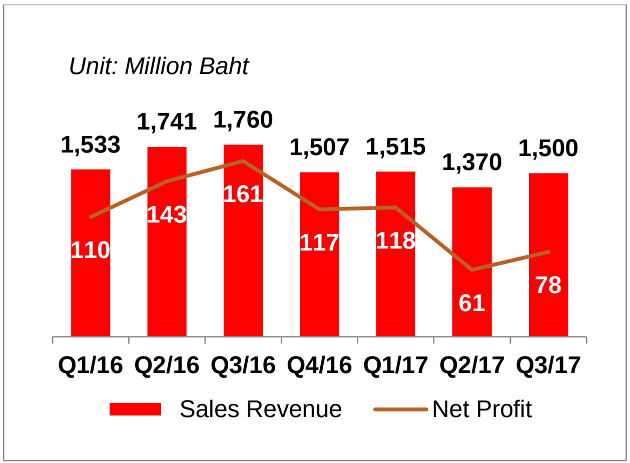


Figure 1: Quarterly results

- In Q3/2017, the Company and its subsidiary recorded total sales of Baht 1,500 million, a decrease of 15% YoY due to the slowdown in domestic branded and export CMG sales. However, export branded sales continued to grow remarkably by c.60%, while domestic CMG are back on track for growth from recovered sales plus good feedback of the new product.
- Q3/2017 sales grew 9% QoQ due to recovery in domestic branded sales from new packaging launch, new crop season for canned fruit, improved domestic CMG sales plus good response of new product as well as continual growth of export branded sales.
- Net profit in Q3/2017 was Baht 78 million, a decrease of 52% YoY due to 1) higher cost per unit resulted from lower capacity utilization YoY; and 2) higher depreciation resulted from additional investment in machinery to improve production efficiency and reduce production cost, in order to prepare for an increased level of production in the future.
- Q3/2017 net profit rebounded remarkably by 27% QoQ due to sales recovery in almost every segment, while cost per unit decreased QoQ due to higher capacity utilization and improved cost management.

2. Overview of Domestic Economy and Ready-to-Drink Fruit Juice Market

In Q3/2017, domestic RTD fruit juice market continued to decrease 9% YoY and 4% QoQ, while for 9M/2017 the market also dropped 9% YoY, following the slowdown in domestic consumption. However, overall consumption gradually improved from the previous quarter.

Moving Annual Total (MAT) September 2017 of domestic RTD fruit juice market was Baht 13,026 million, a decrease of 8% YoY following the slowdown in domestic consumption which reflected in sluggish spending in fast moving consumer goods (FMCG). Proportion of each market segment and growth is as shown in figure 2 *(Source: Nielsen)*.

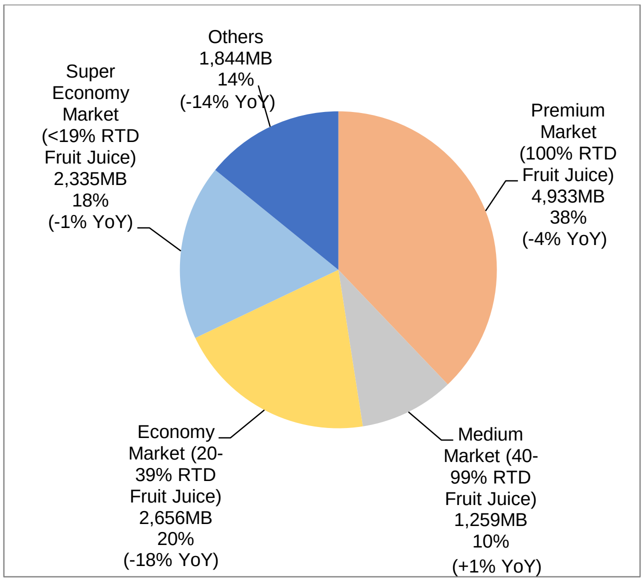
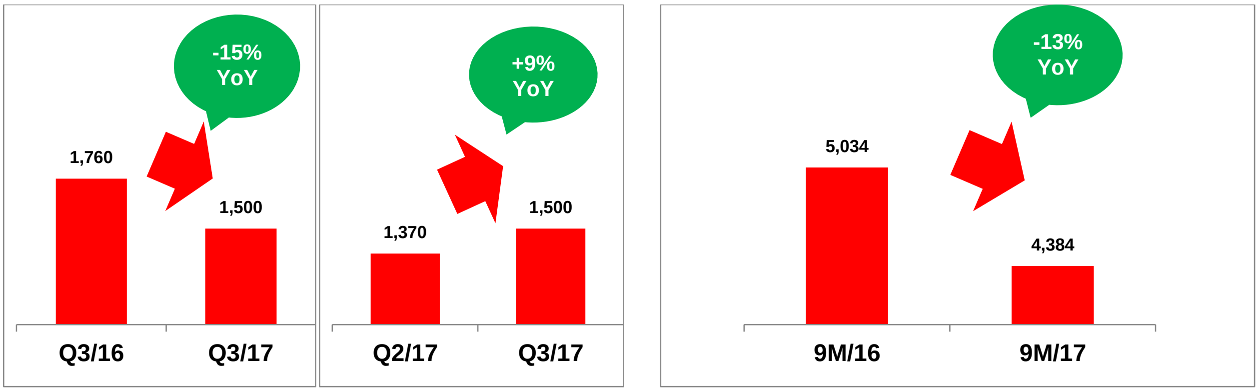


Figure 2: MAT Sep 2017 RTD Fruit Juice Market Value breakdown by Market Segment

3. Results of Operations and Profitability



<u>Q3/2017 Sales Revenue</u>

The Company and its subsidiaries recorded sales revenue of Baht 1,500 million, a decrease of 15% YoY but an increase of 9% QoQ with details as follows:

- Domestic branded sales declined by c.10% YoY but rose 27% QoQ:
  - Domestic branded fruit juice sales dropped by c.15% YoY following the contraction in domestic spending but grew c.30% QoQ after the new packaging launch in Q3.
  - Domestic branded canned fruit sales, i.e. rambutan, longan, and lychee were back on track YoY and up c.50% QoQ after the new crop has started.
- Domestic Contract Manufacturing (CMG) sales increased by c.25% YoY and 30% QoQ resulted from the market recovery as well as good response of new product.
- Export CMG sales decreased c.50% as the Company has implemented new preventive measures since Q2/2017 to control the quality of coconut water throughout the supply chain to ensure that the coconut water products manufactured by the Company will have no quality problems in the future. The new preventive measures will also come with traceability, enhancing the ability to trace back the route of the product. At the current stage, the Company is working on process improvement. Although there have been problems and obstacles during work, the Company was able to fine tune and improve the work process to be smoother and faster. The progress of work continues as planned, and the Company is accelerating collaboration with its sources of coconut water in order to develop more qualified coconut water through the new quality check, which should be back to normal level by the end of 2016.

<u>9M/2017 Sales Revenue</u>

The Company and its subsidiaries recorded sales revenue of Baht 4,384 million, a decrease of 13% YoY, with details as follows:

- Domestic branded sales declined by c.15% YoY:
  - Domestic branded fruit juice sales dropped by c.15% YoY following the contraction in domestic spending
  - Domestic branded canned fruit sales declined by c.30% YoY due to the delay of the new crop from Q2 to Q3.
- Domestic CMG sales fell by c.5% YoY as a result of shrinking domestic spending
- Export CMG sales decreased by c.20% due to the implementation of the preventive measures which strictly control the quality of coconut water throughout the supply chain.

However, export branded sales continued to grow outstandingly by c.35% YoY as a result of the Company's successful marketing strategy in each focused country.

Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 2,042 million, down 9% YoY
- CMG: Baht 2,342 million, down 16% YoY
- Sales ratio of Brand: CMG was 47:53, compared with 45:55 in the same period last year.

Sales Breakdown by Geography:

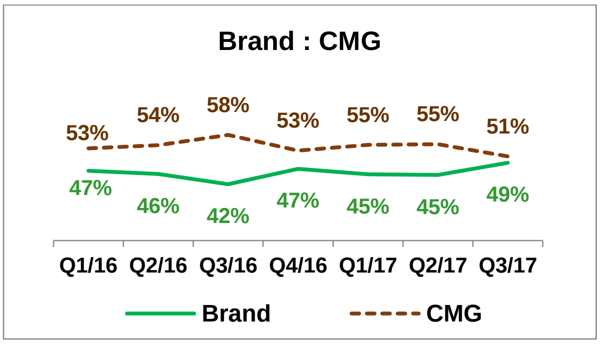
- Domestic: Baht 2,699 million, down 13% YoY
- Export: Baht 1,685 million, down 13% YoY
- Sales ratio of Domestic: Export was 62:38, unchanged from the same period last year.

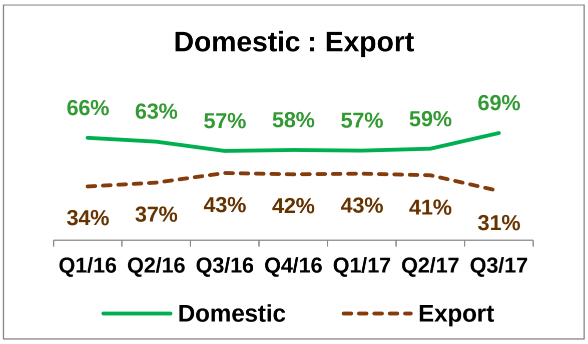
However, export branded sales continued to grow strongly by c.60%, since the Company has been working closely with its distributors and partners in each country in cooperatively setting up strategic plans to select the right products and marketing strategy for each focused country, such as emerging countries in ASEAN as well as China.

Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:
- Brand: Baht 735 million, down 1% YoY
- CMG: Baht 765 million, down 25% YoY
- Sales ratio of Brand: CMG was 49:51, compared with 42:58 in Q3/2016.

Sales Breakdown by Geography:
- Domestic: Baht 1,028 million, up 2% YoY
- Export: Baht 472 million, down 38% YoY
- Sales ratio of Domestic: Export was 69:31, compared with 57:43 in Q3/2016.





Q3/2017 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 1,054 million. Cost of goods sold to sales increased to 70.3% from 65.6% in Q3/2016 as a result of higher cost per unit due to lower capacity utilization as well as higher depreciation resulted from additional investment in machinery to improve production efficiency and reduce production cost, in order to prepare for an increased level of production in the future. However, Cost of goods sold to sales decreased QoQ from 72.4% in Q2/2017 due to higher utilization and improved cost management.

Q3/2017 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 446 million, a decrease of 26% YoY. This represented gross profit margin of 29.7%, a decline from 34.4% in Q3/2016 as a result of higher cost per unit due to lower utilization. However, gross profit margin improved QoQ from 27.6% in Q2/2017 due to higher utilization and improved cost management.

9M/2017 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 3,087 million. Cost of goods sold to sales increased to 70.4% from 67.9% in the same period last year as a result of higher cost per unit due to lower capacity utilization as well as higher depreciation resulted from additional investment in machinery to improve production efficiency and reduce production cost, in order to prepare for an increased level of production in the future.

9M/2017 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 1,297 million, a decrease of 20% YoY. This represented gross profit margin of 29.6%, a decrease from 32.1% in the same period last year as a result of higher cost per unit due to lower utilization as earlier explained.

Q3/2017 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 235 million, a decrease of 15% YoY. Selling expenses to sales was 15.7%, unchanged from Q3/2016 following the group's cost control policy, but higher QoQ from 14.3% in Q2/2017 due to the new packaging launch in Q3/2017 as well as higher marketing campaign expenses.

9M/2017 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 634 million, a decrease of 16% YoY. Selling expenses to sales reduced to 14.5% from 15.1% in the same period last year, following the group's cost control policy.

Q3/2017 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 116 million, a decrease of 14% YoY. Administrative expenses to sales increased to 7.7%, quite stable compared with Q3/2016. However, the ratio was lower QoQ from 8.9% in Q2/2017.

9M/2017 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 376 million, an increase of 6% YoY. Administrative expenses to sales increased to 8.6% from 7.0% in the same period last year due to higher personnel expenses including additional employment in a newly established subsidiary, gradual improvement of employee benefits as well as higher R&D expenses. All above activities have been prepared for the upcoming aggressive growth in the future.

Q3/2017 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 6 million, down 8% YoY, as a result of better interest rate as well as improved management of revolving loan.

9M/2017 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 16 million, down 13% YoY, as a result of better interest rate as well as improved management of revolving loan.

Q3/2017 Net Profit

The Company and its subsidiaries recorded net profit of Baht 78 million, a decrease of 52% YoY, representing a net profit margin of 5.1%, reducing from 9.1% in Q3/2016 due to higher cost per unit resulted from lower capacity utilization and higher depreciation resulted from additional investment in machinery to improve production efficiency and reduce production cost, in order to prepare for an increased level of production and the Company's aggressive growth in the future. Additionally, the Company recorded loss recognition of Baht 4 million from Monde Malee Beverage Corporation (MMBC), the Company's joint venture in the Philippines.

However, the Q3/2017 net profit increased 27% QoQ, a significant improvement compared with the previous quarter due to higher sales of most business segments. In addition, cost per unit decreased QoQ due to higher capacity utilization and improved cost management.

9M/2017 Net Profit

The Company and its subsidiaries recorded net profit of Baht 257 million, a decrease of 38% YoY, representing a net profit margin of 5.8%, reducing from 8.2% in the same period last year due to due to higher cost per unit resulted from lower capacity utilization; higher depreciation resulted from additional investment in machinery to improve production efficiency and reduce production cost, in order to prepare for an increased level of production; increased administrative expenses from higher personnel expenses to prepare for the Company's upcoming leaping growth in the future as well as loss recognition of Baht 11 million from MMBC. However, losses from MMBC loss was reducing, foreseen, and undergoing following the Company's plan, while the loss was considered as a normal level for the business at the beginning stage launching new products into the market which requires high spending.

4. Financial Position of the Company and its Subsidiaries

(Unit: Baht Million)	30 September 2017	31 December 2016	% Change
Cash and cash equivalents	37	92	-60%
Trade receivables	818	731	+12%
Inventories	968	812	+19%
Other current assets	190	96	+98%
Total current assets	2,013	*1,731*	+16%
Property, plant and equipment	2,005	1,781	+13%
Investments in joint venture	4	5	-27%
Other non-current assets	149	123	+21%
Total non-current assets	2,157	1,909	+13%
Total Assets	**4,170**	**3,640**	+15%
Bank overdrafts and short-term loans from financial institutions	1,331	1,047	+27%
Trade payables	482	323	+49%
Current portion of long-term liabilities	128	7	+1718%
Current portion of liabilities under financial lease agreements	40	33	+20%
Other non-current liabilities	345	416	-17%
Total Current Liabilities	2,326	*1,826*	+27%
Long-term loans, net of current portion	62	7	+851%
Liabilities under financial lease agreements	70	91	-22%
Other non-current liabilities	128	138	-7%
Non-current Liabilities	261	*235*	+11%
Total Liabilities	**2,587**	**2,061**	+26%
Authorized share capital	140	140	+0%
Issued and fully paid-up share capital	140	140	+0%
Share premium	6	6	-0%
Retained earnings	1,242	1,229	+1%
Other components of equity	195	199	-2%
Total equity of parent Company's shareholders	1,583	1,575	+1%
Non-controlling interests	0	5	-100%
Total Shareholders' Equity	1,583	1,579	+0.2%
Total Liabilities and Shareholders' Equity	**4,170**	**3,640**	+15%

Assets

As at 30 September 2017, the Company and its subsidiaries had total assets of Baht 4,170 million, an increase of 15% from Baht 3,640 million as at 31 December 2016. This was mainly due to increased trade receivables, higher inventories from the new crop season for canned fruit production, and additional investment in machinery to improve production efficiency as well as reducing production cost, in order to prepare for an increased level of production in the future.

Liabilities

As at 30 September 2017, the Company and its subsidiaries had total Liabilities of Baht 2,587 million, an increase of 26% from Baht 2,061 million as at 31 December 2016, mainly due to higher trade payables resulted from raw materials and packing materials purchase for the new crop season of canned fruit production as well as an increase in loans from financial institutions for the use of the Company's working capital and capital expenditure.

Shareholders' Equity

As at 30 September 2017, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 1,583 million, a slight increase of 1% from Baht 1,575 million as at 31 December 2016, as a result of operating profit during the year as well as interim dividend payment.

5. Liquidity and Capital Resources

Current Ratio

As at 30 September 2017, the Company and its subsidiaries recorded current ratio of 0.87x, a decrease from 0.95x as at 31 December 2016, resulted from increased trade payables, higher bank overdrafts and short-term loans from financial institutions for the use of the Company's working capital as well as an increase in current portion of long-term liabilities and current portion of liabilities under financial lease agreements.

Cash Flow

(Unit: Baht Million)	9M/2017	9M/2016	% Change
Profit (loss) from operating activities before changes in operating assets and liabilities	482	704	-32%
Profit (loss) from changes in operating assets and liabilities	(334)	(252)	-33%
Net Cash flows from (used in) operating activities	**148**	**453**	**-67%**
Decrease (increase) in investments in joint venture	(17)	(38)	+57%
Acquisition of property, plant and equipment	(415)	(91)	-357%
Net Cash flows from other investing activities	24	2	+883%
Net Cash flows from (used in) investing activities	**(408)**	**(127)**	**-221%**
Increase (decrease) in bank overdraft and short - term loans from financial institutions	291	(39)	+840%
Increase (decrease) in long-term loans	185	(5)	+3895%
Cash paid to liabilities under finance lease agreement	(13)	(64)	+79%
Finance costs paid	(15)	(22)	+32%
Dividend paid	(243)	(203)	-20%
Net Cash flows from (used in) financing activities	**205**	**(333)**	**+162%**
Net increase (decrease) in cash and cash equivalents	(55)	(7)	-734%
Cash and cash equivalents at beginning of periods	92	75	+23%
Cash and cash equivalents at end of periods	**37**	**69**	**-46%**

At the end of Q3/2017, the Company and its subsidiaries recorded ending cash of Baht 37 million, an increase from Baht 69 million at the Q3/2016, with details as follows:

- Net cash received from operating activities of Baht 148 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 482 million, mainly resulted from operating profit and (2) cash outflows from net change in working capital of Baht 334 million mainly due to higher trade receivables and inventories.

- Net cash used in investing activities of Baht 408 million, comprising of (1) cash outflows from investment in fixed assets of Baht 415 million; (2) cash outflows from investments in joint venture of Baht 17 million; (3) proceeds from sale of fixed assets of Baht 6 million; and (4) cash inflows from other investing activities of Baht 18 million.

- Net cash received in financing activities of Baht 205 million, consisting of (1) an increase in bank overdrafts and short-term loans from financial institutions of Baht 291 million; (2) an increase in long-term loans of Baht 185 million; (3) repayment to liabilities under financial lease agreement of Baht 13 million; (4) cash paid to finance costs of Baht 15 million; and (5) cash paid for dividend payment to the Company's shareholders of Baht 243 million.

6. Forward Looking

On 30 October 2017, the Company has signed the joint venture agreement with PT Kino Indonesia Tbk (KINO) group, a consumer product company in Indonesia. The Company and KINO will set up two new joint ventures together, conducting business in two countries – "Malee Kino (Thailand) Co., Ltd." in Thailand and "PT Kino Malee Indonesia" in Indonesia. Malee Kino (Thailand) Co., Ltd. will focus on marketing and distributing KINO Group products suitable for Thai consumers in Thailand. In general, the personal care business has a higher profitability than the beverage business. Therefore, the new business is expected to improve the Company's overall margins. Meanwhile, PT Kino Malee Indonesia will develop new beverage products and expand the market for Malee brand products in Indonesia. KINO group has sales and distribution network nationwide, with over 1 million sales points. Both joint ventures are expected to become operational by mid-2018. The two joint ventures will enhance both companies' competitiveness, while expanding business into new markets and reinforcing existing business in which we currently operate by offering more diverse products that fully meet consumers' preferences. In addition, this partnership will be one of the key drivers for the Company's aggressive growth.

During 2015-2017, the Company has been building foundation and preparing in all areas for the Company's future growth. Those years are the first phase out of the Company's 9-year business strategy. Throughout those 3 years until now, the Company has been investing in key various projects, including plant facilities and machinery enhancement, new subsidiary company establishment as well as joint venture investments with both domestic and international business partners. Those investments have resulted in higher fixed costs compared to sales amount, as sales are not generated immediately, but it will be just a temporary incident. The Company believes that those investments are important and necessary, as they will help drive the Company to grow sharply following its strategic plan in the second phase during 2018-2020. Subsequently, the Company will enter its third phase during 2021-2023, where the Company will develop business sustainability becoming a Health-Driven Global F&B Firm that operates sustainably.

With the above plan, the Company is confident that sales will grow aggressively 30% in 2018, the starting year of the Company's strategic plan in the second phase where the Company aims to grow impressively, anticipating that sales growth will come from all areas following the Company's risk diversification strategy including: 1) Diversified Customers, i.e. increased number of CMG customers; 2) Diversified Products, i.e. a new manufacturing line which is currently the world's best technology and will allow the Company to produce a wider range of products with lower production cost, while the Company is planning to launch more products in new categories; and 3) Diversified Markets, i.e. domestic branded sales recovery driven by new products launch and marketing campaign throughout next year on the Company's 40th anniversary celebration as well as export branded sales which will continue to grow prominently.

The Company is confident that strengthening and developing collaborations with leading partners that offer considerable expertise in many areas to develop new products and to increase sales and distribution channels both locally and abroad, will enhance the Company to expand into new markets and reinforce the business. In addition, it will drive the Company in its journey to become a Health-Driven Global F&B Firm that operates sustainably as well as achieving the Company's next year sales target growth of 30%.